

EXHIBIT 1: ADMINISTRATIVE DOCUMENTS

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EXHIBIT 1: ADMINISTRATIVE DOCUMENTS

APPLICATION

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, 3
Schedule B, as amended (the "OEB Act");

AND IN THE MATTER OF an Application by Grimsby Power Inc. under Section 78 of
the OEB Act to the Ontario Energy Board for an Order or Orders approving or fixing
just and reasonable rates and other service charges for the distribution of electricity
as of May 1, 2016.

BACKGROUND

1. The Applicant is a corporation incorporated pursuant to the *Business Corporations Act* (Ontario) with its head office in the Town of Grimsby. The Applicant carries on the business of distributing electricity within the Town of Grimsby.
2. The Application has been prepared pursuant to the OEB's Renewed Regulatory Framework for Electricity Distributors as detailed in the Report of the Board dated October 18, 2013 (the "RRFE").
3. The Applicant followed Chapter 2 of the OEB's Filing Requirements for Electricity Distribution Rate Applications last revised on July 16, 2015 (the "Filing Requirements") in preparing the Application. There are no deviations from the Filing Requirements in this Application.
4. The Applicant has prepared a Consolidated Distribution System Plan ("DSP") in accordance with Chapter 5 of the OEB's Filing Requirements for Electricity Transmission and Distribution Applications dated March 28, 2013.
5. The Applicant acknowledges that the OEB has published an update to the cost of capital parameters on Oct 15, 2015. These parameters have been integrated into this Application.

6. Applicant's Name: Grimsby Power Incorporated
(the "Applicant" or "Grimsby Power")

7. Applicants Address: 231 Roberts Road
Grimsby, Ontario
L3M 5N2

Doug Curtiss



Chief Executive Officer

Mioara Domokos



Director of Finance

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Grimsby Power Incorporated (Grimsby Power) is located in Southern Ontario and incorporated pursuant to the Ontario Business Corporations Act with its office in the Town of Grimsby. Grimsby Power owns and operates electricity distribution infrastructure serving over 11,000 residential and commercial customers within the Town of Grimsby municipal boundaries. The business of Grimsby Power is regulated by the Ontario Energy Board (OEB) under the Ontario Energy Board Act, 1998 (Ontario).

Grimsby Power is a subsidiary of Niagara Power Incorporated (NPI) and is owned 90% by the Town of Grimsby and 10% by FortisOntario. On March 26, 2015 Grimsby Power and its affiliate Niagara West Transformation Corporation (NWTs) received approval from the OEB to amalgamate. On October 1, 2015 Grimsby Power amalgamated with (NWTs). The newly amalgamated company, carrying on business as Grimsby Power Incorporated (Grimsby Power), continues to distribute electricity through its distribution infrastructure but also owns and operates a 230kV to 27kV transmission station formerly owned and operated by NWTs. The transmission station known as Niagara West MTS supplies Grimsby Power and Niagara Peninsula Energy Inc. a neighbouring Local Distribution Company (LDC).

Grimsby Power receives electricity from the provincial electricity grid and transports it safely and reliably through its electricity distribution network of 69 square kilometers. This electricity network includes one municipal transformer station (Niagara West MTS), 172 kilometers of overhead lines, 73 kilometers of underground cable, 1495 distribution transformers (overhead and underground pad mounts), and 3708 poles.

As a condition of license Grimsby Power is required to meet energy conservation and demand management (CDM) targets established by the OEB.

1 In this section of the Application, Grimsby Power provides an overview and explanation of:

- 2 • Its business planning process and methodology;
- 3 • How its business objectives and plans align with the RRFE objectives; and
- 4 • Grimsby Power's past and anticipated performance in key areas directly related to
- 5 the RRFE objectives.

6 Grimsby Power normally commences its budget and business planning processes in mid to
7 late summer of each year for the next fiscal year with targeted approval by the Grimsby
8 Power Board of Directors in early December. The planning process includes the
9 identification of major priorities for the year. This includes Operations, Maintenance, and
10 Administrative (OM&A) activities linked to these priorities and the Capital investment
11 requirements identified in Grimsby Power's Distribution System Plan (DSP). Once the major
12 priorities are identified a detailed bottom up budget is constructed. The process for the
13 2016 Test Year budget is the same as noted above with the exception that some costs in
14 the five year rate period are averaged into the Test Year.

15 For this rebasing application, three main themes will be apparent. First is the need to
16 implement Grimsby Power's succession planning strategy. The second is to build
17 technological advances into Grimsby Power's service offerings to customers and the third is
18 to levelize capital spending over the five year planning horizon. The succession planning
19 strategy includes the need to hire and train employees ahead of planned retirements so that
20 proper training and knowledge transfer can take place. In addition to this additional
21 resources have been identified where current resources are overwhelmed by the volume of
22 work required to meet customer satisfaction levels. Technological advances in Grimsby
23 Power's service offerings have been requested by Grimsby Power's customer base and this
24 is evidenced by the results of a survey which took place in 2014. This survey was
25 specifically designed to address distribution system planning in the context of developing
26 Grimsby Power's DSP. Grimsby Power's DSP has been organized to support the
27 technological advances by shifting, in the short term, some of the distribution capital
28 investment to general technology based solutions. All of these requirements have been
29 included in this application in the context of balancing the customers' needs and wants with
30 the costs associated with providing this type of service.

1 Management has reviewed its planning for the 2015 Bridge Year and the 2016 Test Year in
2 the context of the OEB's RRFE Objectives (Customer Focus, Operational Effectiveness, Public
3 Policy Responsiveness, and Financial Performance) and believes that its mission and vision
4 are consistent with the objectives of the RRFE. The discussion and analysis which follow
5 describe this consistency.

6 Grimsby Power Inc's Mission Statement is:

- 7 • Grimsby Power Incorporated. is committed to provide the customers of Grimsby with
8 a safe and reliable electricity supply while operating effectively and efficiently at an
9 equitable cost;
- 10 • Grimsby Power Incorporated will grow the business and increase shareholder value.

11 Grimsby Power Inc's Vision is to:

- 12 • Be adaptable;
- 13 • Continue to provide economical efficient energy;
- 14 • Be in business for our customers;
- 15 • Be a locally owned business;
- 16 • Strive to be efficient in any new operation to meet our customers' needs, and;
- 17 • Partner with others to drive economies of scale and scope.

18 Grimsby Power Inc.'s priorities are defined in its Corporate Goals:

- 19 • Operate with a view to profitability and maximizing shareholder value while
20 maintaining appropriate commitments to:
 - 21 ○ Distribution system reliability;
 - 22 ○ Customer satisfaction and;
 - 23 ○ Safety and environmental protection.

Grimsby Power's Business Plan and Objectives

As part of an annual process Grimsby Power consolidates its annual business targets into a matrix of objectives. These objectives are segregated into four categories – Financial, Customer Service, Safety, and Reliability. These four objectives are directly related to and support the OEB's RRFE Objectives (Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial Performance). The measures used within each objective are described below:

- Financial – Percent Variance in Actual OM&A Expense vs. Budget – Target is plus or minus 5% of Budget - The purpose of this metric is to promote executing the various budget expenses as close to budget dollars as possible.
- Financial – Percent Variance in Actual Capital Expense vs. Budget – Target is plus or minus 10% of Budget - The purpose of this metric is to promote the maintenance of a predetermined level of capital spend. In the past capital expenditures were not realized and investment was not keeping up with the budgeted levels. The ranges recognize that Grimsby Power's project estimates should be as close to actual as possible.
- Financial – Percent Weighted Completion of Budgeted Capital Projects and Items – Target is a range from 90% to 95% of budget - The purpose of this metric is to promote the completion of projects as a percentage of completion in the field. The more projects that are 100% completed against budget the better.
- Customer Service – Percent of General Telephone Calls Answered within Minimum Standard – Target is plus or minus 1% of an 86% benchmark - The purpose of this metric is to measure how many calls coming into Grimsby Power's customer care telephone number are answered within 30 seconds. The OEB target for this measure is 65%.
- Customer Service – Number of Written Responses Met within Standard – Target is equal to 100% - The purpose of this measure is to track the number of written responses to inquiries answered within 10 business days.

- 1 • Customer Service – First Contact Resolution – Target is no more than two per month
2 on average. This measure is to determine how customers needs are resolved in their
3 first attempt to contact Grimsby Power. Grimsby Power's measure of this is to track
4 the number of calls escalated from the customer account representatives to the
5 Director of Customer Accounts.

- 6 • Customer Service – Billing Accuracy – Target is 99% or more - This metric is part of
7 Grimsby Power's Annual Scorecard as prescribed by the OEB. This measure is to
8 determine how many bills of those issued are inaccurate. The industry wide
9 performance target is 98%.

- 10 • Safety - Number of Lost Time Incidents & Health and Safety Program – Target is
11 zero lost time incidents. The measure of this metric is to continue the record of zero
12 lost time incidents. From a subjective point of view this measure establishes the
13 overall progress in health and safety over the year or how well did Grimsby Power
14 integrate H&S with the day to day activities of the organization.

- 15 • Safety – Number of Field Audits vs. Target – Target is 40 to 44 Audits - 42 field
16 audits of Grimsby Power staff are targeted in the calendar year split between the
17 Operations Supervisor, Director of Asset Management, Engineering Supervisor, and
18 the CEO.

- 19 • Reliability – Percent Change in Three Year Rolling Average of SAIDA – Target is plus
20 or minus 5% or between 1.3737 and 1.5183 – SAIDA or System average interruption
21 duration index - the lower the index the better. The goal of the change in rolling
22 average is to have a decreasing trend.

- 23 • Reliability – Percent Change in Three Year Rolling Average of SAIFI – Target is plus
24 or minus 10% or between 1.1862 and 1.4498 – SAIFI or System average
25 interruption frequency index. The goal of the change in rolling average is to have a
26 decreasing trend.

27 In addition to these objectives and measures Grimsby Power is focused on the RRFE
28 Objectives as follows.

Community and Customer Focus

Grimsby Power is firmly rooted in the local community and is well positioned to identify and respond to customer preferences through its planning processes. Grimsby Power is committed to maintaining the following customer and community focus objectives.

Assisting customers in becoming better informed about safe, economical and efficient uses of electricity through the distribution of billing inserts, messaging on monthly invoices, conducting a customer satisfaction survey, regular updates with the Town of Grimsby council, attendance at various community events, participation in a municipal utility coordination group, and meeting the various metrics established inside of the OEB's RRR reporting and scorecard.

Community safety is of utmost importance for Grimsby Power. Every task, regardless of conditions, must be executed safely and without harm to Grimsby Power's workers and the public. Grimsby Power has an excellent public safety record which is confirmed by Grimsby Power's continued compliance (and record of compliance) with Ontario Regulation 22/04.

Operational Effectiveness

Grimsby Power is committed to maintaining distribution system reliability and quality to achieve or outperform the targets set each year. Managing, maintaining and operating the distribution system in a manner that will, cost effectively, minimize: (i) the average number of hours that customers experience outages; and (ii) the frequency of such interruptions. Grimsby Power is also committed to managing and maintaining the distribution system to meet power quality standards in accordance with good utility practice, all applicable standards and guidelines and Grimsby Power's Conditions of Service.

Public Policy Responsiveness

Grimsby Power is committed to actively support provincial and local public policy objectives through the implementation of smart meters, time-of-use pricing, meeting mandated conservation and demand management targets, enabling renewable generation, transitioning to MIFRS accounting standards, the implementation of LEAP, the

1 implementation of the Ontario One Call system, and the implementation of the Ontario
2 Energy Support Program, to name just a few.

3 Grimsby Power is committed to continue to evolve its business to meet current and future
4 demands from its customers, from the community and the broader sector. The distribution
5 sector in Ontario is poised for further change in the future. Grimsby Power will identify
6 different strategic business scenarios, critical success factors for each scenario and prepare
7 itself for eventual change.

8 **Financial Performance**

9 Providing good value service for money while providing a fair rate of return to the Town of
10 Grimsby and FortisOntario. Grimsby Power is committed to provide the maximum rate of
11 return to its Shareholders and to continuously improve efficiency and productivity to provide
12 better value-for-money to its customers the ratepayer. Some efficiency improvements may
13 lead to direct cost savings. Other efficiency improvements may lead to a more effective
14 utilization of resources, allowing Grimsby Power to do more with less. Grimsby Power will
15 work towards continuously identifying and implementing measures that will lead to
16 sustainable long-term efficiencies that utilize resources more effectively.

17 Grimsby Power's 2015 and 2016 budgets are reproduced in Appendix 1-A and 1-B
18 respectively of this Exhibit 1. In developing the budgets, Grimsby Power keyed in on the
19 need to align its budget with the objectives of the RRFE, and in particular with
20 improvements to productivity, public safety and reliability, the provision for excellent service
21 to customers, and steady financial returns to its Shareholder.

22 The underlying principles for the development of the 2016 budget are as follows:

- 23 • Provide for requirements of Grimsby Power's succession planning strategy which
24 results in an increase in OM&A which covers the costs associated with hiring and
25 training employees either ahead of retirement or due to match an increase in volume
26 of work. The succession plan also provides for new employees which will assist
27 Grimsby Power to meet its customers expectations of an increase in the use of
28 technology.

- A capital investment plan based on a thorough assessment of Grimsby Power's needs with respect to renewal of assets and increases in technology to maintain the excellent reliability that Grimsby Power customers have come to expect.
- An increase in technology provides the foundation for productivity improvements.

Overview of Budgeting Process Methodology

Grimsby Power's current budget process methodology was developed in 2010/2011. The original budget was developed in three stages. The first stage involved the OM&A side of the business where all known expenses and expenses of various work programs were tabulated to form a line by line budget. Every known expense is detailed in terms of labour, equipment, material, and third party expenses. For the next prospective year the costs for continuing expenses are adjusted by inflation factors noted in agreements for those services or by an inflation factor. The forecasted Consumer Price Index is utilized as the inflation factor. All expenses are scrutinized for inclusion in the budget and the budget is modified to keep the spend as levelized as possible. The second stage involves detailing of the capital investments to be made. In 2010/2011 this information was derived from Grimsby Power's Distribution Asset Management Plan. Since this time and for 2016's budget a Distribution System Plan has been developed based on the OEB's Chapter 5 filing requirements. The DSP provides for a five year capital investment forecast with specific projects identified. These projects are entered into the budget in the same detail as the OM&A expenses. The third stage involves the forecasting of revenue. This process has evolved from simply trending historical revenue to today's sophisticated process of utilizing the Weather Normalization model to predict kwhrs and thus calculate revenue from known or proposed rates.

The 2016 budget contains a full implementation of Grimsby Power's succession planning strategy which increases FTE compliment to satisfy knowledge transfer prior to planned retirements and to provide additional resources where work volume exceeds current capacity.

Planning Objectives

Plan to Meet Grimsby Power's Capital Investment Program **RRFE Customer Focus/Operational Effectiveness**

Grimsby Power's capital plan is described in detail in the DSP in Exhibit 2, Appendix 2-A. The DSP provides the OEB and all interested stakeholders with an overview of Grimsby Power's asset planning objectives and goals, a review of Grimsby Power's asset related operational performance, a preview of Grimsby Power's planned expenditures for the forecast period (2016 to 2020), and a complete analysis of the state of Grimsby Power's current infrastructure with a plan to replace it.

Plan to Control Grimsby Power's Operating Expenses **RRFE Customer Focus/Operational Effectiveness/Public Policy Responsiveness**

Operating, Maintenance, and Administrative (OM&A) expenses are described in detail in the DSP and Exhibit 4. OM&A expenses are costs required to operate, maintain, and sustain electricity distribution operations. This includes new expenditures to support the needs of customers as identified in Grimsby Power's customer satisfaction survey and investment planning survey.

The average annual increase in OM&A over the period 2012 to 2016 was 6.0%. This increase reflects the combined effects of productivity improvements, cost containment, inflation, and expenses to manage the increase in customers.

More specifically, the increase particularly in the test year is due to:

- The need for additional employees for succession planning, to provide expertise in areas not currently supported by the existing staff compliment, and to ensure Grimsby Power meets its regulatory requirements. The equivalent of 1.7 FTE's were added in the 2015 Bridge Year and 5.3 proposed for the 2016 Test Year.
- Increases in wages and salary for Union employees based on Grimsby Power's current collective agreement which expires June 1, 2016 and an estimate of future increases. The agreement provides for inflationary increases as well as salary progressions for those employees not making the job rate (these are timed

progressions based on satisfactory performance). 2016 rates have been estimated utilizing an inflationary factor of 2.2% which is the estimated consumer price index increase for 2016 based on the TD Banks forecast dated April 10, 2015. Wage rates have been normalized to account for the mid-year timing of the collective agreement assuming wage changes would take effect on the agreement date of June 1, 2016.

- Management employees salaries have been determined by adding an inflationary factor of 1.5% and is based on comparisons with the market based salaries as well as salary progressions for those employees not making the job rate.

More information in employee compensation can be sought in Exhibit 4.

Plan to Meet Grimsby Power's Service Quality Objectives **RRFE Customer Focus Outcome**

Grimsby Power has repeatedly exceeded the OEB's Service Quality Indicator standards and, as set out in Exhibit 2, it is targeting to maintain its performance at levels equal to or above the currently set targets for 2015 and 2016.

Grimsby Power is a community that has maintained a steady growth up until 2013 and since 2013 has had exceptional growth. Most of this growth is in residential subdivision development. However, in 2015 there has been a cluster of activity in high rise condominium units with ground level commercial units. This type of development is entirely new for the Town of Grimsby and developer plans are being firmed up as this application is being written. Grimsby Power's infrastructure has been developed such that all of this development lies along existing distribution plant with enough capacity to absorb the load and at the same time maintain the reliability that has been established.

Responding to the increasing demand for up to date information on the status of the distribution system Grimsby Power has incorporated plans to invest in an outage management system to provide the critical information customers want during an outage. Future plans involve increasing the information available on Grimsby Power's website and adding social media content to its customer communications.

Plan to Meet Grimsby Power's Health & Safety Objectives **RRFE Customer Focus and Operational Effectiveness Outcomes**

Grimsby Power has made it a priority to make health and safety front and centre with everything we do. This holds true for both the safety of employees, contractors, and the general public. In 2011 Grimsby Power initiated a Health and Safety Audit to WSIB Workwell standards and has been working towards meeting the audit elements to be more compliant with the Workwell standard. Grimsby Power actively pursues regular health and safety meetings with staff and has formed a Joint Health & Safety Committee (JHSC) instead of relying in the minimum standard of a single Health and Safety Representative. The JHSC performs workplace inspections and reviews all incidents with a view to continuous improvement. Externally, Grimsby Power has engaged the services of Electricity Safety and Conservation to promote electricity safety and conservation with elementary school students in two groups JK to grade 4 and grades 5-8. All schools in the Town of Grimsby were included in these presentations. This occurred over a two year period and involved 8 schools and just over 2700 students as detailed below.

Table 1-1
Electrical Safety Promotion - Schools

School	Town	Grades	# of Students	Date
Our Lady of Fatima	Grimsby	JK-8	355	Nov. 19/2013
St. Joseph	Grimsby	JK-8	271	April 14/2014
Central Elementary	Grimsby	JK-8	481	April 15/2014
Grand Avenue Elementary	Grimsby	JK-8	255	Oct. 16/2013
Lakeview Elementary	Grimsby	JK-8	475	April 16/2014
Nelles Elementary	Grimsby	JK-8	275	Oct. 16/2013
Park Elementary	Grimsby	JK-8	163	April 14/2014
Smith Elementary	Grimsby	JK-8	450	Nov. 19/2013

Plan to Meet Grimsby Power's Conservation and Demand Management Objective **RRFE**
Customer Focus and Public Policy Responsiveness Outcomes

Grimsby Power has been very successful in delivering CDM programs to its customers particularly in the latest program period from 2011 to 2014. Currently Grimsby Power is preparing to implement CDM programs for the 2015 – 2020 Conservation First Framework. Since 2011 Grimsby Power has delivered its CDM programs through an expert third party service provider. This allows Grimsby Power to offer CDM programs across all customer segments with expertise in all programs. For residential customers these programs include

HVAC incentives, appliance retirement, bi-annual retailer events, coupon booklets, and residential demand response. For the commercial/industrial customers this includes retrofit, direct install lighting, energy audit, demand response, and high performance new construction. The collective knowledge and benefit of the third party service provider is extremely effective as compared with the ability of Grimsby Power to build internal capacity with the same level of knowledge across multiple skill sets (marketing, sales, technology, engineering verification, administration, IT, etc.).

Throughout the delivery of these programs Grimsby Power has exceeded its 2014 cumulative energy savings target and as confirmed by the OPA's verified results report for 2014 achieved 137% of its energy savings target. This exceeded the provincial average of 109.2%. On the demand front Grimsby Power achieved 55.4% somewhat lower than the provincial average of 69.8 but in keeping with its 92% residential customer base where demand savings is extremely difficult to achieve.

Plan to Meet Grimsby Power's Financial Goals ***RRFE Financial Performance Outcome***

Grimsby Power's financial goal is to maximize its rate of return but continue to provide good value and exceptional service to its customer base. Grimsby Power's rate of return has declined each year since the 2012 rate setting process. Grimsby Power has calculated the rate of return for the 2015 Bridge Year and 2016 Test Year based on the existing rates as presented in Table 1-2.

Table 1-2
Rate of Return History
2012 to 2016 Test Year

Performance Metric	2012	2013	2014	2015 Bridge Year	2016 Test Year
Achieved/Projected Rate of Return on Equity	12.04%	7.20%	5.89%	2.00%	-4.59%

The main reasons for this lower rate of return in the 2015 Bridge Year and 2016 Test Year are an under-leveraged balance sheet and under-recovery of depreciation expense.

Under - leveraged Balance Sheet: Since taking on its first debt instrument in 2010/11 Grimsby Power has been working towards a 60% debt / 40% equity split. The debt instruments have been used to first fund the smart meter program and since this time various capital investments in distribution infrastructure (e.g. - residential subdivision development) and general plant (e.g. - the purchase of a new 55ft Aerial Device). With the amalgamation between Grimsby Power and NWTC (effective October 1, 2015) Grimsby Power's capital structure is very close to the 60% debt / 40% equity split and it will be Grimsby Power's future goal not to incur additional debt beyond the 60% debt / 40% equity split.

Under-recovery Depreciation Expense: During 2015 Grimsby Power Inc amalgamated with Niagara West Transformation Corporation. As a result of the additional fixed assets Grimsby Power's actual depreciation expense was approximately \$198,500 over the depreciation expense currently reflected in existing rates. Furthermore, the increase in rate base was also not considered in current rates.

With respect to its overall financial position, Grimsby Power expects that the OEB approval of this rate application, and the refection of the cost consequences of those items in rates, will materially assist Grimsby Power to move toward a normalized level of ROE.

Summary

In summary, Grimsby Power's 2015 to 2020 plan was developed by taking into consideration the Company's mission, vision, goals and those expectations set by the OEB through the RRFE outcomes. All expenses and projected revenues have been thoroughly prepared using reasonable assumptions. The 4th generation IRM framework will continue to challenge Grimsby Power's management to find operational savings and efficiencies in order to maximize the return to its shareholders while providing exceptional service to its customers.

EXECUTIVE SUMMARY

Revenue Requirement (Exhibit 6)

Grimsby Power is requesting the approval of its proposed service revenue requirement of \$6,574,945 an increase of \$2,342,909 or 55% compared with the 2012 approved service revenue requirement as shown in Table 1-3: Service Revenue Requirement.

Table 1-3
Service Revenue Requirement
2012 Board Approved vs. 2016 Test Year

	2012 Board Approved (A)	2016 Proposed (B)	Difference (C)=(B) - (A)
OM&A Expenses	2,407,163	3,925,363	1,518,200
Amortization/Depreciations	692,103	1,000,584	308,481
Property Taxes	27,540	27,594	54
Income Taxes	37,898	69,211	31,313
LEAP	4,117	7,528	3,411
Regulated Return on Capital	1,063,215	1,544,665	481,450
Total Service Revenue Requirement	\$ 4,232,036	\$ 6,574,945	\$ 2,342,909
Rate Base	\$ 16,641,297	\$ 24,959,518	\$ 8,318,221

There are three main contributors to the difference in revenue requirement between 2016 proposed and 2012 approved. The first contributor is the cost increases in OM&A of \$1,518,200 as detailed in Exhibit 4, Table 4-2 - 2016 Test Year OM&A Expenditures. The second contributor is the increase in return on rate base resulting from an \$8 million increase in rate base which is explained in Exhibit 2 and is largely the result of the amalgamation of Grimsby Power with Niagara West Transformation Corporation. The third contributor is the increase in depreciation expense resulting from and the change in the Net Fixed Assets between 2012 and 2016 highly impacted again by the amalgamation of Grimsby Power with Niagara West Transformation Corporation.

The primary customer concerns, based on Grimsby Power's customer engagement efforts, include:

- Affordable electricity costs;
- Reliability of service with rapid response to un-planned outages;
- Proactive communications when there are un-planned outages;
- Communications through a variety of media including phone, internet, social media, in-person and email;
- Assistance to reduce consumption and thereby costs;
- Business to be customer centric including timely service that solves their problems; and
- Continued delivery of high quality services;
- Information supporting the value of services provided;
- Professional interactions with highly skilled and experienced personnel.

Grimsby Power is very aware of these concerns and has taken steps to address each of these concerns as further described in this Exhibit 1.

Budgeting and Accounting Assumptions

Developing 2016's budget (and those before it) is a key process as it identifies all costs associated with future initiatives and projections for capital and operating costs. Assumptions made by the management team for the capital and operating budgets are tested to ensure they support Grimsby Power's core business objectives as well as being prudent and financially sustainable. Both the 2015 Bridge Year and 2016 Test Year have continued to be compiled using the MIFRS method of presentation. Grimsby Power has been using MIFRS since 2012 and 2012 rates were approved under MIFRS reporting/presentation protocols. Grimsby Power provides detailed explanations in the applicable sections of the application for the major components of the budget; revenue,

OM&A and capital. Assumptions and methods of calculation from these exhibits for the 2016 Test Year are as follows:

Operating, Maintenance, and Administration Expense

OM&A expenses have been developed based on a detailed review of operating priorities and requirements and are strongly influenced by prior year experience, year-to-date results and expected changes for the forecast periods. OM&A expenses for the company have been significantly impacted by the execution of Grimsby Power's succession planning process with backfilling prior to retirements and the creation of new positions necessary to maintain Grimsby Power's performance. A total of two addition employees are required in 2015 and five in 2016 to meet the corporation's requirements, as noted below:

Table 1-4
New Required FTEs

New 2015 FTEs	New 2016 FTEs	Summary Comments
Engineering Supervisor		This position will be responsible for the overall supervision for engineering design and standards development. This position will also provide engineering support for Niagara West MTS in the areas of protection and control, additional distributed generation, system analysis, and smart grid integration. A Professional Engineer is required for this position because there is the potential that engineering assembly drawings will require a Professional Engineers stamp
Applications/Systems Support Professional		To play a key role in the procurement and maintenance of GPI's Information Technology systems. Currently a significant portion of the expertise is provided by a third party service. With technology being one of GPI's main strategic focal points, internal expertise focused solely on IT will provide maximum benefit.
	Apprentice Lineman	Transitional costs to train apprentices before current journeymen retirement. This overlap is required to allow for knowledge transfer. If this overlap process is not utilized a situation is created where the knowledge leaves the organization and leaves the remaining resources to cope with the same amount of work while training the apprentice at the same time.
	Junior Customer Accounts Representative	The customer service department has a steady increase of activities in areas such as: collection activity, move out/in activity, correspondence, phone calls, new services.
	Accounting Supervisor	Required to manage all day to day accounting functions and the flow of information to finance currently performed by the Director of Finance. This position would relieve the Director of Finance of daily routine tasks and focus on more strategic functions associated with financial costs drivers, cash flow, budgets, rate applications, collective bargaining and the financial impact of regulatory changes.
	Executive Assistant	There is currently an additional workload estimated at one half of an FTE shared between Niagara Power Inc. and Grimsby Energy Inc. and with the additional resource this will facilitate both knowledge transfer and the additional work beyond 1 FTE.

Additional assumptions include:

- Union wage increases of 1.95% effective June 1, 2015 and estimated 2.2% effective June 1, 2016.
- The management wage increases are based on a structured pay scale and the market; the total average increase is forecasted at 1.5%. There are no automatic “economic” increases for management employees.
- Regulatory costs for this application and other one-time costs have been normalized over the five year life of the application.
- An inflation rate of 2.2% where the expense increase could not be specifically identified.
- Amortization has been calculated based on the useful lives as determined in Grimsby Power’s last cost of service application in 2012 and on a MIFRS basis.
- Regulatory PILS have been calculated using the Board Approved model. The estimated Non-Capital Loss Carry forward deduction at the end of 2014 is \$712,155. If to this amount is added the 2015 estimated Non-Capital Loss Carry forward deduction of \$122,312, the amount available to be used in 2016 is \$ 834,467. For the rate proposes Grimsby Power assumes that one fifth will be used each year or \$166,893.
- Capital:
 - The capital budget forecast for 2015 and 2016 is influenced, among other factors, by Grimsby Power’s ongoing commitment to maintain a safe and reliable distribution system.
 - Distribution asset related projects were prioritized based on multiple factors as explained in the Distribution System Plan and Grimsby Power’s assessment of the condition of its assets.

- General asset related projects have been reviewed by department Managers and in some instances supported by third party reviews. Fleet requirements are based on Grimsby Power's fleet assessment.
- The budgets for 2015 and 2016 were prepared in accordance with Modified IFRS.

Load Forecast Summary (Exhibit 3)

Grimsby Power's load forecast is weather normalized and considers factors such as historical power purchased load, weather, calendar related factors and number of customers. As outlined in Exhibit 3, Grimsby Power has used the same regression analysis methodology approved by the Board in its 2012 cost of service application (EB-2011-0273). The regression analysis was conducted on historical electricity purchases to produce an equation that will predict weather normalized power purchases in 2016. The weather normalized purchased energy forecast is adjusted by a historical loss factor to produce a weather normalized billed energy forecast which is allocated to rate class using historical billing data by rate class. The forecast is also adjusted for expected Conservation and Demand Management (CDM) results for 2015 and 2016. An Embedded Distributor customer class was also added. This customer is needed as a result of the amalgamation of Grimsby Power and Niagara West Transformation Corporation.

Based on the load forecast methodology, the total 2016 Test Year kWh forecast is 182,544,054. This is a 1.38% decrease over the 2012 Board Approved kWh forecast of 185,106,615. This decrease reflects the impact of consumer conservation efforts.

The forecast of customers by rate class was determined using a geometric mean analysis. Based upon the geometric mean analysis, the expected number of customers/connections for the 2016 Test Year is 13,923 which is a 6.17% increase over the 2012 Board Approved customers/connections of 13,114. Rate Base and Capital Plan (Exhibit 2)

Rate Base and Capital Plan (Exhibit 2)

Summary of the Major Drivers of the Distribution System Plan

In creating the Distribution System Plan (the "DSP" as attached in Exhibit 2), Grimsby Power has applied its overarching corporate goals, which are to distribute electricity safely and reliably with the highest operating efficiency to provide good value service and provide the shareholder the full regulated return on equity. To meet these goals, Grimsby Power developed protocols and strategies to ensure optimized and efficient planning. Optimal operation of the distribution system is achieved when "right sized" investments into renewal, replacement (capital investments) and into asset repair, rehabilitation and preventative maintenance are planned and implemented based on a "just-in-time" approach. Therefore, the DSP and Grimsby Power's Capital Expenditure Plan seeks to find the right balance between capital investments in new infrastructure and operating & maintenance costs so that the combined total cost over the life of the asset is minimized.

Grimsby Power's DSP is focused on:

- System renewal and expansion
- Customer connections
- Smart grid development and implementation
- Renewable generation connections
- Regional planning

Grimsby Power's DSP builds on Grimsby Power's Distribution Asset Management Plan that was submitted for the last rebasing application in 2012. The DSP is a first generation plan which will evolve over time. 2015 and 2016 capital budgets have been prepared based on identified projects which are required to sustain and enhance the distribution system. The Town of Grimsby has experience a steady growth over the last few years and a large contributor to capital investments is directly related to residential subdivision development. Cost for projects and programs are based on estimates and not final designs. Therefore, there is a fairly large risk that the estimates will be inaccurate.

As is demonstrated in the DSP as well as the remainder of this summary, Grimsby Power is forecasting capital spending will increase for the 2016 and from 2017 to 2020 Grimsby Power has budgeted strategically for a more levelized spending pattern. The average change in spending is 4.5% over the forecast period and if 2016 is eliminated the average increase over the period from 2017 to 2020 is 1.5%. These capital expenditures are spread out over four categories (as seen in Table 1-5 below): System Renewal, System Access, System Service and General Plant.

Table 1-5
Proposed Capital Investment
2016 to 2020

	2016	2017	2018	2019	2020	Total	Average
	\$ '000						
System Access	1,110	995	967	906	839	4,818	964
System Renewal	273	918	976	1,062	1,067	4,294	859
System Service	178	399	409	421	428	1,835	367
General Plant	711	202	170	173	177	1,434	287
Contributed Capital	(561)	(572)	(554)	(518)	(482)	(2,688)	(538)
TOTAL EXPENDITURE	1,710	1,943	1,968	2,044	2,029	9,693	1,939
Percent Change from Previous Year		13.6%	1.3%	3.9%	-0.7%		4.5%
Percent Change Not Including 2016			1.3%	3.9%	-0.7%		1.5%

Rate Base Requested for the 2016 Test Year

Table 1-6 shown below outlines the summary of rate base from 2012 OEB Approved to the 2016 Test Year. Grimsby Power has calculated its 2016 rate base as \$24,959,518. See Exhibit 2 for greater detail.

Table 1-6
Summary of Rate Base
2012 Board Approved to 2016 Test Year

Description	2012 OEB Approved	2012 Actual	2013 Actual	2014 Actual	2015 Bridge Year	2016 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Gross Fixed Assets, Opening Balance	13,857,585	13,937,159	15,622,269	16,816,110	26,481,074	28,036,032
Gross Fixed Assets, Closing Balance	15,245,234	15,622,269	16,816,110	18,801,099	28,036,032	29,746,212
Average Gross Fixed Assets	14,551,409	14,779,714	16,219,189	17,808,605	27,258,553	28,891,122
Accumulated Depreciation, Opening Balance	(588,256)	(509,703)	(1,117,383)	(1,785,747)	(4,527,226)	(5,497,082)
Accumulated Depreciation, Closing Balance	(1,357,157)	(1,117,383)	(1,785,747)	(2,511,792)	(5,497,082)	(6,533,506)
Average Accumulated Depreciation	(972,707)	(813,543)	(1,451,565)	(2,148,770)	(5,012,154)	(6,015,294)
Average Net Book Value	13,578,703	13,966,171	14,767,624	15,659,835	22,246,399	22,875,829
Working Capital	20,417,296	19,650,354	20,652,775	21,958,185	26,326,533	27,782,522
Working Capital Allowance (%)	15.00%	15.00%	15.00%	15.00%	15.00%	7.50%
Working Capital Allowance	3,062,594	2,947,553	3,097,916	3,293,728	3,948,980	2,083,689
Rate Base	16,641,297	16,913,725	17,865,541	18,953,562	26,195,379	24,959,518

Grimsby Power has provided a summary of its calculations of the cost of power and working capital below. See Exhibit 2 for greater detail.

Table 1-7
Summary of Working Capital
2012 Board Approved to 2016 Test Year

Description	2012 OEB Approved	2012 Actual	2013 Actual	2014 Actual	2015 Bridge Year	2016 Test Year
Cost of Power	17,978,475	16,695,325	17,959,981	19,160,748	23,074,964	23,845,118
Operations	453,574	411,623	522,827	594,775	831,285	885,613
Maintenance	431,965	726,934	519,679	436,218	593,216	757,383
Billing & Collecting	507,013	517,463	512,576	534,276	559,426	686,380
Community Relations	12,500	471	6,250	500	-	2,044
Admin & General Expense	1,002,111	1,279,082	1,119,954	1,213,975	1,249,574	1,593,943
Donations - LEAP	4,117	4,662	4,662	4,662	4,662	7,528
Property Taxes	27,540	24,915	25,586	25,780	27,000	27,594
Allocated Depreciation		(10,120)	(18,740)	(12,750)	(13,593)	(23,081)
Working Capital	20,417,296	19,650,354	20,652,775	21,958,185	26,326,533	27,782,522

On June 3, 2015 the OEB issued a letter announcing a new default working capital allowance of 7.5% in place of the previous 13%. It was also noted that Distributors could request approval for a distributor specific working capital allowance but this would need to

1 be supported by evidence from a lead-lag study or equivalent analysis. Grimsby Power has
2 not conducted a lead-lag analysis and therefore, has decided to utilize the default working
3 capital allowance of 7.5%.

4 *Change in Rate Base from Last Board Approved (\$ and %)*

5 Grimsby Power has analyzed in detail the rate base variances in Exhibit 2. A summary of
6 the change in rate base from the last Board-approved (\$ and %) is presented in the tables
7 below. The cumulative change in Grimsby Power's 2016 Test Year rate base over the Board
8 approved 2012 rate base is \$8,744,734. Of this amount, a \$9,297,126 increase in average
9 net book value is a reflection of Grimsby Power's continuous investment in its distribution
10 system and the addition of the Niagara West MTS as a distribution asset over this period.
11 The drop in working capital allowance is primarily due to the change in working capital
12 allowance from 15% in 2012 to 7.5% in 2016 even though working capital has increased by
13 \$7,365,226.

Table 1-8
Variance in Rate Base (\$ & %)
2012 Board Approved to 2016 Test Year

Description	2012 OEB Approved	2016 Test Year	Variance (\$)	Variance (%)
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS
Gross Fixed Assets, Opening Balance	13,857,585	28,036,032	14,178,447	102%
Gross Fixed Assets, Closing Balance	15,245,234	29,746,212	14,500,978	95%
Average Gross Fixed Assets	14,551,409	28,891,122	14,339,713	99%
Accumulated Depreciation, Opening Balance	(588,256)	(5,497,082)	(4,908,826)	834%
Accumulated Depreciation, Closing Balance	(1,357,157)	(6,533,506)	(5,176,348)	381%
Average Accumulated Depreciation	(972,707)	(6,015,294)	(5,042,587)	518%
Average Net Book Value	13,578,703	22,875,829	9,297,126	68%
Working Capital	20,417,296	27,782,522	7,365,226	36%
Working Capital Allowance (%)	15.00%	7.50%	-7.50%	-50%
Working Capital Allowance	3,062,594	2,083,689	(978,905)	-32%
Rate Base	16,641,297	24,959,518	8,318,221	50%

Capital Expenditures Requested for the 2016 Test Year

In the 2016 Test Year, there are three significant exceptions to the generally stable forecast for capital spending. All of the exceptions fall under the General Plant. First, Grimsby Power has to refurbish it's lobby where our customers are greeted and helped by Customer Service. Currently it does not comply with the accessibility requirements of regulation 368/13 (mandated to be installed by Dec 31, 2017) and also needs to be more secure for employees. Second Grimsby Power plans to purchase an OMS (Outage Management System) to help manage outages and to better communicate with customers during

1 outages. Third, Grimsby Power has budgeted the replacement of boom/bucket truck which
2 is at end of life. These exceptions and other capital projects are further discussed below.

3 Significant System Renewal capital projects for the 2016 Test Year include:

- 4 • Program – Replace Defective Poles – this program is completed based upon the
5 results of a yearly inspection completed by an external company and also covers any
6 emergency replacements.
- 7 • Program – Replace Pad Mounted Transformers - this program is completed based
8 upon the results of a yearly inspection completed by an external company and also
9 covers any emergency replacements.
- 10 • Program – Underground Primary cable replacement for non-injectable segments –
11 Since 2004 Grimsby Power has had annual program to inject silicone into its
12 underground cable to extend its useful life and thus increase reliability. During this
13 process some cables are identified as being non-injectable and they are replaced due
14 to their age.
- 15 • Program – Gang Operated Load Break Switches – Grimsby Power has a rotating
16 schedule based upon Total Useful Life of the assets and replaces two per year.
- 17 • Program – Replace Sectionalizing Terminal- Grimsby Power assesses and replaces
18 these as needed.

19 Significant System Access capital projects for the 2016 Test Year include:

- 20 • Compliance sampling for Smart meters at \$30,050;
- 21 • Primary Services projects anticipated at \$65,287;
- 22 • Secondary Services projects anticipated at \$115,976;

Significant System Service capital projects for the 2016 Test Year include:

- Capital Infrastructure Modernization of approximately \$65,321 in which Grimsby Power continues to automate switches in the Distribution System to divert power remotely to prevent outages and perform maintenance.
- Transformer Station Modifications to support Renewable Generation totaling approximately \$45,000. Grimsby Power needs to expand/upgrade its SCADA equipment and modernize its substation control hardware to ensure future connections.

In the category of General Plant, Grimsby Power will invest approximately \$356,000 as part of a continued investment into its motor fleet. Specifically, Grimsby Power proposes to replace its current small boom/bucket truck designated as Truck 10. The new truck (Truck 14) will be a large boom/bucket truck designed for 27.6 high voltage work. Aside from the motor fleet investments, Grimsby Power anticipates an increase of investment for IT, Tools and Building/Office requirements. The IT system investments will be driven by Grimsby Power's new IT strategy that is supported by the customer feedback received by Grimsby Power during its two customer surveys. Grimsby Power will continue to invest in its Building/Office space as we are mandated to retrofit our reception area to accommodate for handicapped access (regulation 368/13 mandated by Dec 31, 2017)

Change in Capital Expenditures from Last OEB-Approved (\$ & %)

The total variance between 2012 actual project costs compared to 2012 Board approved project costs related to projects in all 4 major investment categories (System Access, System Renewal, System Services and General Plant) was \$2,251,271 as shown below in Table 1-9. An explanation for the variances is provided in Exhibit 2.

Table 1-9
Variance in Capital Expenditures (\$ & %)
2012 Board Approved to 2012 Actual

Description	2012 OEB Approved	2012 Actual	Variance	% Variance
System Access	19,529	2,044,046	2,024,517	10367%
System Renewal	798,308	809,660	11,352	1%
System Service	39,333	-	- 39,333	-100%
General Plant	449,670	704,405	254,735	57%
Total Capital Expenditure	1,306,840	3,558,111	2,251,271	172%

Summary of Any Costs Requested for Renewable Energy Connections/Expansions, Smart Grid, and Regional Planning Initiatives

Grimsby Power uses a comprehensive approach to its distribution system planning which includes all categories of investments including system renewal and expansion, renewable generation connection, smart grid development initiatives, and regional planning as required. This comprehensive approach ensures the investments made by Grimsby Power are efficient and that they support the goals identified by the Board in the Filing Requirements.

Smart Grid

Grimsby Power will continue to integrate its distribution system (e.g. intelligent switching, remote monitoring and communications, etc.) with operating and information systems as part of its Smart Grid development initiative. This initiative will involve equipping the Grimsby Power distribution station with SCADA eventually. Grimsby Power is starting with an investment in recloser's and an OMS system to begin the smart grid program. The reclosers are automated switches and can be self triggered based upon their internal software or by a signal from Grimsby Power office. This will give Grimsby Power the capability to switch between feeders to ensure that power is maintained (to some customers) when a feeder breaker is locked out due to a fault. These investments are part of Grimsby Power's capital plan as explained further in Exhibit 2.

Renewable Energy Investments

Grimsby Power's distribution system has been planned and has been proactively built and equipped to handle forecasted renewable generation, however it does require upgrades that are currently being assessed. In 2015 an upgrade to the Niagara West MTS was made to increase its capacity to accept renewable generation. This infrastructure investment was funded (capital contribution) by a large 9MW wind project proponent. As a result of the upgrade there is sufficient spare capacity at the station to accept projects in the near future. Based on the evaluation of the distribution system to accept green energy generation connections, no constraints have been identified in the system, preventing the connection of renewable energy generation installations. On this basis, Grimsby Power is not proposing any material capital investments for capacity upgrades on its distribution system to accommodate the applications for the connection of any renewable energy generation plant. Grimsby Power has not included any specific costs for Renewable Energy Investments in its capital plan.

Regional Planning

In preparing its Distribution System Plan, Grimsby Power requested a letter from Hydro One confirming the status of regional planning for the "Niagara Region" regional planning areas in which Grimsby Power is located. The regional planning process lead by Hydro One in the Niagara Region has just been initiated in the later part of 2015. Regional planning at a local level takes place annually. Grimsby Power met with Hydro One on Nov 4, 2015 to discuss the need for outages and schedule the 2016 year with future plans for next 5 years. Also Grimsby Power will incorporate such consultation processes in future capital expenditure planning processes and future rate applications as necessary. Grimsby Power has not included any specific costs for Regional Planning investments in its capital plan.

Operations, Maintenance and Administration Expense (Exhibit 4)

Grimsby Power is proposing recovery through distribution rates of \$3,925,363 in Operating, Maintenance and Administration (OM&A) costs for the 2016 Test Year.

OM&A expenditures in the 2016 Test Year of \$3,925,363 represent an increase of \$1,518,200 or 63% over the 2012 Board Approved OM&A expenditures of \$ 2,407,163. The following Table 1-10 summarizes the changes.

Table 1-10
OM&A
2012 Board Approved and 2016 Test Year

OM&A	2012 Board Approved
Opening Comparative OM&A	2,407,163
Human Resources	1,108,000
Operations	224,179
Maintenance	37,233
Billing and Collecting	189,028
Administrative and General Expenses	(2,050)
Other Micellaneous Programs	(29,538)
2016 Test Year OM&A	3,925,363

The proposed OM&A expenditures for the 2016 Test Year have been derived through a detailed budgeting and business planning process aligned to meet Grimsby Power's business objectives. These expenditures are required to allow Grimsby Power to maintain the distribution business service quality and reliability standards in compliance with the Distribution System Code and other regulatory bodies (IESO, OPA, Ministry of Energy, ESA, etc.). The OM&A costs in the 2016 Test Year reflect:

- An increased need for additional resources and resources to allow the proper transfer of knowledge in anticipation of retirements in the next five years or the duration of the 4th Generation IRM plan term, and

- An increased need for additional resources due to additional and more complex regulatory requirements
- An increase in the use of technology or enhancements to existing technologies to meet customer needs as highlighted in Grimsby Power's two customer surveys.

Not making these investments with their corresponding increase in OM&A expenses would result in a severe reduction in customer service and not being able to meet Grimsby Power's regulatory obligations.

Grimsby Power used an inflation rate of 2.2% where the expense increase could not be specifically identified for non-wage related expenses, which is the forecasted consumer price index for Ontario for 2016 as published by TD Economics in their April 10, 2015 Provincial Economic Forecast.

Grimsby Power has experienced significant changes in its business environment since the last cost of service application in 2012. Customers expectations have been identified and far and exceed Grimsby Power current service offering. There has also been significant policy changes from the Ministry of Energy and the Ontario Energy Board which has added complexity to the electricity distribution business which have stretched existing resources to the limit where they can no longer keep up with the pace of change.

Customer demand for services has increased. An internal analysis conducted by the Customer Accounts Department indicates that for the period from 2012 to 2014 the number of hours required to execute various customer account processes has increased. The percentage increases in time spent on these activities are as follows:

- Execute collection process 119%
- Transact a customer move 24%
- Execute the disconnection process 24%
- Increase in customer correspondence 21%
- Time spent on the phone 21%

- Execute processes for new customers 152%

Grimsby Power has been required to support a number of provincial policy initiatives, including, but not limited to:

- i) mandatory purchase and deployment of smart meters and conversion to time of use billing. Although the deployment of smart meters and the systems to support smart meters was deployed prior to the last rebasing in 2012 the new meters and systems to support the meters need to be upgraded and maintained;
- ii) implementation of the *Green Energy and Green Economy Act, 2010* including the increased focus on renewable generation at homes and businesses and encouragement of smart grid activities, The Act has lead to multiple connections of both microFIT solar installations and FIT installations. The addition of FIT created the need for new processes, new documentation requirements, and new technology;
- iii) mandatory customer service rules including new collection obligations;
- iv) mandatory, , achievement of demand and energy conservation targets complete with the development of CDM programs - First the 2011-2014 programs and now 2015 to 2020 programs;
- v) audits of the OPA 2010 to 2014 conservation program delivery
- vi) renewed Regulatory Framework with its incremental requirements around asset planning, regional planning, customer engagement, reporting, rate setting and maintaining a score card;
- vii) new and incremental reporting requirements to the IESO, the Board and the ESA;
- viii) implementation of the Ontario Electricity Support Program for January 1, 2016

Grimsby Power has experienced some turnover in staff positions. From 2014 onward four positions were vacated with a combination of retirements and staff moving on. All of these were under short notice creating gaps in employee complements for the period of time between departure of one employee and the starting date of another. Some positions have been relatively easy to fill but others have been more difficult. In all cases the incoming

1 employee did not have electric utility experience thus creating a significant gap in
2 knowledge and a steep learning curve. In the next 5 years, it is expected that four
3 individuals will retire.

4 Grimsby Power currently has a headcount (number of employees on payroll) of 22
5 employees (10 Management, 10 Union, and 2 Part Time). One of the ten management
6 positions is vacant and is being actively recruited. In order to meet Grimsby Power's
7 business objectives staff complement has been increased in the Test Year. Part of the
8 increase in staff complement is to fulfill the objectives of Grimsby Power's succession plan.
9 Therefore, for an interim period headcount will increase to 27 (12 Management, 14 Union,
10 and 1 Part Time). This interim period allows for job shadowing to permit the appropriate
11 transfer of knowledge from the retiring employee to the new employee. After the
12 retirements take effect staff complement will return to 24 (11 Management, 12 Union, and 1
13 Part Time).

14 **Cost of Capital (Exhibit 5)**

15 A Statement as to Whether or Not the Applicant is using the OEB's Cost of Capital
16 Parameters

17 Grimsby Power has prepared its Application in accordance with the Board's guidelines
18 provided in the Report of the Board on Cost of Capital for Ontario's Regulated Utilities (EB-
19 2009-0084) issued on December 11, 2009. For the purposes of preparing this Application,
20 Grimsby Power has used the cost of capital parameters issued by the Board on October 15,
21 2015 for 2016 cost of service rate applications for rates with effective dates in 2016.

22 **Capital Structure**

23 Grimsby Power has prepared this Application with a deemed capital structure of 56.0% Long
24 Term Debt, 4.0% Short Term Debt, and 40.0% Equity to comply with the Cost of Capital
25 Report.

Table 1.11
Capital Structure
2016 Test Year

2016		
Description	Deemed Portion	Effective Rate
Long-Term Debt	56.00%	4.37%
Short-Term Debt	4.00%	1.65%
Return On Equity	40.00%	9.19%
Weighted Debt Rate		4.19%
Regulated Rate of Return		6.19%

Return on Equity

Grimsby Power has prepared this Application based on the cost of capital parameters issued by the Board on October 15, 2015 for 2016 cost of service rate applications for rates with effective dates in 2016 and as such has used a Return on Equity value of 9.19%.

Summary of Any Deviations from the OEB's Cost of Capital Methodology

Grimsby Power proposes no deviation from the Board's cost of capital methodology.

Cost Allocation and Rate Design (Exhibit 7)

Grimsby Power Inc's Cost Allocation filing follows the cost allocation policies outlined in the Board's report on March 31, 2011 *Review of Electricity Distribution Cost Allocation Policy* (EB-2010-0219) (the "Cost Allocation Review"). Details of Grimsby Power's Cost Allocation study are provided in Exhibit 7.

Summary of Any Deviations from the OEB's Cost Allocation and Rate Design Methodology

There are no deviations from the Board's Cost Allocation and Rate Design methodologies

Summary of Any Significant Changes Proposed to Revenue-to-Cost Ratios and Fixed/Variable Splits

The data used in the updated cost allocation study is consistent with Grimsby Power's cost data that supports the proposed 2016 revenue requirement outlined in this Application. The

breakout of assets, capital contributions, depreciation, accumulated depreciation, customer data and load data by primary, line transformer and secondary categories were developed from the best data available to Grimsby Power, its engineering records, and its customer and financial information systems.

In accordance with the Report of the Board "Review of Electricity Distribution Cost Allocation Policy, dated March 31, 2011", whereby the Board stated that "default weighting factors should now be utilized only in exceptional circumstances, Grimsby Power has developed and utilized its own weighting factors for the purposes of preparing the Cost Allocation Model. The 2016 Cost Allocation Study has resulted in a change in the cost allocations by rate class resulting for Grimsby Power's weighting factors.

Grimsby Power has used the load profiles provided by Hydro One scaled to match the load forecast as it related to the respective rate classes.

Revenue to Cost Ratios

As shown in Table 1-12, the resulting 2016 cost allocation study indicates the revenue to cost ratios for General Service 50 to 4,999 kW, Unmetered Scattered Load and Embedded Distributor are outside the Board's acceptable range. For 2016, it is proposed the ratios for General Service 50 to 4,999 kW and Unmetered Scattered Load classes be increased to the minimum value of the Board's acceptable range. For the Embedded Distributor it is proposed the ratio be set at 100% to ensure that Grimsby Power Inc. customers are not subsidizing the customers of the Embedded Distributor. For the Residential, General Service < 50 kW and Street Lighting classes it is proposed the ratios be lowered to a common value to maintain revenue neutrality.

Table 1-12
Revenue to Cost Ratio

Rate Class	2016 Cost Allocation Results	Proposed Adjustment to Revenue to Cost Allocation Ratios	2016 Proposed Revenue to Cost Ratio	Board Targets Min to Max	
Residential	115.23%	-9.94%	105.30%	85.00%	115.00%
General Service < 50 kW	105.31%	-0.01%	105.30%	80.00%	120.00%
General Service > 50 kW	66.00%	14.00%	80.00%	80.00%	120.00%
Street Lights	111.07%	-5.77%	105.30%	80.00%	120.00%
Unmetered Loads	47.66%	32.34%	80.00%	80.00%	120.00%
Embedded Distributor	61.31%	38.69%	100.00%		

Rate Design

Grimsby Power is proposing that it is appropriate to maintain the same proportion of fixed and variable revenues reflected in the current 2015 distribution rates to design the proposed 2016 monthly service charges and distribution volumetric charges for each class with the exception of the Residential rate class. On April 2, 2015 the Board released its Policy A New Distribution Rate Design for Residential Electricity Customers` (the `Policy`), file number EB 2012-0410, by which it decided that the delivery costs will be recovered from residential customers of a distributor through a monthly service charge. The Board determined the new rate design policy will be implemented across all distributors `service areas over a four year period to manage any customer bill impacts. As per the Board policy EB-2012-0410, Grimsby Power has updated its Application reflecting the new rate design. Table 1-13 outlines a comparison of the 2012 Cost Allocation study with the 2016 Test Year Cost Allocation study. The new rate design for the residential rate class accounts to an increase in the amount collected by the fixed charge by \$363,074.

Table 1-13

New Rate Design Revenue – Fixed & Variable

Rate Class	Proposed Fixed Revenue Previous to New Residential Rate Design	Proposed Variable Revenue Previous to New Residential Rate Design	Proposed Fixed Revenue Previous to After Residential Rate Design	Proposed Variable Revenue After to New Residential Rate Design	Change in Fixed Revenue by Design	Change in Variable Revenue by Design
Residential	2,517,045	1,452,297	2,880,119	1,089,222	363,074	(363,074)
General Service < 50 kW	342,536	351,216	342,536	351,216	-	-
General Service > 50 kW	385,745	524,510	385,745	524,510	-	-
Street Lights	92,189	24,450	92,189	24,450	-	-
Unmetered Loads	42,247	11,204	42,247	11,204	-	-
Embedded Distributor	529,917		529,917	-	-	-
	3,909,679	2,363,677	4,272,753	2,000,603	363,074	(363,074)
Total Proposed Revenue		6,273,356		6,273,356		-

Rates

Grimsby Power has calculated its proposed distribution rates by rate class based on the proposed Rate Design model in Exhibit 8. Table 1-14 sets out Grimsby Power's proposed 2016 electricity distribution rates based on (i) the cost allocation methodology and proposed revenue-to-cost ratios, (ii) the proposed fixed-variable ratios and (iii) the proposed transformer allowance.

Table 1-14

Proposed 2016 Electricity Distribution Rates

Rate Class	Proposed Fixed Distribution		Proposed Volumetric	
	Customer	Connection	kWh	kW
Residential	\$ 23.28		\$ 0.0118	
General Service < 50 kW	\$ 38.01		\$ 0.0187	
General Service > 50 kW	\$ 300.42			\$ 2.9667
Street Lights		\$ 2.87		\$ 7.1311
Unmetered Loads		\$ 47.58	\$ 0.0300	
Embedded Distributor	\$ 44,159.75			
Transformer Allowance				\$ (0.6000)

Summary of Any Proposed Mitigation Plans to Address Rate Impacts on Specific Customer Classes or Overall

Based on the customer bill impacts, as summarized in this exhibit, Grimsby Power is not proposing any rate mitigation.

Deferral and Variance Accounts (Exhibit 9)

Grimsby Power has included in this Application a request for approval for the disposition of deferral and variance account balances at December 31, 2014 and the forecasted interest through April 30, 2016 for the deferral and Regulatory Settlement Variance Accounts (RSVAs) listed below.

Total Disposition (\$) Including Split between Regulated Price Plan (RPP) and Non-RPP Customers

As outlined in Exhibit 9, Grimsby Power is requesting approval for the disposition of Group 1, Group 2 and Other Deferral and Variance Accounts in the amount of \$506,045. This amount is owed by Grimsby Power customers. This includes an RSVA – Global Adjustment amount of \$278,373 being owed to Grimsby Power by Non-RPP customers only. The remaining amount of \$222,671 is owed by all customers.

Disposition Period

Grimsby Power is proposing a one year disposition period for all Deferral and Variance Accounts.

Any New Deferral and Variance Accounts (DVAs) Requested and Any Requested Elimination of Existing DVAs

Grimsby Power is not requesting any New Deferral and Variance Accounts. Grimsby Power is requesting the elimination of the following DVA's:

- 1508 – Other Regulatory Assets Sub Account Financial Assistance Payment/Recovery Variance OCEB
- 1555 – Smart Meter Capital & Recovery Offset Variance Sub Account Stranded Meters, and

- 1575 – IFRS-CGAAP Transition PP&E Amounts Balance+Return Component

Bill Impacts

In preparing this application, Grimsby Power has considered the impacts on its customers, with a goal of minimizing those impacts.

Monthly customer impacts of the Total Bill , which includes revised distribution rates (monthly service charge, volumetric rates and proposed retail transmission service rates), revised loss factors, proposed LRAM Rate Riders, and Regulatory Asset Recovery Rate Riders to dispose of the balances in the Deferral and Variance Accounts requested in the Application are set out in Table 1-15.

Grimsby Power considers these bill impacts to be moderate and in keeping with system requirements.

The termination of the Ontario Clean Energy Benefit for Residential and General Service below 50kW classes, the termination of the Debt Retirement Charge for Residential customers, and the initiation of the Ontario Electricity Support Program have been considered in the bill impacts starting January 1, 2016. Based upon the customer bill impacts, as summarized in Table 1-15 below under Bill Impacts, Grimsby Power is not proposing rate mitigation.

Summary of Total Bill Impacts (\$ and %) for Typical Customers in All Customer Classes

Grimsby Power has provided an analysis of the bill impacts customers would experience in Exhibit 8.

Table 1-15
2016 Total Bill Impact Summary

Rate Class	kWh	kW	2015 Distribution Revenue Excluding Pass Through	2016 Distribution Revenue Excluding Pass Through	Bill Impact \$	Bill Impact %	2015 Total Bill \$	2016 Total Bill \$	Bill Impact \$	Bill Impact %
			\$	\$	\$	%	\$	\$	\$	%
Residential 10th Percentile	332		\$ 19.71	\$ 27.16	\$ 7.46	38%	\$ 66.41	\$ 71.82	\$ 5.41	8.15%
Residential - TOU	500		\$ 21.74	\$ 29.13	\$ 7.39	34%	\$ 91.55	\$ 95.70	\$ 4.15	4.53%
	800		\$ 25.37	\$ 32.64	\$ 7.27	29%	\$ 136.44	\$ 138.33	\$ 1.89	1.38%
	1,000		\$ 27.79	\$ 34.98	\$ 7.19	26%	\$ 166.37	\$ 166.75	\$ 0.38	0.23%
	1,500		\$ 33.84	\$ 40.83	\$ 6.99	21%	\$ 241.19	\$ 237.81	-\$ 3.38	-1.40%
	2,000		\$ 39.89	\$ 46.68	\$ 6.79	17%	\$ 316.01	\$ 308.86	-\$ 7.14	-2.26%
General Service < 50 kW - TOU	1,000		\$ 39.77	\$ 58.11	\$ 18.34	46%	\$ 183.98	\$ 196.12	\$ 12.14	6.60%
	2,000		\$ 52.87	\$ 78.21	\$ 25.34	48%	\$ 340.26	\$ 353.19	\$ 12.93	3.80%
	5,000		\$ 92.17	\$ 138.51	\$ 46.34	50%	\$ 809.08	\$ 824.40	\$ 15.32	1.89%
	10,000		\$ 157.67	\$ 239.01	\$ 81.34	52%	\$ 1,590.46	\$ 1,609.75	\$ 19.29	1.21%
	15,000		\$ 223.17	\$ 339.51	\$ 116.34	52%	\$ 2,371.83	\$ 2,395.10	\$ 23.27	0.98%
General Service > 50 kW	20,000	60	\$ 278.27	\$ 472.62	\$ 194.35	70%	\$ 2,546.39	\$ 2,809.40	\$ 263.01	10.33%
	30,000	100	\$ 348.96	\$ 587.42	\$ 238.46	68%	\$ 4,128.99	\$ 4,481.89	\$ 352.89	8.55%
	75,000	250	\$ 614.04	\$ 1,017.92	\$ 403.88	66%	\$10,063.75	\$10,753.72	\$ 689.96	6.86%
	100,000	350	\$ 790.76	\$ 1,304.92	\$ 514.16	65%	\$13,476.85	\$14,394.86	\$ 918.01	6.81%
	150,000	500	\$ 1,055.84	\$ 1,735.42	\$ 679.58	64%	\$33,540.16	\$34,708.59	\$ 1,168.43	3.48%
	500,000	1,000	\$ 1,939.44	\$ 3,170.42	\$ 1,230.98	63%	\$61,473.77	\$63,715.78	\$ 2,242.01	3.65%
Street Lights	150	1	\$ 7.43	\$ 10.00	\$ 2.57	35%	\$ 28.99	\$ 30.79	\$ 1.80	6.22%
Unmetered Loads	150		\$ 20.13	\$ 52.08	\$ 31.95	159%	\$ 39.16	\$ 70.18	\$ 31.02	79.21%
Embedded Distributor		13,500	\$ 23,895.00	\$ 44,159.75	\$20,264.75	85%	\$23,895.00	\$44,159.75	\$20,264.75	84.81%

CUSTOMER ENGAGEMENT

This Section details the steps Grimsby Power has taken in respect of each of the Board's four RRFE outcomes. The performance outcomes that the Board expects distributors to achieve are:

- Customer Focus: services are provided in a manner that responds to identified customer preferences;
- Operational Effectiveness: continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives;
- Public Policy Responsiveness: utilities deliver on obligations mandated by government (e.g. in legislation and in regulatory requirements imposed further to Ministerial directives to the Board); and
- Financial Performance: financial viability is maintained; and savings from operational effectiveness are sustainable.

Scorecard

On March 5, 2014, the Board issued a report for the Performance Measurement for Electricity Distributors: A Scorecard Approach (EB-2010-0379). The report details the scorecard measures approach which the Board expects to use in order to monitor and assess a distributor's effectiveness and improvement in achieving the four performance outcomes mentioned above, and to eventually facilitate distributor benchmarking. During the implementation period of the scorecard, the Board recognized that new measures may not have uniform definitions and therefore the Board has not yet determined industry targets for these measures. The Board intends for all measures on the scorecard to be uniform and have industry targets by 2018 for comparability and benchmarking purposes.

Grimsby Power's latest Scorecard was published on September 30, 2015. The Scorecard and analysis is attached as Appendix 1-C.

Customer Engagement and Customer Focus

Customer engagement has always been important to the success of Grimsby Power. Engagement processes have focused on addressing issues of concern raised directly by customers. These issues are addressed according to how Grimsby Power's customers prefer to be served and engaged. For example, in 2014:

- Grimsby Power actively promotes the use of e-bills. At year end in 2014 1890 or 17.7% of Grimsby Power's customer base were using e-bills;
- Many customers have expressed an interest in reviewing their electricity consumption and 460 or 4.3% of Grimsby Power's customer base have signed up to use the MyHydroEye product;
- Customers are very interested in conservation. During the program period from 2011 to 2014 48 retrofit projects and 172 direct install lighting projects were completed. This is over a population of general service customers – 727 GS<50 and 109 GS>50 customers;
- Bill inserts and on-bill messaging is included monthly in/on the bill according to topics of interest and relevance to customers. For example, recent inserts included information regarding an E-billing contest, 2015 rate announcement, One Call Now, OEB electricity supply insert, etc.

Grimsby Power maintains an open line of communication with those larger customers who want to be apprised of any kind of increases in their energy bills. These customers are serviced directly by the Director of Customer Accounts. Grimsby Power has worked with a few of the largest customers about their concerns of the Global Adjustment. With larger electricity consumers, Global Adjustment costs are one of the most significant components of the bill and have been increasing at a significant rate. This customer engagement activity was centred around helping the customer understand the different components of the bill and understanding who is responsible for the underlying cost of each line item and tariff rate. In 2014 the engagement of general service customers was made part of the individual metrics for the Director of Customer Accounts position which highlights the importance of this activity.

1 In preparation for this application Grimsby Power recognized that a formal customer
2 engagement survey which met statistical benchmarks would be the best way to engage
3 customers. Grimsby Power settled on two types of surveys. Grimsby Power participated in
4 the UtilityPULSE 16th Annual Electric Utility Customer Satisfaction Survey and also created a
5 specific survey to identify inputs and priorities for the Distribution System Plan. The reports
6 on the surveys and results can be found in Appendix 1-D (UtilityPULSE) and 1-E (CGC).

7 **UtilityPULSE Customer Satisfaction Survey**

8 As part of Grimsby Power's activities leading up to the development of its Application both
9 residential and business customers were surveyed to further understand their needs, wants,
10 issues and concerns. The utility benchmark customer satisfaction survey in Ontario is the
11 UtilityPULSE Annual Electric Utility Customer Satisfaction Survey and Grimsby Power
12 participated in the 16th year of this survey (2014). Grimsby Power customers gave Grimsby
13 Power an overall customer satisfaction rating of 92% at the beginning of the survey
14 interview and 96% at the end of the survey interview compared with the Ontario average of
15 83% and 80%.

16 The UtilityPULSE Survey was based on interviews of 400 respondents who pay electricity
17 bills to Grimsby Power. These respondents represented 85% residential and 15%
18 commercial customers. A copy of the UtilityPULSE Customer Satisfaction Survey is included
19 at Appendix 1-D. In the "Hydro Results Snapshot" recreated as shown below Grimsby
20 Power exceeded the Ontario benchmark in 14 of 14 categories with an average differential
21 or delta of 8.7% above the Ontario benchmark. This survey provided an excellent review of
22 Grimsby Power's customer satisfaction.

Table – 1.16
Survey Results Snapshot

Measure	Ontario Benchmark (%)	Grimsby Power (%)	Delta (%)
Credibility and Trust rating	77	85	8
Customer Satisfaction	83	92	9
Billing problems	25	12	-13
Problems solved	61	73	12
CEPr: Customer Experience Performance rating	79	86	7
Provides reliable electricity	86	91	5
Quickly restores power	83	89	6
Electricity safety is a top priority	87	90	3
Operates a cost effective electricity system	62	77	15
Overall the utility provides excellent quality services	80	87	7
Leader in promoting energy conservation	77	83	6
Provides good value	63	75	12
CCEI: Customer Centric Engagement Index	76	83	7
Loyalty: Secure customers	17	29	12

CGC Educational Communications DSP Customer Survey

As part of Grimsby Power's activities leading up to the development of its Distribution System Plan Grimsby Power created a survey to concentrate on three areas dealing with Grimsby Power's investments in assets as it relates to customer service:

- Grimsby Power's Customers' experience in terms of the impacts of service interruptions
- Grimsby Power's Customers' attitudes about the value of electricity to consumers
- Identifying customer preferences with respect to service offerings and plans for distribution system upgrades

Both residential and business customers were surveyed by telephone interviews. The survey results are based on interviews of 370 respondents who pay electricity bills to Grimsby Power. These respondents represent 85% residential (314 customers) and 15% commercial customers (56 customers). A copy of the CGC DSP Customer Survey is included at Appendix 1-E. The top three customer identified priorities were:

- Improve long term reliability and reduce time needed to restore power
- Communicate better during outages
- Provide energy conservation education

The recommendations coming out of the survey are centred in four main areas – Communications, Energy Conservation, Renewable, and Customer Engagement.

Communications – The Number One Issue

- Customers want real people answering telephones and not a machine
- Customers want Grimsby Power service people to be knowledgeable about outages and related activities
- Customers expressed an overall desire for more transparency in Grimsby Power's direction

Energy Conservation

- Customers want conservation strategies that result in real savings
- Conservation strategies should target business' vs. homes and reward customers with reduced costs
- Customers want conservation education in Grimsby schools

Renewable

- Customers want a community energy plan that demonstrates the economic benefits of renewable and EV charging stations which ties in to making Grimsby a destination for tourism and a green community
- The community energy plan should drive the DSP planning process and future customer engagement activities

Customer Engagement

- The survey should be repeated annually
- A customer engagement plan should be created

Future Activities

Grimsby Power's major activities with respect to customer engagement will center around customer satisfaction and the need to identify customer's priorities so that Grimsby Power's capital investments can be tailored to meet customer expectations.

Grimsby Power will continue with the UtilityPULSE Customer Satisfaction Survey in 2016, 2018, and 2020. This will provide for benchmarking against the original survey conducted in 2014. Grimsby Power will also continue with the Distribution System Plan Customer Survey in preparation for the next forecasting period 2021 to 2026.

In terms of new customer engagement practices LDC's are required to begin customer surveys in support of the Public Awareness of Electrical Safety measures in support of Grimsby Power's scorecard. This is planned for 2016, 2018, and 2020. Details of the content of this survey have not been released; however, it will be an excellent opportunity to engage the customer's perception of how Grimsby Power and public electricity safety is viewed.

In 2016 Grimsby Power plans to implement the tools necessary to better communicate outage information with customers. The main tool necessary to perform this task will be outage management system (OMS) software and related tools to integrate the information

inputs to this system. The output of this system will be likely being a web interface that customers can access with their computers and mobile devices. This tool is central to providing the information customers want regarding the status of the distribution system and their service. In addition to the OMS software the addition of the Applications Systems Support Professional will assist in supporting the opportunities to engage customers through social media by implementing technologies to assist key personnel to communicate with customers.

Existing channels for customer engagement will continue. These involve the following activities:

- Bill Inserts
- Various communicays on Grimsby Power's website
- Interfacing with customers through the delivery of the Conservation and Demand Management programs
- Directly interface with commercial customers through one on one meetings or conference calls

Specific Customer Engagement Activities

Grimsby Power has completed Board Appendix 2-AC as per the filing requirements and this is included as Appendix 1-F to this Exhibit.

Municipal Government Consultations

Grimsby Power interacts with the Town of Grimsby, neighbouring municipalities, and the Region of Niagara in a number of different ways and each interaction helps in the coordination of infrastructure planning and the connection of customers in a timely fashion.

Grimsby Power maintains a membership in the North Niagara Public Utilities Co-ordinating Committee (NNPUCC). Members of this committee include the Town of Grimsby, Region of Niagara, Bell Canada, Cogeco, and NPEI. The NNPUCC is a committee that meets approximately seven times per year to discuss topics including new subdivision

1 development, road widening projects, commercial development, etc. Information sources
2 from this group come from its members and builders and developers. The main benefits of
3 this committee are to identify the impacts of development as it relates to providing the
4 utilities services requested by these customers and to coordinate activities between the
5 utilities present.

6 Grimsby Power also maintains a close working relationship with the Town of Grimsby.
7 Grimsby Power participates in the Town's "Site Plan Pre Consultation Meetings". These
8 meetings are held with builders and developers so that the members of the group can
9 provide input into preliminary site plan drawings. This allows the builder to maximize their
10 investment in planning the development. It also provides the Grimsby Power's Engineering
11 Department staff with a list of projects to keep tabs on, and allows for coordination of any
12 infrastructure plans between the Town of Grimsby and Grimsby Power.

13 There are also many other informal means of sharing information with various agencies.
14 These happen on a less frequent basis but are none the less important to keep
15 communication lines open. The various agencies include:

- 16 • Town of Grimsby - Grimsby Economic Development Advisory Committee (GEDAC)
- 17 • Region - Public Works Committee
- 18 • Town of Grimsby - Heritage Advisory Committee
- 19 • Niagara Peninsula Conservation Authority
- 20 • Region - Transportation Strategy Steering Committee
- 21 • Region - Niagara Economic Development Committee
- 22 • Region - Economic Development Advisory Council

23 Consultations with CDM Program Partners

24 Grimsby Power has been offering IESO/OPA prescribed CDM programs from 2011-2014,
25 that have extended partly into 2015 as LDC's in the province prepare to transition to a new
26 6 year framework starting in 2015. As per the Minister of Energy's directive on

1 Conservation and Demand Management dated March 31, 2015, Grimsby Power will work
2 together with its regional LDCs to develop synergies with as many programs as possible. In
3 addition to local regional LDC's, Grimsby Power submitted its CDM plan for the 2015
4 through 2020 programs as a joint plan with Chapleau Public Utilities Corporation and Hearst
5 Power Distribution Company Limited.

6 Stakeholder consultation will be a key component to the new conservation delivery model
7 and the first stage of this will include consultation with the IESO alongside member LDC's to
8 identify programs best suited to be delivered at a provincial scale versus programs that are
9 specific to meeting regional needs. It is expected that through the Conservation First
10 Implementation Committee (CFIC) that the IESO will develop new or enhance the existing
11 CDM programs. This committee has various LDC members and the working groups that
12 report to this committee have many LDC staff members. In addition to the CFIC the
13 Electricity Distributors Association (EDA) has created the Conservation Steering Committee
14 to review and provide input to the working groups and CFIC. Although Grimsby Power is
15 does not have any staff member on the CFIC or working groups the CEO of Grimsby Power
16 is a member of the EDA Conservation Steering Committee. This provides regular access to
17 the latest information on CDM programs in Ontario and in particular the interests of
18 customers in terms of CDM.

19 Grimsby Power has engaged a third party service provider to promote and administer
20 Grimsby Power's CDM programs. This third party service provider has expert resources
21 which cover the multitude of skill sets required to be successful in the delivery of CDM
22 programs to Grimsby Power customers. This expertise was confirmed in the delivery of
23 CDM programs for the 2011 to 2014 period as this third party service provider enabled
24 Grimsby Power to exceed its energy target of 7.8GWhrs by 37%. Through the use of a
25 single service provider Grimsby Power customers have been provided the best customer
26 experience. This is confirmed by the results of the UtilityPULSE Customer Satisfaction
27 Survey where 83% of customers said that Grimsby Power was "A leader in promoting
28 energy conservation" 2% above the Ontario average of 81%.

29 The programs for the new CDM program period from 2015 to 2020 have not yet been fully
30 developed or deployed. However, Grimsby Power will evaluate its conservation delivery
31 experience, impact of anticipated load growth, benefits of collaboration with regional LDCs,

1 and carry out market research with all customer classes. A higher emphasis on residential
2 conservation programs will be placed in the new delivery model as the previous framework
3 provided limited opportunity to provide services to the residential customer class.

4 Consultations with the Transmitter (Hydro One)

5 Regional planning in Ontario is predominantly organized by Hydro One. Hydro One is in the
6 process of organizing regional planning and has divided Ontario into three groups. Grimsby
7 has been assigned to Group 3 and within Group 3 has been assigned to the "Niagara"
8 regional planning group. Hydro One has stated that the beginning of the planning process
9 for the Niagara group will begin in mid 2015. At the time of this application Hydro One had
10 just announced the initiation of the process for the Niagara group. A letter from Hydro One
11 Networks Inc. (HONI) was received confirming that the regional planning process has not
12 been initiated nor are there any plans for the Hydro One station (Beamsville TS) been
13 created. The letter from HONI is attached in Exhibit 2, in Appendix J of the DSP.

14 Since there are no transmissions capacity constraints to limit new connections (including
15 micro-FIT and FIT connections) and no limits on load growth there are no adverse impacts
16 of not having a regional plan in the near future.

17 *Consultations with the Embedded Distributor - Niagara Peninsula Energy Inc.*

18 Grimsby Power has consulted with Niagara Peninsula Energy Inc (NPEI) particularly with
19 respect to their capacity to connect renewable generation. First some background on how
20 NPEI became/is an embedded distributor to Grimsby Power.

21 NPEI is supplied through Niagara West MTS a 230kV to 27.6kV transformer station owned
22 by Grimsby Power. The Niagara West MTS was originally built as a joint venture between
23 Grimsby Power and the former Peninsula West Utilities Limited (PWUL). Grimsby Power and
24 PWUL operated the station under a separate corporation called the Niagara West
25 Transformation Corporation (NWTC) which was created on September 3, 2003. NWTC was
26 granted approval for a transformation service rate and transmission license by the OEB
27 through the regulatory proceedings RP-2004-0139 & EB-2004-0219. The station effectively
28 had two customers Grimsby Power and PWUL. In December 2007 Niagara Falls Hydro Inc.
29 and PWUL were granted leave to amalgamate in OEB proceeding EB-2007-0749. The newly

1 amalgamated company of these two entities became NPEI. NPEI thus became a customer
2 of NWTC. However, the transmission assets owned by PWUL were not part of the
3 amalgamation and became Peninsula West Power Inc. (PWPI). In December 2012 the OEB
4 approved an application by Niagara Power Inc. (NPI) to acquire 50% of the shares of NWTC
5 from PWPI (OEB proceeding EB-2012-0355). This resulted in NPI owning 100% of the
6 shares of NWTC. In March 2015 the OEB approved an application by Grimsby Power and
7 NWTC to amalgamate and to deem the NWTC assets as distribution assets (OEB proceeding
8 EB-2014-0344). As the asset known as Niagara West MTS is now deemed to be a
9 distribution asset of Grimsby Power, NPEI is effectively embedded within Grimsby Power's
10 distribution assets and therefore NPEI is an embedded distributor to Grimsby Power.

11 As part of OEB proceeding EB-2014-0344 Grimsby Power agreed to consult with NPEI on the
12 potential implications to the creation of an embedded distributor rate class. A face to face
13 meeting with NPEI and their representatives took place on June 11, 2015. Since the
14 amalgamation took effect on October 1, 2015 a formal process has not been established for
15 customer needs with respect to loads and generators. There are however, existing non-
16 formal channels for the sharing of information between Grimsby Power and NPEI.

17 Grimsby Power has confirmed with NPEI that they have been consulted with on this issue,
18 and they have no significant new load or generation requirements on their embedded supply
19 points.

20 *Specific Findings of Grimsby Power's Customer Surveys*

21 The outcome of the survey's resulted in findings on the needs and the preferences of
22 Grimsby Power's commercial and residential customer base. The significant findings of both
23 of the surveys as they relate to this application are noted in the commentary that follows.

24 The UtilityPULSE survey indicates that from interviewing over 10,000 electric customers in
25 2014 three main conclusions can be reached:

- 26 • Customers, almost universally, are concerned about the cost of electricity
- 27 • Customers are resilient and can adapt to adversity, in fact, they are very tolerant
- 28 when a utility goes through a very difficult situation

- In a utility world that is used to “pushing information out”, it has to invest in and hone its competencies in having 2-way interactions with customers

What do Grimsby Power customers say about the cost of electricity?

It is true that many customers are feeling a “financial pinch” when it comes to their electricity bills. However, just as many customers are able and willing to pay more if that means maintaining system reliability.

When it comes to the impact on household finances and the bottom line Grimsby Power customers are more tolerant of electricity costs:

- 72% (vs. 59% Ontario) of customers agree that paying for electricity is not really a worry;
- 8% (vs. 11% Ontario) of customers agree that paying for electricity is a major problem
- 75% (vs. 63% Ontario) of customers say that Grimsby Power provides good value for their money
- 67% (vs. 55% Ontario) of customers say that the cost of electricity is reasonable when compared to other utilities
- 43% of customers said that of the two most important things Grimsby Power could do to improve service would be to provide better prices/lower rates

When considering if customers would be willing to pay a premium to improve Grimsby Power services a large percentage of customers indicated that they would pay an extra \$5 per month for the following:

- 93% of customers would pay extra to improve long term reliability
- 87% of customers would pay extra to reduce the time to restore power
- 83% of customers would pay extra to have better information on outages
- 70% of customers would pay extra to receive energy conservation education

- 37% of customers would pay extra to build renewable energy infrastructure

What are the customer's perception of the reliability of service with respect to outages and restoration?

Overall customers are very satisfied with Grimsby Power's reliability of service and Grimsby Power customers are 5% more satisfied than the Ontario average.

While 53% of customers experienced at least one power outage in the past 12 months, the overall impact on households and businesses was relatively insignificant. Asking respondents to think back to their most recent power outage:

- 91% (vs. 86% Ontario) of customers said that Grimsby Power provides consistent reliable power.
- 89% (vs. 83% Ontario) of customers said that Grimsby Power quickly handles outages and restores power.
- 91% (vs. 86% Ontario) of customers said that Grimsby Power provides consistent, reliable electricity.
- 20% of customers said that of the two most important things Grimsby Power could do to improve service would be to improve reliability of power
- 83% (vs. 81% Ontario) of customers said that Grimsby Power was effective in responding to an unplanned outage.
- 88% (vs. 85% Ontario) of customers said that Grimsby Power was effective in restoring power quickly.
- 89% of customers said that the number of outages and the duration of outages is the same or better over the last two years
- 89% of customers said that the number of outages and the duration of outages is the same or better over the last ten years

- 80% of customers said that it extremely to very important to have continuous reliable power
- 22% of customers said that they need a continuous source of reliable power because they work at home and 12% due to a medical condition

What do customers say about priority investments for Grimsby Power?

Two thirds or 60% of those polled in Ontario consider themselves moderately to extremely knowledgeable about the electric industry. As customers are not experts in specific electricity distribution infrastructure projects Grimsby Power's tactic is not to engage the customer in providing feedback on these details. However, Grimsby Power is very interested in what customers want in terms of service offerings. Since 60% of customers are knowledgably about the electric industry the Information obtained from customers about the priority of investments can be deemed reasonably reliable. Grimsby Power customers have indicated that the three top priorities for investment are:

- Improve long term reliability and reduce time needed to restore power
- Communicate better during power outages
- Provide energy conservation education

The top two investment priorities for customers were identified as follows:

- 84% (vs. 83% Ontario) of customers said that maintaining and upgrading equipment was in their top two priorities.
- 79% (vs. 79% Ontario) of customers said that reducing the time needed to restore power was in their top two priorities.
- 74% (vs. 74% Ontario) of customers said that investing more in the electricity grid to reduce the number of outages was in their top two priorities.
- 70% (vs. 74% Ontario) of customers said that educating customers about energy conservation was in their top two priorities.

- One survey indicated 58% (vs. 60% Ontario) of customers said that burying overhead lines was in their top two priorities. The second survey indicated that 55% thought this was a good idea but only 28% of customers were willing to pay for it.
- 57% (vs. 58% Ontario) of customers said that investing more in tree trimming was in their top two priorities.

Of the ten top two priorities four had less than 50% of the customers in favor of these. Of the top six priorities there was good correlation with these results as there was little coincidence with the bottom two priorities (i.e. – a good percentage spread between top two and bottom two).

Survey questions related to investment priorities are also important to note. 77% (62% of Ontario) of customers say that Grimsby Power operates a cost effective hydro-electric system and 75% (63% of Ontario) say that Grimsby Power provides good value for money. Therefore, the majority of customers feel that Grimsby Power is doing a good job of investing in the distribution infrastructure which is well above the Ontario average.

As noted above, customers want better communication regarding outages. Customers were asked what is the importance of some functions that an outage management system could bring to them during an outage. The top six functions are as follows:

- 82% of customers indicate that real time estimates of power restoration is a priority
- 81% of customers indicate that enhance phone services with real time information is a priority
- 62% of customers indicate that enhanced web site with real time data is a priority
- 48% of customers indicate that the ability to pinpoint where the power is out is a priority
- 47% of customers indicate that a mobile text service is a priority
- 46% of customers indicate that a mobile phone app is a priority

- 1 • 73% of customers indicate that the prediction of the duration of outages would help
- 2 them prepare for an unplanned outage
- 3 • 80% of customers indicated that it is important for Grimsby Power to support new
- 4 communication tools with respect to planned power outages
- 5 • 77% of customers indicated that it is important for Grimsby Power to support new
- 6 communication tools with respect to unplanned power outages

7 Currently Grimsby Power provides customers with information regarding their usage and the
8 impacts of changing the usage pattern through the MyHydroEye on-line product. Our
9 experience indicates that only approximately 5% of the customer base is enrolled with the
10 service. The survey indicated that 97% of customers do not or are not interested in looking
11 up their usage on Grimsby Power's website.

12 The survey indicates how customers would like to use the internet for access to various
13 customer care needs. In Grimsby one survey indicates only 29% of the customer base had
14 accessed Grimsby Power's website to obtain information in the six months before the survey
15 and the other survey only 17% of customers had visited the website in the past year. Of
16 the 17% who accessed the website 80% of the time this was to find out how to contact
17 Grimsby Power. Specific details of the future of internet access to customer care needs
18 have not been determined for Grimsby Power customers. However, for Ontario customers
19 the top three priorities are accessing information about their bill (55%), accessing
20 information about usage (54%), accessing information about time of use rates (51%), and
21 maintaining information about their account preferences (51%). In Grimsby all of these are
22 currently available but could likely be enhanced through continuous improvement.

23 When it comes to system reliability, and specifically the duration of outages customers have
24 indicated their preferences. Customers were asking what is an acceptable period of time to
25 go without electricity in situations like the ice storm of December 2013.

- 26 • 9% of customers think that the power should not go out
- 27 • 19% of customers think that the power should only be out less than two hours
- 28 • 29% of customers think that the power should only be out two to four hours

- 14% of customers think that the power should only be out less than twelve hours

Given the severity of ice storm damage many restoration tasks involve the replacement of assets and typically this would take at least a couple of hours or longer. Clearly customers are not tolerant of long outage durations as 71% of customers expect power to be back on in twelve hours or less.

Does Grimsby Power assist customers to reduce consumption and electricity costs?

It's very clear that customers want to see Grimsby Power involved with helping them reduce electricity consumption and costs. As noted above, providing energy conservation education is one of the top three priorities identified in DSP Customer Survey.

- 77% of customers feel that energy conservation education is extremely important
- 70% of customers would spend an extra \$5 monthly for better energy conservation education
- For those customers that visited Grimsby Power's website in the past year 40% were looking for energy conservation tips
- In terms of investments. Of the two most important things Grimsby Power could do to improve service only 8% thought that information and incentives on energy conservation was important.

LDC's play an important role in the delivery of CDM information. Grimsby Power was ranked almost the same as the Ontario average for providing CDM information and approximately 80% of customers agreed or strongly agreed to statements as follows:

- Does Grimsby Power provide information to help customers reduce electricity costs?
- Does Grimsby Power provide information and tools to help manage electricity consumption?
- Is Grimsby Power a leader in promoting energy conservation?

How does Grimsby Power perform in its communications with customers?

When it comes to communications, communications regarding power outages was the number one issue to customers and was one of the top three priorities identified in the DSP Customer Survey. Of most importance to customers is the utilities effectiveness in communicating during an unplanned power outage. . Generally Grimsby Power performed under the Ontario average.

- 50% (vs. 61% Ontario) of customers said that Grimsby Power was very or somewhat effective in providing a reason for an outage.
- 48% (vs. 60% Ontario) of customers said that Grimsby Power was very or somewhat effective in providing an estimate when power will be restored.
- 56% (vs. 64% Ontario) of customers said that Grimsby Power was very or somewhat effective in communicating updates periodically.
- 26% (vs. 35% Ontario) of customers said that Grimsby Power was very or somewhat effective in posting information to Grimsby Power's website.
- 38% (vs. 53% Ontario) of customers said that Grimsby Power was very or somewhat effective in using media channels for providing updates.
- 77% of customers indicated that it is important for Grimsby Power to support new communication tools with respect to unplanned power outages
- 80% of customers indicated that it is important for Grimsby Power to support new communication tools with respect to planned power outages
- 74% of customers said that text on a cell phone would be the best way to be informed during an emergency situation like a power outage
- 42% of customers said that a radio announcement would be the best way to be informed during an emergency situation like a power outage
- 33% of customers said that a voice message on a cell phone would be the best way to be informed during an emergency situation like a power outage

- 30% of customers said that information via website would be the best way to be informed during an emergency situation like a power outage
- 20% of customers said that information via a TV banner news flash would be the best way to be informed during an emergency situation like a power outage
- 83% of customers would spend an extra \$5 monthly for better information on outages

In more general terms 8% of customers said that of the two most important things Grimsby Power could do to improve service to customers better communications with customers would be on the list. In terms of investments customers top two investments of very high or high priority were:

- 23% (vs. 31% Ontario) of customers said that Grimsby Power should develop a smart phone application.
- 24% (vs. 30% Ontario) of customers said that Grimsby Power should make better use of social media.
- 29% (vs. 38% Ontario) of customers said that Grimsby Power should provide more self serve services on the website.

Clearly from the above results Grimsby Power needs to do a better job of communicating with customers and in particular communications surrounding unplanned outages.

Grimsby Power's Response to Customer Focus

Through its comprehensive customer engagement activities which are summarized above, Grimsby Power has identified nine key customer preferences. Below Grimsby Power has summarized how it takes each of those preferences into account in the operation of its business.

1. Affordable electricity costs

Every day Grimsby Power hears from its customers about the importance of affordable electricity. At the same time customers also ask for services and have an expectation that the power will stay on and when it is not on will come back quickly.

Grimsby Power is proposing a cost of service application that balances the needs for customer focus, operational effectiveness (safety and reliability), public policy responsiveness and solid financial performance.

2. Reliability of service with rapid response to un-planned outages

Grimsby Power will maintain reliability within historic performance levels. These performance levels include the average number of hours and times that power to a customer is interrupted. Over the past 5 years (2010 to 2014) the average number of hours that power to a customer was interrupted was between 0.73 and 3.00 hours. The average number of times interrupted in a year ranged from 0.52 to 1.74.

3. Assistance to reduce consumption and electricity costs.

Grimsby Power has been very successful in delivering CDM programs to its customers particularly in the latest program period from 2011 to 2014. Since 2011 Grimsby Power has delivered its CDM programs through an expert third party service provider. This allows Grimsby Power to offer CDM programs across all customer segments with expertise in all programs. For residential customers these programs include HVAC incentives, appliance retirement, bi-annual retailer events, coupon booklets, and residential demand response. For the commercial/industrial customers this includes retrofit, direct install lighting, energy audit, demand response, and high performance new construction. The collective knowledge and benefit of the third party service provider far exceeds the capacity of existing or dedicated staff at Grimsby Power. Throughout the delivery of these programs Grimsby Power has exceeded its 2014 cumulative energy savings target and as confirmed by the OPA's verified results report for 2014 achieved 137% of its energy savings target. This exceeded the provincial average of 109.2%. On the demand front Grimsby Power achieved 55.4% somewhat lower than the provincial average of 69.8%.

1 Currently Grimsby Power is preparing to implement CDM programs for the 2015 – 2020
2 Conservation First Framework. Grimsby Power's joint CDM plan with Chapleau Public
3 Utilities Corporation and Hearst Power Distribution Company Limited received conditional
4 approval by the IESO on June 8, 2015. In 2015 Grimsby Power has continued to promote
5 CDM with 2015 funds extended by the IESO. Details of the new program(s) are in process
6 and have not yet been finalized. However, Grimsby Power is fully committed to achieve the
7 target kWh reduction of 10.85GWhrs across all customer segments.

8 Consumer awareness and education is also a critical piece to the conservation puzzle and it
9 starts with youth. In 2013 & 2014 Grimsby Power provided electricity and conservation
10 presentations to local secondary schools. Over 2700 students in Grades JK through 8
11 participated at all eight secondary schools in the Town of Grimsby.

12 Grimsby Power's efforts to provide customers with information on conservation and demand
13 management as well as customer bill information (through the MyHydroEye portal) will help
14 customers understand their electricity habits and how costs are determined. From Grimsby
15 Power's past experience we know that customers will take advantage of CDM programs to
16 reduce their energy consumption but are not really that engaged when it comes to shifting
17 their demand to take advantage of better rates in off peak or mid peak periods. Grimsby
18 Power's belief is that real shifts in customer's consumption will not take place until the peak
19 price for electricity becomes burdensome for the average consumer.

20 **4. Professional interactions with highly skilled and experienced personnel**

21 During the recruitment process all potential employees that have significant interactions
22 with customers are screened to determine their experience and passion for excellent
23 customer service. Often these skills are tested during the interview process with behavioral
24 based questions and subject to confirmation through the reference check process.

25 Grimsby Power also provides professional development opportunities to its staff. Grimsby
26 Power believes that a combination of educational training, attendance at industry functions,
27 and participation in various information sessions provided by industry participants is key to
28 a highly motivated and skilled workforce. For those employees who like to learn on their
29 own Grimsby Power maintains a tuition reimbursement program for those skills that would
30 be beneficial to the corporation. When employees reach a certain competent skill level they

are encouraged to participate in the various voluntary councils and subcommittees of industry associations. Some examples of this are the Electricity Distributors Associations, councils, executives and steering committees as well as the Utilities Standards Forum (USF) technical committees.

5. Communications through a variety of media including phone, internet, social media, in-person and email

Through this application Grimsby Power is taking steps to make use of all these channels. Based on the two customer surveys customers want more communication and in particular communication on unplanned outages. The focus on the integration of technology into Grimsby Power's business plan began in 2015 with Grimsby Power Board approval to hire an Applications Systems Support Professional. The position is a key element in rolling forward with the integration of technology into Grimsby Power's day to day business practices. Grimsby Power is currently recruiting for this position. Grimsby Power also integrates technological advances into its existing systems. In 2015 paper collection notices were discontinued in favor of automated voice and e-mail messaging to customers. This provided savings in the form of reduced paper and postage and from early indications increased customer service because customers seem to prefer the voice or e-mail messaging.

In 2016, as indicated in Grimsby Power's DSP, Grimsby Power plans to invest in an Outage Management System with integration to various existing systems which will be used to provide customers with as much real time or next to real time information as possible regarding outages. Preliminary investigations into various systems available on the market have taken place in 2015.

6. Business to be customer centric including timely service that solves their problems

Grimsby Power will continue to maintain and build on its "92%" customer satisfaction survey result and "A" rated UtilityPULSE report card. Service rating in the customer care category of its recent customer satisfaction survey. Grimsby Power plans to conduct the UtilityPULSE survey every other year beginning in 2016. In addition to the survey Grimsby Power's scorecard includes customer satisfaction measures that were introduced in 2014. Namely these are First Contact Resolution, Billing Accuracy and Customer Satisfaction Survey Results. These measures will provide important information on customer service

1 that can be benchmarked from year to year. This information is essential to establish the
2 priorities and incremental changes necessary to enhance Grimsby Power's customer
3 experience.

4 From the 2014 UtilityPULSE Survey Grimsby Power had exceptional results with respect to
5 customer satisfaction. In all categories Grimsby Power exceeded the Ontario average. The
6 main indicators were as follows:

- 7 • Customer Experience Performance Rating – 86% vs. 79% Ontario average
- 8 • Customer Service Quality – strongly or somewhat agree:
 - 9 ○ 88% (78% Ontario average) – Deals professionally with customers' problems
 - 10 ○ 81% (73% Ontario average) – Pro-active in communicating changes and
 - 11 issues affecting Customers
 - 12 ○ 84% (74% Ontario average) – Quickly deals with issues that affect customers
 - 13 ○ 83% (72% Ontario average) – Customer focused and treats customers as if
 - 14 they're valued
 - 15 ○ 88% (75% Ontario average) – Is a company that is "easy to do business
 - 16 with"
 - 17 ○ 88% (82% Ontario average) – Delivers on its service commitments to
 - 18 customers
- 19 • Corporate Image
 - 20 ○ 87% (76% Ontario average) – Keeps its promises to customers and the
 - 21 community
 - 22 ○ 80% (68% Ontario average) – Adapts well to changes in customer
 - 23 expectations
- 24 • Utility Customer Centric Engagement Index – 83% (76% Ontario average)

Grimsby Power believes that implementation of more technology will help maintain Grimsby Power's customer satisfaction. One area of technology that customers want more development is the internet. In Ontario customers feel very or somewhat likely that their top two internet needs will be:

- 55% - Accessing information about your bill
- 54% - Accessing information about your electricity usage
- 51% - Accessing information about time of use rates
- 51% - Maintaining information about your account or preferences
- 47% - Getting information about power outages
- 45% - Accessing energy saving tips and advice
- 40% - Arranging for service

Grimsby Power believes that if these internet services can either be enhanced (if the currently exist) or created customer satisfaction will be met.

Grimsby Power intends to continue with its practice to provide one on one and face to face contact for those customers who wish to visit the office to transact their business. This takes the customers preference to talk to a live person one step further by maintaining face to face contact when needed.

Operational Effectiveness

In the Board's Scorecard Report (EB-2010-0379), Board staff recommended seven measures to assess a distributor's operational effectiveness: one safety measure, two system reliability measures, one asset management measure, and three overall cost performance measures. These measures are incorporated into the scorecard as discussed above in the Customer Responsiveness section of this Exhibit.

Operational excellence is a philosophy of Grimsby Power where problem-solving, teamwork and leadership results in the ongoing improvement in the business. Operational excellence

1 involves improving current activities in the workplace, focusing on customer's needs, and
2 keeping employees positive and empowered. Operational excellence is a well-functioning
3 team that rises to every challenge and completes tasks safely, efficiently and with pride.

4 Grimsby Power is committed to continuously improving efficiency and productivity
5 performance to provide better value service for ratepayer money. The following is a
6 description of the operational effectiveness initiatives that Grimsby Power has undertaken
7 since its last cost of service decision, prior to the test year.

8 Grimsby Power's operational effectiveness initiatives include projects and activities
9 undertaken based on, among other factors, customers' preference, technology based
10 opportunities and other innovative process, services, and business models.

11 *Past Efforts to Achieve Cost Reductions and Productivity Improvements*

12 Prior to the test year, Grimsby Power has implemented the following cost reduction and
13 productivity improvement measures:

- 14 1. Grimsby Power has for over a decade sourced most of its inventory through a major
15 Ontario based supplier. This has allowed Grimsby Power to maintain a low inventory
16 value as most inventory items are available within a two week delivery schedule –
17 essentially the supplier maintains the inventory until Grimsby Power needs the
18 material. Grimsby Power plans to continue with this arrangement. Grimsby Power
19 ensures that they receive the industry standard pricing by price checking their sources
20 price to their competitors on a regular basis. Due to the relatively low volume of
21 purchases (compared to other larger LDC's) and the fact that this supplier is both the
22 largest in Ontario and has the largest selection of material of any supplier, Grimsby
23 Power feels that this also reduces the administration costs associated with managing
24 multiple vendors and purchase orders. Grimsby Power continually assesses new parts
25 that come to the market place for their ingenuity and safety. Grimsby Power is
26 constantly trying to reduce inventory by finding parts that replace current parts or by
27 standardizing sizes to avoid extra part numbers. Also Grimsby Power assesses new
28 parts for length of installation and safety to ensure that we have the best products
29 within the industry.

2. In 2014 Grimsby Power applied to the OEB for approval to amalgamate Niagara West Transformer Corporation with Grimsby Power Inc. (OEB proceeding EB-2014-0344). A primary driver of this amalgamation was to promote efficiencies and cost savings. The anticipated annual savings as a result of eliminating costs associated with a duplicate administrative structure and another layer of (transmitter-related) regulatory compliance was estimated to be \$35,000. On March 26, 2015 the OEB provided its decision to approve the amalgamation and on October 1, 2015 the two companies were officially amalgamated. These savings are now fully incorporated into rates, and flow directly to the benefit of ratepayers.
3. Since 2010 Grimsby Power has recycled as many of its older transformers as possible. Through a transformer manufacturer Grimsby Power uses parts from end of life transformers to build new transformers. These refurbished transformers carry a new transformer warranty but are significantly cheaper than purchasing completely new units. Tracking of the savings began in 2013 with \$8,613, in 2014 \$17,205, and to the end of October in 2015 \$19,954. These savings are fully incorporated into rates, and flow directly to the benefit of ratepayers.
4. Grimsby Power began offering eBilling to customers in May of 2012. Today approximately 2288 customers or 20% of the customer base uses this option. Based on a usage of 2288 customers this is currently saving approximately \$31,000 annually in postage, paper and printing costs. Grimsby Power continues to promote this program with customers today. These savings are incorporated into rates, and flow directly to the benefit of ratepayers.
5. In 2012 Grimsby Power learned that its bill print machine would no longer be supported by the vendor. As a result of this issue Grimsby Power evaluated replacing its bill print system & process. The evaluation compared the costs of continuing to perform the bill print function internally (by Grimsby Power staff as was the case) vs. contracting out the bill print to a third party. This comparison was influenced by Canadian Niagara Power (CNP) who was (and still is) the service provider of Grimsby Power's SAP customer information system because CNP was also going through a similar evaluation. Grimsby Power's analysis which included a present value analysis of internal vs. third party costs resulted in the outsourced option being the cheapest

option but only marginally by approximately 1%. This was partially due to the increased volume for the vendor when both Grimsby Power and CNP's customer bases were combined resulting in lower per unit costs. The move to an outsourced service created additional resources internally which could now perform other duties – i.e. Cost savings in terms of better productivity. The outsourced bill print was put in place midyear in 2013.

6. In 2015 Grimsby Power changed its processes in the delivery of past due notices. Prior to the change, past due notices were printed and mailed to customers. This cost approximately \$4,720 per year in paper, printing, and postage expenses. In mid May 2015 a new process of notifying customers through automated voice and e-mail messaging began. This automated service is through a third party service provider and costs approximately \$31 per month. Overall Grimsby Power expects to save approximately \$3,825 annually. In addition to the savings, early feedback from customers would indicate that this service is well received and it has so far reduced the number of final collection notices issued and otherwise encouraged customers to pay their bills on time. These savings and productivity improvements with resources are now fully incorporated into rates, and flow directly to the benefit of ratepayers.

7. In 2013, Grimsby Power transitioned underground locates requests to Ontario One Call as prescribed legislation dictated. As of this time locate requests go directly through Ontario One Call prior to being sent to Grimsby Power for completion of the actual locate. In 2014 the staff member responsible for performing locates, the Storekeeper, left Grimsby Power and in order to maintain service Grimsby Power contracted the locate service out to a third party who performed locates for the other utilities within the Town of Grimsby. The pricing structure for locates provides for more cost effective locates because the price reflects how many utilities are being located under one visit to the site – the more utilities present the more cost effective the locate. This is much more efficient than sending a dedicated Grimsby Power employee to the site to perform just the LDC locates. In addition to cost effectiveness the third party service can adjust their resources to match the locate volume which is something Grimsby Power could not do, due to equipment and resource restrictions.

- 1 8. Grimsby Power has two major communication companies that have access to poles to
2 allow for attachment of communication infrastructure. This infrastructure allows each
3 company to provide service to businesses and residential customers. Over the years
4 the tracking of these attachments was not as robust as needed. Grimsby Power
5 recognized that without good data on the attachments the pole rental income would
6 also not be accurate and this was recognized as a potential way to increase revenue
7 because attachment numbers generally increase not decrease. Therefore, in 2013
8 Grimsby Power undertook with each company a thorough audit process and with
9 complete documentation of all communication assets on poles. The outcome of these
10 audits was that it reduced annual rental fees to one company by \$1,979 and increased
11 revenue from the other company by \$4,000 for a net gain of almost \$6,000. A side
12 benefit of the audit was that a tracking process was established to document all future
13 changes with the attachments and record them in Grimsby Power's geographic
14 information system. These productivity improvements are now fully incorporated into
15 rates, and flow directly to the benefit of ratepayers.

- 16 9. In 2015 Grimsby Power invested in its first electronically controlled, solid dielectric
17 vacuum reclosers with triple option trip/close capability. This is the first step in a
18 multiyear project to add "smart grid" capability to the operation of the distribution
19 system. These reclosers perform a traditional reclosing function in that they prevent
20 transient short circuits from triggering prolonged power outages, which results in a
21 better supply continuity to customers and they restore power automatically without
22 requiring an operations resource to visit the site. Beyond the traditional function these
23 reclosers have electronic control equipment that will create the basis for Grimsby
24 Power's network automation strategy. This strategy will create flexible control of the
25 distribution system which can be used to enhance efficiency, reliability and quality of
26 service. The application of automation in the distribution power system will allow
27 Grimsby Power to monitor, protect and control switching operations in a real-time
28 mode from remote locations through the intelligent electronic devices, like these
29 reclosers, to restore power during/after a fault by sequential events. This automation
30 does not just replace manual procedures but it permits the power system to react to
31 operating conditions in a most optimal way, based on accurate information provided in
32 a timely manner to the decision-making application and devices. It is anticipated that

1 these devices will improve productivity in reducing resources necessary to mitigate the
2 length of outages.

3 10. Grimsby Power's Engineering and Operations departments are closely integrated to
4 increase efficiency and productivity. Every capital project designed by Engineering is
5 reviewed or co-designed with Operations to make sure the required work can be
6 completed in the most efficient, effective, and safe way possible. Often real-time
7 adjustments are made to designs as crews send real time pictures via mobile
8 communications for review by Engineering. In 2015, Grimsby Power conducted a
9 review of the design process and is actively pursuing process improvements to
10 increase the efficiency of the design process with a view to minimize the overall
11 project costs. These potential efficiency improvements will be incorporated into rates
12 over time as part of future rate applications, as the efficiencies are achieved.

13 11. In 2012 Grimsby Power upgraded its central phone system as part of its general plant
14 capital investments. The existing phone system was installed in 1998 and by today's
15 standards it was antiquated. Prior to purchasing this new phone system, Grimsby
16 Power was limited to three phone lines which were utilized simultaneously for both
17 incoming and outgoing calls, hence many customers received a busy signal when
18 calling in due to the limited capacity of the lines. To correct this issue, Grimsby Power
19 purchased a system with 6 dedicated SIP channels and 10 burstable (on-demand) SIP
20 channels. The system enabled Grimsby Power to combine the Customer Service
21 Representatives into a hunt group whereby a customer calling in can reach the first
22 customer service representative available to take a call. Should the representative be
23 busy attending to another customer call, the system will search and advise the other
24 customer service representatives of the call. If at any time all the customer service
25 representatives are busy and/or logged out of the system from taking calls, the
26 customer always has the option of having their call placed in a queue or they are given
27 the opportunity to leave a message for the first customer service representative to
28 return the call. The new phone system was also installed with an add-on monitoring
29 software enabling Grimsby Power with a measuring tool to track and measure service
30 agent's productivity. It also has the capabilities of meeting current reporting statistics
31 that the OEB requires. The installation of the new phone system allowed Grimsby
32 Power to reduce operating costs by \$3,454 annually but more importantly provides

1 better customer service. These savings are now fully incorporated into rates, and flow
2 directly to the benefit of ratepayers.

3 12. In 2012 Grimsby Power began the development of a plan to implement an Enterprise
4 Resource Planning (ERP) software. At the time, financial software, engineering project
5 estimation software, and various MS Excel spreadsheets were used to estimate, track,
6 and report financial information. These disparate systems were very cumbersome and
7 prone to errors due to the manual intervention required to manage them. Grimsby
8 Power sought to enhance corporate performance through the installation of integrated
9 software which would deal with the following aspects:

- 10 • The implementation of an ERP is an opportunity to rethink existing business
11 processes and change these processes so that they support future requirements.
- 12 • Data is housed in "one version of the truth" – many different types of data exist
13 but in legacy systems this data is recreated more than once because the systems
14 don't share the information electronically. In a true ERP the data is entered into
15 the system once and is shared between multiple applications or processes within
16 the software.
- 17 • Data errors occurring from the manual transfer of information from one system to
18 the next are eliminated.
- 19 • The ERP integrates business processes so that a seamless transition from one
20 micro process to the other is automated. For example, stock items on a purchase
21 order are linked to the warehouse. In a legacy system the line items on the PO
22 would need to be recreated in the receipting process. In an ERP, the data residing
23 in the PO is used in the receipting process with no data entry other than the
24 acceptance of the goods – the quantity received.
- 25 • The integration of the business process eliminates the time gaps in data and
26 essentially all information is real time.
- 27 • Standard reporting can be created practically in an instant eliminating the need to
28 wait several weeks for reporting.

- The integrated nature of the data allows the use of business intelligence tools. These tools are used to mine the data and look for potential business efficiencies.

The procurement process for the software was executed in 2012 and began with multiple vendors. The successful vendor was selected in October 2012. Implementation began shortly thereafter and throughout 2013 the functionality of the software was detailed and documented with the vendor. The new system went live on January 1, 2014 at the beginning of the fiscal year with debugging activities taking place until mid year. The system currently in place integrates all financial processes, warehouse/inventory tasks, and engineering project design, estimation, and tracking of actual costs. There remain a few modules of the software to be deployed in the near future. Although the system is complex and requires much diligence in inputting data in a prescribed way benefits are being realized. The most prominent benefits are as follows:

- Financial information from all parts of the business are linked together which provides more accurate information, more timely information, and more assessable information. For example, projects are created in the system to build & maintain assets. The system generates an estimate of the costs, and as the expenses are incurred they are transacted to the asset/project. This includes expenses on purchase orders for third party services and goods. Thus the progress of projects are tracked in more or less real time allowing Engineering, Operations, and Finance to monitor ongoing project costs vs. estimated costs and allowing year end capital investments projections to be very accurate. This reduces the risk of exceeding budgeted funds for capital investments and maintenance activities;
- The need to search for paper records has been eliminated as all information is in the system thus increasing the productivity for all users;
- Month end processes can be executed in days not weeks;
- Streamline information for reporting purposes

- On-line approval processes eliminate paper approvals, provide instant visibility to job quotes & purchase orders, and eliminates manual paper signoffs.

13. As a regular course of business Grimsby Power carries out various maintenance inspections and maintenance work on distribution equipment. This includes visual inspection of transformers, poles, pole mounted equipment, transformer station equipment, maintenance of the same equipment, ultrasonic scans of the distribution system, and tree trimming. These activities include overhead, underground, and substation equipment. Any issues with these assets are categorized into the following categories, minor (addressed within 3 months), intermediate (addressed within 1 month), major (addressed within 1 week), and critical (addressed immediately). Grimsby Power corrects all issues within the recommended timelines. This program reduces un-planned outages, helps to manage overtime and improves efficiency and the safe performance of the distribution system.

Efforts to achieve cost reductions and productivity improvements in the Test Year

In the 2016 Test Year, Grimsby Power will continue to make cost reduction and productivity improvement measures a priority.

1. Grimsby Power will continue to utilize just in time delivery to manage stores and material levels.
2. Grimsby Power will continue to purchase materials through its alliance agreement with a local vendor.
3. Grimsby Power will continue to offer and promote e-Billing to maintain and potentially increase the number of customers using this billing option.
4. The efficiency and productivity improvement process in Grimsby Power's Engineering and Operations departments, as noted above will continue.
5. In 2016 and beyond Grimsby Power will continue to re-build its remaining 8 kV system currently supplied through step down transformers resulting in a more efficient electrical distribution system with the higher 27.6kV operating voltage and the removal of older less efficient distribution transformers. These potential efficiency

improvements will be incorporated into rates over time as part of future rate applications, as the efficiencies are achieved.

6. Grimsby Power will continue to automate payment processes for vendors reducing the need for manual payments by cheque. The cost savings and resource savings involved is minimal but the service provides flexibility to Vendors who wish to be paid in this way. These potential efficiency improvements will be incorporated into rates over time as part of future rate applications, as the efficiencies are achieved.

Customer Service Improvements

In addition to the above noted cost savings and productivity improvements, often efficiency efforts will result in customer service improvements, including:

1. During August 2012, Grimsby Power began offering a web-based customer portal to enable customers to monitor their electricity usage online so that they can take advantage of off-peak rates. This application makes it easier for customers to forecast their electricity use, letting them predict their bills online, and allowing them to set up alerts that address their specific needs. The application was designed to make it easier for customers to access their usage information; given them the updates they need to conserve power and save money each month. This service is available to all customers with a smart meter which includes all residential and general service less than 50kW rate classes.
2. As noted above Grimsby Power began offering e-billing in May of 2012. This has proven to be a popular and convenient service for customers to store information, review past consumption, and costs at their leisure. Paperless billing together with the Customer Portal is leveraging existing technology on the website to make doing business easier for the customer.
3. Grimsby Power maintains an open door policy for customers who would like to take advantage of face to face communication about the services Grimsby Power provides. The lobby and customer service area is open to customers daily from 8:30am to 4:30pm.

- 1 4. In today's electricity environment a good website is very important to maintain a
2 positive customer experience. In the fall of 2011 Grimsby Power completed a major
3 re-design of its website which prior to this received very little attention. Since the new
4 website was launched Grimsby Power has been focusing on enhancements to the site
5 including easy to use online forms, focus on conservation information and information
6 on the status of the electricity supply. When major un-planned outages occur,
7 Grimsby Power posts a news flash which refers to a static map of the area in question.
8 Currently this is available only during regular business hours but it is Grimsby Power's
9 intention to create a more integrated outage management notification system starting
10 in 2016 as noted in Grimsby Power's capital plan. Grimsby Power also has planned for
11 2015 the hiring of an Applications/Systems Support Professional which will enable
12 Grimsby Power to facilitate the integration of more website functionality to support
13 customer needs.
- 14 5. In 2012 Grimsby Power upgraded its central phone system as part of its general plant
15 capital investments. The new phone system has much more capability than the
16 previous system.

17 *Building a Culture of Continuous Improvement*

18 Grimsby Power works hard to build a culture of continuous improvement, where employees
19 feel valued, trusted, empowered and are respected team members. These employees will
20 then, in turn, look out for the needs of the business through a culture of continuous
21 improvement.

22 Having a committed, loyal, conscientious, and dedicated team has allowed Grimsby Power
23 to implement and achieve the improvements in performance and customer satisfaction
24 described above. Having empowered employees is why Grimsby Power has an industry
25 leading employee safety record and why sick leave is extremely low. To the end of August
26 2015 Grimsby Power has worked 233,659 hours without a lost time incident. This record
27 dates back to February 2008. Over the period from 2012 to 2014 Grimsby Power average
28 sick leave was 2.58 days per year. Having positive and empowered employees translates
29 into great customer service.

1 Having open communications is one of the key ways of keeping employees positive and
2 empowered. Grimsby Power constantly works on improving communications and utilizes a
3 variety of approaches including department meetings, group meetings, and entire
4 organization meetings (town hall meetings) or just through one on one contact. Grimsby
5 Power's open door approach ensures staff has access to all department and senior
6 executives, which facilitates problem solving at all levels of the organization. There is an
7 expectation that employees will address problems first with their Supervisor at any time.
8 The 2014 UtilityPULSE Customer Satisfaction Survey indicated that:

- 9 • Grimsby Power's customer experience performance rating (CEPr) was 86%, 7%
10 above the Ontario average;
- 11 • Grimsby Power's loyalty factor was rated very high. 29% of Grimsby Power
12 customers are considered secure vs. 17% for the average Ontario customer; and
- 13 • Grimsby Power's credibility and trust rating with customers was 85% vs. 77% for
14 the average Ontario customer.

15 These three ratings within the survey clearly demonstrate that Grimsby Power employees
16 are doing a fantastic job at fulfilling customer needs and that employees are Grimsby
17 Power's most valuable resource.

18 *Public Policy Responsiveness:*

19 There have been a number of incremental obligations mandated through provincial policy or
20 local policy objectives since Grimsby Power's last cost of service decision regarding 2012
21 rates, including but not limited to the list below. All of these obligations have been
22 incorporated into Grimsby Power's business processes and have become part of Grimsby
23 Power's service offerings. The only exception to this would be those items scheduled for
24 January 1, 2016 which are currently being implemented.

- 25 • The evolution of smart meters and time-of-use pricing;
- 26 • The obligation to achieve the policy outcomes set out in the RRFE;
- 27 • The obligation to meet mandatory conservation and demand management targets;

- 1 • Ongoing obligations under the *Green Energy and Green Economy Act, 2010* in
2 respect of facilitating new renewable generation, meeting the obligation to connect
3 to settle LDC connected FIT Contracts in accordance with the *Retail Settlement Code*;
- 4 • Incremental transition of accounting standards towards modified IFRS, including the
5 implementation of revised capitalization and depreciation policies, including
6 estimated useful lives for depreciation;
- 7 • The implementation of the Low-income Energy Assistance Program (LEAP) and
8 associated reporting requirements;
- 9 • The implementation of the Ontario Clean Energy Benefit (OCEB) and associated
10 adjustments;
- 11 • The implementation of Ontario One Call pursuant to the *Ontario Underground*
12 *Infrastructure Notification System Act, 2013*;
- 13 • Adapting to continual changes in Electricity Reporting and Recordkeeping
14 Requirements;
- 15 • Participating in new regional infrastructure planning initiatives (planned for late
16 2015);
- 17 • Meeting new accessibility standards in accordance with the *Accessibility for Ontarians*
18 *with Disabilities Act, 2005*;
- 19 • Implementation of consumer protection provisions in the *Energy Consumer*
20 *Protection Act, 2011*;
- 21 • Changes to the presentation of costs associated with losses on invoices for low-
22 volume electricity consumers – Ontario Regulation 275/04 (the Bill Presentation
23 Regulation) and Ontario Regulation 429/04 (the Global Adjustment Regulation).
- 24 • Amendments to the Distribution System Code – Section 5.1.3 – installation of
25 interval meters for new customers and existing customers.
- 26 • Compliance with Canada's new anti-spam and online fraud act (CASL);

- Compliance with Measurement Canada Bulletins GEN-25-E and GEN-31-E requiring that Ontario Regulation 275/04, Section 7 apply to TOU bills', including register reads.
- Implementation of the Ontario Electricity Support Program – planned go live for January 2016 and the elimination of the Ontario Clean Energy Benefit.
- Elimination of the Debt Retirement Charge for residential consumers – planned to go live for January 1, 2016.
- Proposed changes under Sections 45 and 70.2 of the Ontario Energy Board Act, 1998 (OEB Act) dealing with changes to the bill print under the Retail Settlement Code.

Financial Performance

In the Board's Scorecard Report, Board staff recommended three measures to assess a distributor's financial viability: Current ratio, total debt to equity ratio and achieved regulated return on equity. These are discussed in detail below.

Financial Ratios

Current Ratio

Grimsby Power's 2012 current ratio of 1.30 was reflective of a strong cash position, following the rate application's new rates, covering previous years cash outflows (e.g.: PILS & Smart Meter Project). In 2013 the company's current ratio was slightly higher than 2012 but the change is not material. Grimsby Power's 2014 current ratio of 0.76 was reflective of cash flows to meet higher cost of power and distribution capital expenditures relative to previous years. The use of a short term note bearing only interest also affected the 2014 current ratio. The company's current ratio is expecting to decline further to 0.69 in 2015 and 0.57 in 2016 (at existing rates), which is a confirmation of the company's depletion of its cash reserves.

Debt to Equity Ratio

The OEB deemed capital structure of 60% debt and 40% equity is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of less than 1.5 indicates that the distributor is

less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that the distributor is not taking advantage of the increased profits that financial leverage may bring. Grimsby Power continues to move towards a debt to equity structure that closely matches the deemed 60% to 40% capital mix as set out by OEB. In 2014 Grimsby Power moved closer to the 60/40 split by moving its total debt to equity ratio from 1.07 in 2013 to 1.24 in 2014. As a result of the amalgamation with Niagara West Transformation Corporation which brings to the amalgamated entity a SWAP agreement, the debt to equity ratio is expected to be 1.35 in 2015 and 1.44 in 2016.

Rate of Return on Equity

Grimsby Power is confronted with determining how to meet the OEB's deemed Rate of Return on Equity which is 9.42% (per 2012 CoS Application) in the face of a moderate economic recovery and the OEB's 4th Generation IRM cycle which limits rate increases below the rate of inflation, while costs are in line with the inflation. Despite the constraints on the operating and capital expenditures imposed by the target ROE Grimsby Power has continued with a steady program of making investments in distribution infrastructure and distribution plant maintenance. These investments are necessary to support the existing customer base, despite the customer growth and broader economic conditions. As a result of capital investments in distribution infrastructure in excess of the amounts embedded in the current rates, an increase in operating costs by more than the level embedded in the distribution rates, the associated net income resulted in an ROE that is below the OEB's deemed ROE in 2015. While capital investments could potentially be deferred or reduced, there are practical considerations including quality of service delivery and safety that speak strongly against deferring such items.

Grimsby Power's profitability based on the achieved rate of return on equity for historical years 2012 and 2013 are within the allowed dead band of $\pm 3\%$. 2014 was slightly outside the deadband while the 2015 Bridge Year continues to see this trend with the ROE well outside of the deadband. The 2016 Test Year is outside the deadband by double that of the 2015 Bridge Year (13.89%) prior to the requested rate increase.

Grimsby Power's profitability ratios are shown in table below:

Table 1-17
Profitability: Liquidity, Leverage and Return on Equity
2012 to 2016 Test Year

Performance Metric	2012	2013	2014	2015 Bridge Year	2016 Test Year
Current Ratio	1.30	1.32	0.76	0.69	0.57
Debt to Equity Ratio	1.25	1.07	1.24	1.35	1.44
Deemed Rate of Return on Equity	9.42%	9.42%	9.42%	9.42%	9.30%
Achieved/Projected Rate of Return on Equity	12.04%	7.20%	5.89%	2.00%	-4.59%

FINANCIAL INFORMATION

Audited Financial Statements

Copies of Grimsby Power's 2012, 2013 and 2014 Audited Financial Statements are provided in Appendices 1-G, 1-H and 1-I respectively. These statements deal with Grimsby Power only and as such do not include any operations of affiliated companies.

Reconciliation between Audited Financial Statements and Regulatory Accounting

Grimsby Power has followed the accounting principles and main categories of accounts as stated in the OEB's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts ("USoA") in the preparation of the Application.

The Uniform System of Accounts mapped and reconciled to the Audited Financial Statements is shown below:

Table 1-18
OEB Accounting Allocation – Audited Financial Statement Reconciliation
2012 to 2014

Grimsby Power Incorporated
Balance Sheet
December 31, 2012

	Audited Financial Statements	Regulatory Reclassification		2012 Regulatory Filing	OEB Account #
		Dr	Cr		
Assets					
Current Assets					
Cash and Bank	\$ 1,013,700			\$ 1,013,700	1005, 1010
Accounts Receivable	1,211,433			1,211,433	1100, 1102, 1104, 1105, 1110, 1130, 1190
Due from Related Parties	19,853			19,853	1200
Payment in Lieu of Corporate Income Taxes Receivable	10,000		10,000	-	Transferred to Liabilities (Acct # 2294)
Unbilled Revenue	1,840,881			1,840,881	1120
Inventory	229,905			229,905	1330
Prepaid expenses	102,831			102,831	1180
Total Current Assets	4,428,603			4,418,603	
Property, Plant & Equipment	15,485,508			15,485,508	1611, 1830 - 2120
Total Non-Current assets	15,485,508			15,485,508	
Regulatory Assets	149,515	119,771		269,285	1508 - 1595, transferred to Liabilities (Acct # 2405, 2425)
Total Assets	\$ 20,063,625			\$ 20,173,396	
Liabilities and Shareholder's Equity					
Current Liabilities					
Accounts payable and accrued liabilities	\$ (2,167,754)			\$ (2,167,754)	2205, 2220, 2290, 2292, 2335
Payment in lieu of corporate income taxes payable		10,000		10,000	2294
Current portion of deposits	(88,728)			(88,728)	2210
Current portion of long term liabilities	(1,302,561)			(1,302,561)	2260
Total Current Liabilities	(3,559,043)			(3,549,043)	
Customers' and developers' deposits	(788,990)			(788,990)	2335, 2340
Other Liabilities and Deferred Credits	(980,622)		119,771	(1,100,393)	2440, 2405, 2425
Promissory note	(5,782,746)			(5,782,746)	2550
Long-term Liabilities	(1,637,479)			(1,637,479)	2525
Future Payments in Lieu of Taxes	(352,812)			(352,812)	2350
Total Non-Current Liabilities	(9,542,649)			(9,662,420)	
Total Liabilities	(13,101,692)			(13,211,463)	
Shareholder's Equity					
Capital Stock	(5,782,747)			(5,782,747)	3005
Contributed Capital	(70,721)			(70,721)	3010
Retained Earnings	(1,108,465)			(1,108,465)	3045, 3046, 3049
	(6,961,934)			(6,961,934)	
Total Liabilities and Shareholder's Equity	\$ (20,063,625)	129,771	129,771	\$ (20,173,396)	

Grimsby Power Incorporated Income Statement December 31, 2012					
	Audited Financial Statements	Regulatory Reclassification		2012 Regulatory Filing	OEB Account #
		Dr	Cr		
Revenue					
Sales of Electricity	\$ (20,887,907)	4,192,581		\$ (16,695,326)	4006 - 4075, transferred to Revenues from Services (Acct # 4080 - 4084)
Revenues from Service - Distribution			4,870,767	<u>(4,870,767)</u>	4080 - 4084
Gross Margin	(20,887,907)			(21,566,093)	
Other Income					
Other Operating Revenues			204,362	(204,362)	4210 - 4245
Interest Income	(54,709)			(54,709)	4405
Miscellaneous	(251,990)	204,362		(47,628)	4325 - 4398, transferred to Other Operating Revenues (Acct # 4210 - 4245)
Total Revenues	<u>(21,194,606)</u>			<u>(21,872,792)</u>	
Less: Power Supply Expense	16,695,325			16,695,325	4705 - 4750
	<u>(4,499,281)</u>			<u>(5,177,467)</u>	
Expenses					
Distribution Expenses	967,517	171,039		1,138,556	5005 - 5175
Billing and Collecting	522,998			522,998	5305 - 5335
General Administration Expense	1,279,082			1,279,082	5605 - 5680
Depreciation and Amortization Expense	446,339	140,456		586,795	5705, 5715
Interest Expense	378,097		21,454	399,551	6005 - 6035
Property Taxes	24,915	343,820		368,735	6105 - 6115
Marketing	246			246	5410
Other	28,123			28,123	6205, 6215
	<u>3,647,318</u>			<u>4,324,087</u>	
Income Before Payments in Lieu of Taxes	(851,964)			(853,380)	
Payments in Lieu of Taxes					
Future	343,820		343,820	-	Transferred to Taxes Expense (Acct # 6115)
	<u>343,820</u>			-	
Income Before Regulatory Adjustments	(508,144)			(853,380)	
Regulatory Adjustments					
Payment in Lieu of Taxes	(263,520)	263,520		-	Transferred to Revenues from Services (Acct # 4080)
Smart Meters	(81,716)	81,716		-	Transferred to Revenues from Services (Acct # 4080), Depreciation (Acct # 5705), Interest (Acct # 6035), Distribution (Acct # 5065, 5175)
Net Regulatory Adjustments	<u>(345,236)</u>			-	
Net Income	<u>\$ (853,380)</u>	<u>5,418,949</u>	<u>5,418,949</u>	<u>\$ (853,380)</u>	

Grimsby Power Incorporated
Balance Sheet
December 31, 2013

	Audited Financial Statements	Regulatory Reclassification		2013 Regulatory Filing	OEB Account #
		Dr	Cr		
Assets					
Current Assets				\$ -	
Cash and Bank	\$ 762,577			762,577	1005, 1010
Accounts Receivable	1,492,815			1,492,815	1100, 1102, 1110, 1104, 1105, 1110, 1190, 1130
Due from Related Parties	17,310			17,310	1200
Future Payments in Lieu of Taxes	198,187		198,187	-	Transferred to Liabilities (Acct # 2350)
Unbilled Revenue	2,346,708			2,346,708	1120
Inventory	524,346			524,346	1330
Prepaid expenses	104,315			104,315	1180
Total Current Assets	5,446,258			5,248,071	
Property, Plant & Equipment	16,346,672			16,346,672	1611, 1830 - 2120
Future Payments in Lieu of Taxes	397,990		397,990	-	Transferred to Liabilities (Acct # 2350)
Total Non-Current assets	16,744,662			16,346,672	
Regulatory Assets			309,549	(309,549)	1508-1595
Total Assets	\$ 22,190,920			\$ 21,285,193	
Liabilities and Shareholder's Equity					
Current Liabilities					
Accounts payable and accrued liabilities	\$ (2,511,282)			\$ (2,511,282)	2205, 2220, 2250, 2268, 2290, 2292
Payment in lieu of corporate income taxes pa	(66,926)			(66,926)	2294
Current portion of deposits	(86,190)			(86,190)	2210
Current portion of long term liabilities	(1,305,966)			(1,305,966)	2260
Total Current Liabilities	(3,970,364)			(3,970,364)	
Customers' and developers' deposits	(1,107,564)			(1,107,564)	2335, 2340
Other Liabilities and Deferred Credits	(1,316,309)			(1,316,309)	2440
Promissory note	(5,782,746)			(5,782,746)	2550
Long-term Liabilities	(1,531,513)			(1,531,513)	2525
Regulatory Liabilities	(348,147)		309,549	(38,597)	2425
Future Payments in Lieu of Taxes	(87,567)		596,177	508,610	2350
Total Non-Current Liabilities	(10,173,846)			(9,268,119)	
Total Liabilities	(14,144,209)			(13,238,483)	
Shareholder's Equity					
Capital Stock	(5,782,747)			(5,782,747)	3005
Contributed Capital	(70,721)			(70,721)	3010
Retained Earnings	(2,193,242)			(2,193,242)	3045, 3046, 3049
	(8,046,710)			(8,046,710)	
Total Liabilities and Shareholder's Equity	\$ (22,190,920)	905,726	905,726	\$ (21,285,193)	

Grimsby Power Incorporated Income Statement December 31, 2013					
	Audited Financial Statements	Regulatory Reclassification		2013 Regulatory Filing	OEB Account #
		Dr	Cr		
Revenue					
Sales of Electricity	\$ (17,966,028)	6,048		\$ (17,959,980)	4006 - 4076, transferred to Revenues from Service (Acct # 4082 - 4084)
Revenues from Service - Distribution	(4,085,137)		6,048	(4,091,185)	4082 - 4084
Gross Margin	(22,051,165)			(22,051,165)	
Other Income					
Other Operating Revenues			326,915	(326,915)	4210 - 4245
Interest Income	(37,549)			(37,549)	4405
Miscellaneous	(419,046)	326,915		(92,131)	4325 - 4398, transferred to Other Operating Revenues (Acct # 4210 - 4245)
Total Revenues	(22,507,760)			(22,507,760)	
Less: Power Supply Expense	17,966,028		6,048	17,959,980	4705 - 4751, transferred to Billing and Collecting (Acct # 5315)
	(4,541,732)			(4,547,780)	
Expenses					
Distribution Expenses	1,042,506			1,042,506	5005 - 5175
Billing and Collecting	512,576	6,048		518,624	5305 - 5335
General Administration Expense	1,119,954			1,119,954	5605 - 5675
Depreciation and Amortization Expense	585,912			585,912	5705, 5715
Interest Expense	397,142			397,142	6005 - 6035
Property Taxes	25,586	283,579		309,165	6105 - 6115
Other	10,912			10,912	6205
	3,694,588			3,984,216	
Income Before Payments in Lieu of Taxes	(847,143)			(563,564)	
Payments in Lieu of Taxes					
Current	197,098		197,098	-	Transferred to Taxes Expense (Acct # 6110)
Future	86,481		86,481	-	Transferred to Taxes Expense (Acct # 6115)
	283,579			-	
Net Income	\$ (563,564)	622,591	622,591	\$ (563,564)	

Grimsby Power Incorporated
Balance Sheet
December 31, 2014

	Audited Financial Statements	Regulatory Reclassification		2014 Regulatory Filing	OEB Account #
		Dr	Cr		
Assets					
Current Assets					
Cash and Bank	\$ 727,297			\$ 727,297	1005, 1010
Accounts Receivable	938,329			938,329	1100, 1102, 1110, 1104, 1190, 1130
Due from Related Parties	14,103			14,103	1200
Payment in lieu of corporate income taxes	321,613		185,098	136,515	1180, transferred to Liabilities (Acct # 2294)
Unbilled Revenue	2,133,379			2,133,379	1120
Inventory	535,806			535,806	1330
Prepaid expenses	124,289			124,289	1180
Total Current Assets	4,794,814			4,609,716	
Property, Plant & Equipment	18,646,473			18,646,473	1611, 1830 - 2120
Future Payments in Lieu of Taxes	237,538			237,538	1495
Total Non-Current assets	18,884,011			18,884,011	
Regulatory Assets	738,802			738,802	1508-1595
Total Assets	\$ 24,417,627			\$ 24,232,529	
Liabilities and Shareholder's Equity					
Current Liabilities					
Accounts payable and accrued liabilities	\$ (3,240,606)			\$ (3,240,606)	2205, 2220, 2268, 2290, 2292
Due to Related Parties	(37,221)			(37,221)	2240
Payment in lieu of corporate income taxes	(89,855)	185,098		95,243	2294
Current portion of deposits	(135,653)			(135,653)	2210
Current portion of long term liabilities	(2,779,578)			(2,779,578)	2260
Total Current Liabilities	(6,282,912)			(6,097,814)	
Customers' and developers' deposits	(537,245)			(537,245)	2320, 2335, 2340
Other Liabilities and Deferred Credits	(2,357,166)			(2,357,166)	2440
Promissory note	(5,782,746)			(5,782,746)	2550
Long-term Liabilities	(1,421,935)			(1,421,935)	2525
Total Non-Current Liabilities	(10,099,092)			(10,099,092)	
Total Liabilities	(16,382,004)			(16,196,906)	
Shareholder's Equity					
Capital Stock	(5,782,747)			(5,782,747)	3005
Contributed Capital	(70,721)			(70,721)	3010
Retained Earnings	(2,182,154)			(2,182,154)	3045, 3046, 3049
	(8,035,623)			(8,035,623)	
Total Liabilities and Shareholder's Equity	\$ (24,417,627)	185,098	185,098	\$ (24,232,529)	

Grimsby Power Incorporated					
Income Statement					
December 31, 2014					
	Audited		2014		
	Financial	Regulatory	Regulatory	OEB Account #	
	Statements	Reclassification	Filing		
		Dr	Cr		
Revenue					
Sales of Electricity	\$ (19,160,748)		\$ (19,160,748)	4006 - 4076	
Revenues from Service - Distribution	(4,011,524)		(4,011,524)	4080 - 4084	
Gross Margin	(23,172,273)		(23,172,273)		
Other Income					
Other Operating Revenues		247,174	(247,174)	4210 - 4245	
Interest Income	(36,056)		(36,056)	4405	
Miscellaneous	(307,289)	247,174	(60,115)	4325-4398, transferred to Other Operating Revenues (Acct # 4210 - 4245)	
Total Revenues	(23,515,617)		(23,515,617)		
Less: Power Supply Expense	19,160,748		19,160,748	4705 - 4751	
	(4,354,869)		(4,354,869)		
Expenses					
Distribution Expenses	1,030,993		1,030,993	5005 - 5160	
Billing and Collecting	539,296		539,296	5305 - 5335	
Administrative and General Expense	1,213,975		1,213,975	5605 - 5675	
Depreciation and Amortization Expense	678,594		678,594	5705, 5715	
Interest Expense	414,545		414,545	6005 - 6035	
Property Taxes	25,780	360,927	201,609	6105 - 6115	
Other Deductions	5,162		5,162	6205	
	3,908,345		4,084,174		
Income Before Payments in Lieu of Taxes	(446,523)		(270,694)		
Payments in Lieu of Taxes					
Current	(185,098)	185,098	-	Transferred to Taxes Expense (Acct # 6110)	
Future	360,927	360,927	-	Transferred to Taxes Expense (Acct # 6115)	
	175,829		-		
Net Income	\$ (270,694)	793,199	793,199	\$ (270,694)	

Annual Report and MD&A for Parent Company

Grimsby Power does not publish an annual report or an MD&A. As a result, this requirement is not applicable.

Rating Agency Reports

Grimsby Power has no Agency Rating reports.

Prospectus or Information Circulars

Not applicable.

Changes in Tax Status:

Grimsby Power is a corporation incorporated pursuant to the Ontario Business Corporations Act and has not had a change in tax status since its last Cost of Service Application.

Existing/Proposed Accounting Orders

Grimsby Power is not requesting Accounting Orders in this proceeding. Grimsby Power has not changed its accounting policies since its last Cost of Service application for 2012 rates, and therefore there are no impacts on revenue requirement.

Compliance with the Uniform System of Accounts

Grimsby Power has followed the accounting principles and main categories of accounts as stated in the Board's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts ("USoA") in the preparation of this Application. There are not departures from the USoA.

Accounting Standard used in Application

Grimsby Power's last rebasing was for 2012 rates. Within that application the 2012 rates were derived using MIFRS as noted in the OEB's Decision and Order EB-2011-0273 page 2 which stated:

Grimsby's proposed rates are based on Modified International Financial Reporting Standards ("MIFRS").

Therefore, all of the information in this application is based on MIFRS.

Accounting Treatment of Non-Utility Businesses

Grimsby Power is engaged in the delivery of the Independent Electricity System Operator's (IESO's) (formerly the Ontario Power Authority's) conservation and demand management programs. The accounting for these activities is segregated from Grimsby Power's rate regulated activities in accordance with the Board's Accounting Procedures Handbook for Electricity Distributors.

Grimsby Power does not own any Distributor-Owned Generation Facilities.

Confirmation that there are no non-utility activities included in this application.

Materiality Thresholds

Chapter 2 of the Filing Requirements for Transmission and Distribution Applications issued by the Board on July 16, 2015 sets out the materiality levels based on the magnitude of the revenue requirement. Grimsby Power's distribution revenue requirement is less than or equal to \$10 million, therefore its materiality level is \$50,000. Grimsby Power's materiality threshold for the 2016 Test Year is \$50,000 as provided in Table 1-19 below.

Table 1-19
Grimsby Power's Materiality Threshold
2016 Test Year

Description	2016 Test Year
Distribution Revenue Requirement	\$6,273,356
Materiality Threshold less than or equal to \$10,000,000 of Distribution Revenue	\$50,000

ADMINISTRATION

Contact Information

Grimsby Power Inc.
231 Robert Road
Grimsby, Ontario
L3M 5N2

Primary Contacts for Electricity Distribution License

Doug Curtiss	Phone Line:	905-945-5437	Ext	221
Chief Executive Officer	Fax:	905-945-9933		
	E-mail:	dougc@grimsbypower.com		

Mioara Domokos	Phone Line:	905-945-5437	Ext	232
Director of Finance	Fax:	905-945-9933		
	E-mail:	mioarad@grimsbypower.com		

Primary Contact for Application

Amy LaSelva	Phone Line:	905-945-5437	Ext	258
Finance and Regulatory Analyst	Fax:	905-945-9933		
	E-mail:	amyl@grimsbypower.com		

The Applicant's Council and Consultant

Borden Ladner Gervais LLP
Scotia Plaza
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James C. Sidlofsky, Lawyer	Telephone:	416-367-6277
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Bruce Bacon, Senior Utility Rate Consultant Telephone: 416-367-6087
Fax: 416-361-7366
Email: Bbacon@blg.com

Web Site Address & Social Media Accounts www.grimsbypower.com

Grimsby Power does not currently have social media accounts

Administrative Documents Executive Summary

Executive Summary

a) The Applicant is Grimsby Power Inc. (as previously referred to in this Application as the "Applicant" or "Grimsby Power"). The Applicant is a corporation incorporated pursuant to the Ontario Business Corporations Act with its head office in the Town of Grimsby. The Applicant carries on the business of distributing electricity within the Town of Grimsby.

b) The Applicant hereby applies to the OEB pursuant to Section 78 of the OEB Act for approval of its proposed distribution rates and other charges, effective May 1, 2016. A list of requested approvals is set out in this Exhibit under the section Specific Approvals Requested as noted below.

c) The Applicant followed Chapter 2 of the OEB's Filing Requirements in order to prepare this Application. There are no deviations from the Filing Requirements in this Application.

d) The application was prepared and filed under Modified International Financial Reporting Standards (MIFRS). All historical years (2012 to 2014) and the forecast years (2015 Bridge Year and 2016 Test Year) are presented in MIFRS in this Application. For financial reporting purposes, Grimsby Power began adhering to MIFRS standards effective January 1, 2012.

e) Statement on high voltage assets (>50 kV) deemed as distribution asset:

By its Decision and Order issued on March 26, 2015 in EB-2014-0344, the OEB deemed that the Niagara West Transmission Corporation transmission assets now part of Grimsby Power Inc. are deemed to be distribution assets;

f) Statement of publication of applicant's notice:

1 The persons affected by this Application are the ratepayers of Grimsby Power's distribution
2 business. Grimsby Power is proposing that the notices related to the Application appear in
3 the Grimsby Lincoln News a local newspaper owned by Metroland Media Group Ltd. The
4 Grimsby Lincoln news is distributed as an unpaid circulation with approximately 23,450
5 distributed copies and services the communities of Grimsby, Lincoln, and West Lincoln. The
6 Grimsby Lincoln News is published once per week 52 weeks per year.

7 g) The Internet address for application viewing purposes is Grimsby Power's website
8 www.grimsbypower.com

9 h) There are no changes to the methodologies used in previous Cost of Service application
10 (EB-2011-0273

11 i) Responses to Letters of Comments:

12 Grimsby Power will file all responses to matters raised in letters of comment filed with the
13 OEB during the course of the proceeding in this Exhibit 1, in accordance with Section 2.4.9
14 of the Filing Requirements.

15 j) Grimsby Power's Conditions of Service document is publicly available on Grimsby Power's
16 website. Grimsby Power confirms that this is the current version; last updated August 20,
17 2007. There are no changes to Grimsby Power's Conditions of Service that result from
18 approval of this application. There are no rates or charges included in Conditions of Service.

19 *Proposed Distribution Rates and Other Charges*

20 The Schedule of Rates and Charges proposed in this Application is identified in Exhibit 8; the
21 material being filed in support of this Application sets out Grimsby Power's approach to its
22 distribution rates and charges.

23 *Proposed Effective Date of Rate Order*

24 The Applicant requests that the OEB make its Rate Order effective May 1, 2016. In Grimsby
25 Power's last rate application Grimsby Power requested that rates be effective January 1 of
26 any given year. Notwithstanding the fact that this request is for May 1 rates Grimsby Power
27 would request to maintain the January 1 rate date moving forward.

The Proposed Distribution Rates and Other Charges are Just and Reasonable

The Applicant submits that the proposed distribution rates contained in this Application are just and reasonable on the following grounds:

i. the proposed rates for the distribution of electricity have been prepared in accordance with the Filing Requirements and reflect traditional rate making and cost of service principles;

ii. the proposed adjusted rates are necessary to meet the Applicant's Market Based Rate of Return ("MBRR") and Payments in Lieu of Taxes ("PILs") requirements; and

iii. there are no impacts to any of the customer classes or consumption level subgroups that are so significant as to warrant the deferral of any adjustments being requested by the Applicant or the implementation of any other mitigation measures;

Bill Impacts

In accordance with the Filing Requirements, Grimsby Power presents below the bill impacts to be used for the notice of application for a typical residential customer using 800 kWh per month and for a General Service <50 kW customer using 2,000 kWh per month:

Table 1-20
Residential and General Service Less than 50 kW Bill Impacts

	Selected Delivery Charge and Bill Impacts							
	Subtotal A - Monthly Delivery Charge				Total Bill			
	Current	Proposed	Change		Current	Proposed	Change	
			\$	%			\$	%
Residential - 800 kWh/month	\$25.37	\$32.64	\$7.27	28.66%	\$136.44	\$138.34	\$1.90	1.39%
GS < 50 kW - 2000 kWh/month	\$52.87	\$78.21	\$25.34	47.93%	\$384.49	\$399.12	\$14.63	3.81%

Specific Approvals Requested

a) The Applicant applies for an Order or Orders approving the proposed distribution rates and other charges set out in Exhibit 8 to this Application as just and reasonable rates and charges pursuant to Section 78 of the OEB Act, to be effective May 1, 2016;

1 b) In the event that the OEB is unable to provide a Decision and Order in this Application for
2 implementation by the Applicant as of May 1, 2016, the Applicant requests that the OEB
3 issue an Interim Rate Order declaring the current Distribution Rates and Specific Service
4 Charges as interim pending the implementation of the Board-approved 2016 distribution
5 rates; and

6 c) In the event that the implementation date of the Board's 2016 Rate Order is later than
7 the effective date for 2016 distribution rates and charges, Grimsby Power requests to be
8 permitted to recover the incremental revenue from the effective date to the implementation
9 date by way of an appropriate rate rider.

10 ***Form of Hearing Requested***

11 The Applicant requests that this Application be disposed of by way of a written hearing.

Certification of Evidence

As the Chief Executive Officer and the Director of Finance of Grimsby Power Inc. we certify that the evidence filed in Grimsby Power's 2016 Cost of Service Application is accurate, consistent and complete to the best of our knowledge and belief. The filing is consistent with the Filing Requirements.

DATED at Grimsby, Ontario, this 23 day of December, 2015.

All of which is respectfully submitted,

Grimsby Power Inc.

Doug Curtiss

Mioara Domokos



Chief Executive Officer

Director of Finance

Specific Approvals Requested

In this proceeding, Grimsby Power is requesting the following approvals:

- Approval to charge rates effective May 1, 2016 to recover a revenue requirement of \$6,574,945 as set out in Exhibit 1 and Exhibit 6. The schedule of proposed rates is set out in Exhibit 8;
- Approval to create a new rate class, the Embedded Distributor Rate Class as set out in Exhibit 8;
- Approval of the proposed loss factor as set out in Exhibit 8;
- Approval to continue to charge Standard Supply Service, Wholesale Market, Rural Rate Protection, and Debt Retirement Charges approved in the OEB Decision and Order in the matter of Grimsby Power's 2015 Distribution Rates (EB-2014-0076) subject to any modifications as a result of the OEB's future decisions including the addition of the OESP rate;
- Approval to adjust the Retail Transmission Service Rates (Network and Connection) in accordance with the Board's Guideline G-2008-0001 Electricity Distribution Retail Transmission Service Rates as revised on June 28, 2012 and as presented in Exhibit 8.
- Approval to continue the Transformer Allowance of \$0.60 per kW of billing demand, approved in the OEB Decision and Order in the matter of Grimsby Power's 2015 Distribution Rates File number EB-2014-0076, for General Service 50 to 999 kW customers;
- Approval to continue Specific Service charges approved in the OEB Decision and Order in the matter of Grimsby Power's 2015 Distribution Rates File number EB-2014-0076;
- Approval to dispose of the following Deferral and Variance Account Balances, audited as at December 31, 2014 plus interest calculated until April 30, 2016, over a one-year period as described in Exhibit 9

Table 1-21

Summary of Deferral and Variance Account Balances

Account Description	USoA#	Total
Group 1 Accounts		
Low Voltage Variance Account	1550	55,037
Smart Meter Entity Charge Variance Account	1551	(3,776)
RSVA-Wholesale Market Service Charge	1580	(18,815)
RSVA-Retail Transmission Network Charge	1584	21,463
RSVA-Retail Transmission Connection Charge	1586	(69,525)
RSVA-Power (Excluding Global Adjustment)	1588	84,802
RSVA-Global Adjustment	1589	278,373
Disposition Recover/Refund of Regulatory Balances (2012)	1595	(1,370)
Disposition Recover/Refund of Regulatory Balances (2013)	1595	180,159
Disposition Recover/Refund of Regulatory Balances (2014)	1595	(88,547)
Subtotal - Group 1 Accounts		437,800
Group 2 Accounts		
Other Regulatory Assets-Sub-Accnt-Deferred IFRS Transition Costs	1508	56,131
Other Regulatory Assets-Sub-Accnt-Financial Asst Payment/Recovery Variance OCEB	1508	(871)
Retail Cost Variance Account - Retail	1518	(26,563)
Subtotal - Group 2 Accounts		28,697
Other Accounts		
Renewable Generation OM&A Deferral Account	1532	23,775
Retail Cost Variance Account - STR	1548	12,042
Smart Meter Capital & Recovery Offset Variance-Sub Account Stranded Meters	1555	719
LRAM Variance Account	1568	3,011
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	(89,218)
Subtotal - Other Accounts		(49,671)

Statement of Deviations

Grimsby Power has not, to the best of its knowledge, deviated from the final Board's Filing Requirements for Electricity Distribution Rate Applications, issued July 18, 2015.

Statement of Changes to Methodologies

The pro-forma projections for the 2016 Test Year have been prepared in accordance with Grimsby Power's usual process, with the following assumptions:

1. Rates for distribution and sales of electricity are assumed to be constant for the entire 2016 Test Year.
2. Regulatory costs have been normalized over the five year application period.
3. Periodic and onetime costs have been normalized over the five year application period.

Identification of OEB Directives from Previous Board Decisions and/or Orders

2012 COS – EB-2011-0273 – Settlement Agreement

Item 4.3

Is the proposed level of depreciation/amortization expense for the test year appropriate?

As stated in 2.2 above, the Parties agree Grimsby Power will change the useful lives of assets to those represented by the Typical Useful Life as detailed in the study prepared by Kinectrics for the Board and released by the Board on July 8, 2010, and adjust depreciation for 2011 and 2012 accordingly. Grimsby Power has recalculated the depreciation/amortization expense. Appendix I to this Agreement contains updated Fixed Asset Continuity Tables and updated calculations of the PP&E Deferral Account to reflect this change. These depreciation/amortization expense calculations reflect the changes in Grimsby Power's capital expenditures discussed in section 2.3 above. Grimsby Power will also perform an objective study of the useful lives of its distribution assets using its own resources, or will retain a consultant to perform such a study, and agrees to file that study no later than with its next Cost of Service application.

Grimsby Power has not conducted any further study into the useful lives of its distribution assets. Decision and Orders issued by the Board since 2011 (2012 rate adopters) have typically adopted the TUL as presented in the Kinectrics report noted above.

Statement Regarding Conditions of Service

Grimsby Power's Conditions of Service document is publicly available on Grimsby Power's website. Grimsby Power confirms that this is the current version, last updated August 20, 2007. There are no changes to Grimsby Power's Conditions of Service that result from approval of this application. There are no rates or charges included in Conditions of Service.

Bill Impacts

Please refer to "Bill Impacts" in the Executive Summary section of Exhibit 1 of this Application.

APPLICANT OVERVIEW

The Applicant is Grimsby Power Inc. and is a corporation incorporated pursuant to the *Business Corporations Act* (Ontario) with its head office in the Town of Grimsby. The Applicant carries on the business of distributing electricity within the Town of Grimsby.

Description of Applicants Service Area

Grimsby Power owns, maintains and operates the distribution system, which consists of 167 km of overhead lines and 73 km of underground lines all carrying a voltage of less than or equal to 27.6kV and a 230kV to 27.6kV Dual Element Spot Network (DESN) transformer station.

Grimsby Power receives its power from two locations: Beamsville Transformer Station (owned by Hydro One), and Niagara West MTS (recently amalgamated into Grimsby Power and classified as a distribution asset), both fed from the Hydro One transmission system. The service territory for Grimsby Power is the municipal boundary of the Town of Grimsby.

COMMUNITY SERVED:	Town of Grimsby
TOTAL SERVICE AREA:	69 sq. km
URBAN SERVICE AREA:	19 sq. km
RURAL SERVICE AREA:	50 sq. km
DISTRIBUTION TYPE:	Electricity Distribution
SERVICE AREA POPULATION:	25,325 (2011 Census)

A map of Grimsby Power's distribution system is attached in Appendix 1-J.

A map of Grimsby Power's distribution service territory is provided in Appendix 1-K.

List of Neighbouring Utilities

Grimsby Power is bounded by Horizon Utilities Corporation in the west and Niagara Peninsula Energy Incorporated (NPEI) in the south and east.

Identification of Embedded or Host Utilities

Grimsby Power is embedded in Hydro One's 27.6kV distribution lines from their Beamsville Transformer Station (TS) located in Beamsville. Grimsby Power is supplied by two distribution circuits from Beamsville TS which pass through NPEI's service territory.

Grimsby Power owns a 230kV to 27.6kV transformer station (Niagara West MTS) which supplies two circuits to Grimsby Power's service territory and two circuits to NPEI. Grimsby Power is therefore the host utility and NPEI is an embedded local distribution company.

Statement Regarding Distribution Assets

On October 1, 2015 Grimsby Power amalgamated with Niagara West Transformation Corporation (NWTC). This amalgamation was the subject of a MAAD application – see Board file EB-2014-0344. The assets of NWTC, comprised of a 230kV to 27.6kV transformer

station (Niagara West MTS) were deemed distribution assets by the OEB Decision and Order issued on March 26, 2015 in EB-2014-0344.

All assets owned and operated by Grimsby Power are distribution assets.

CORPORATE GOVERNANCE

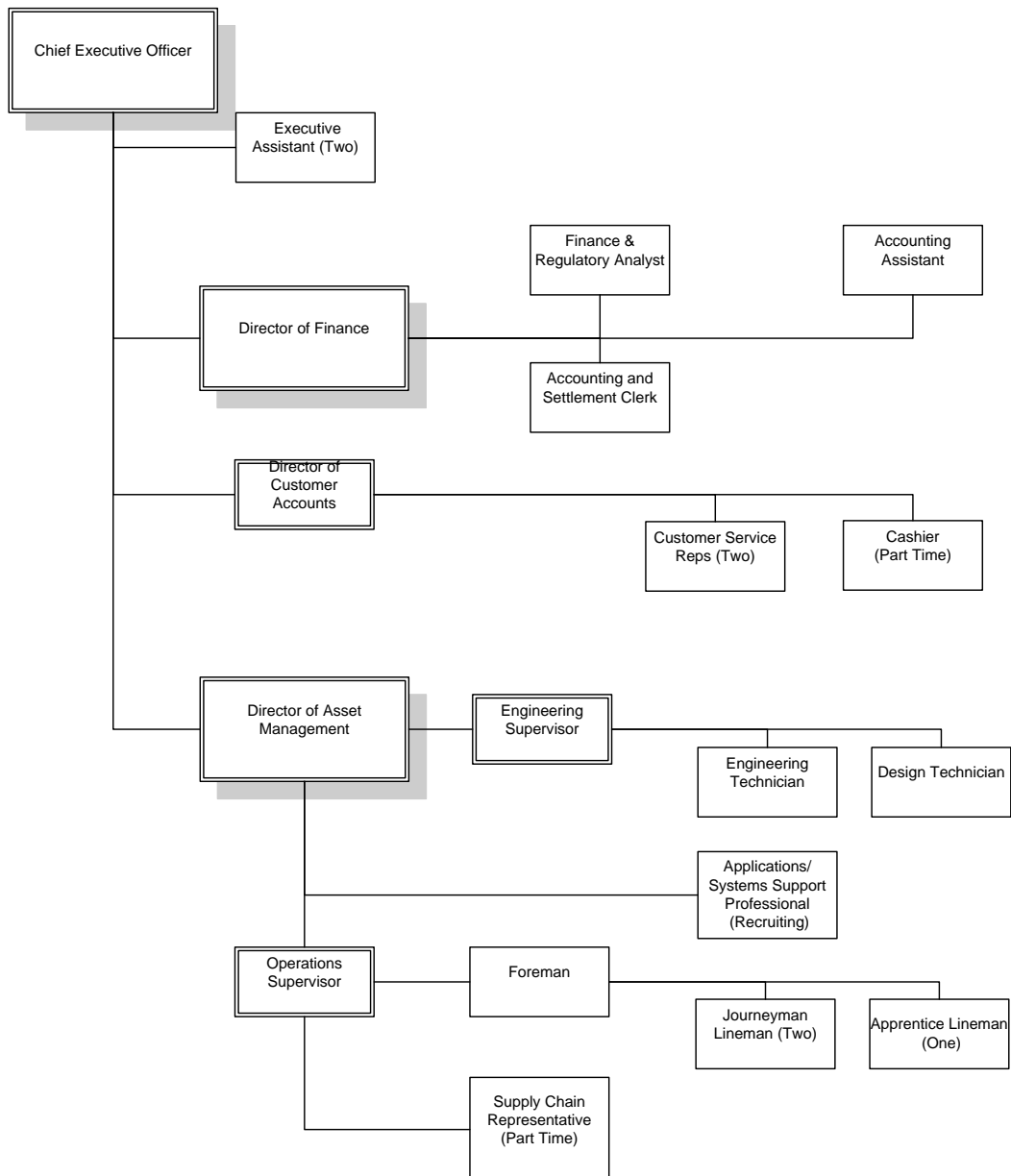
Utility Organizational Structure

A copy of Grimsby Power's current utility organizational chart is provided below:

Figure 1-1

Grimsby Power Organizational Structure - 2015

Grimsby Power Inc. – Organizational Structure



The following is a description of each of the departments shown in the organizational structure above.

Asset Management Department under the direction of the Director of Asset Management

The Asset Management Department includes the functions of Engineering, Operations, and Information Technology

Engineering Department

The Engineering department at Grimsby Power consists of engineering distribution system design, metering, GIS applications and asset management. The Engineering department currently has three staff, consisting of the Engineering Supervisor, one Engineering Technician, and one Design Technician. These departments were reorganized in 2015 to include an Applications/Systems Support Professional currently being recruited. No changes are anticipated for the period 2016 through 2020.

Engineering is responsible for the safe and efficient design of the electricity distribution system, ensuring long term plans and expenditures are appropriate to accommodate future customer growth and infrastructure renewal to maintain safe and reliable service levels. Engineering includes: (i) asset management, including the planning and design of overhead, underground, and transformer station distribution projects; (ii) working with new customers to safely and efficiently connect to the distribution system (iii) working with existing customers to replace and upgrade their existing connections (iv) utilizing engineering standards (Utilities Standard Forum – USF) that are developed for the electricity distribution system; (v) drafting and surveying services using Computer Aided Design (“CAD”); (vi) maintenance of asset records and enhancements to the Geographical Information System (“GIS”); (vii) inspections of the electricity distribution system to ensure compliance with the Ontario Regulation 22/04 and the distribution system code; (viii) co-ordination and administration of the IESO’s Feed-in Tariff (FIT), microFIT programs, and Grimsby Power’s responsibilities under the Ministry of Energy’s Green Energy and Green Economy Act (GEGEA); (ix) managing joint use attachments by various third parties and (x) liaison with customers, developers, utilities and the Town of Grimsby.

1 Grimsby Power uses ESRI's ArcGIS as its GIS system. The GIS is used for asset
2 management activities, troubleshooting system problems, identification of how many and
3 which customers have been impacted by an outage, provides the base map for contractors
4 who provide underground utility locating services for excavating contractors, and for design
5 and construction activities including new capital projects and customer connections. The
6 GIS is a critical system as it contains customer information and all of Grimsby Power's
7 distribution asset information including, pole information, wire and cable information (i.e.
8 size, type, and installation date), transformer information, and switch information. The
9 information is geographically located with GPS coordinates and has total electrical
10 connectivity from the transformer stations to the meter. Engineering uses approved Utility
11 Standard Forum standards and establishes processes to ensure compliance with Ontario
12 Regulation 22/04. Ontario Regulation 22/04 is a performance based standard covering the
13 safety requirements for the design, construction and maintenance of electrical distribution
14 systems in Ontario. Under Ontario Regulation 22/04 Grimsby Power is audited each year
15 with a report sent to the Electrical Safety Authority.

16 Grimsby Power owns one transformer station which steps down voltage from the 230kV to
17 27.6kV. Engineering is responsible for managing the maintenance of all station equipment
18 and this is done through third party contractors experienced and qualified to perform the
19 work. Grimsby Power's station maintenance strategy focuses on minimizing, to the extent
20 possible, emergency-type work by improving the effectiveness of the planned maintenance
21 program (including predictive and preventative actions). Regular weekly and monthly
22 inspections are carried out on transformer station yard and equipment. Major planned
23 maintenance is carried out on a five year maintenance schedule. Major maintenance
24 activities include electrical tests on power transformers, oil tests on the power transformers,
25 electrical tests on circuit breakers, and protection relay testing.

26 Engineering is responsible for the Metering functions. This includes responsibilities for the
27 purchasing, installation, testing and commissioning of all new simple and complex metering
28 installations. Metering is responsible for ensuring meters communicate with either the
29 wireless network or phone interrogation system. Maintaining communications with the new
30 wireless AMI system is a new responsibility and new workload requiring daily attention.
31 This is a significant new responsibility that has added not only additional work and
32 accountability, but requires very specific handling of meter changes such that dates, time

1 and locations are accurately tracked through electronic work order management systems so
2 that time-based interval meter readings are not lost. Metering also liaises with Grimsby
3 Power's Meter Service Provider on issues related to its wholesale meter points. With the
4 deployment of smart meter technology, the number of meters read manually each month
5 has declined to only a handful. It is anticipated that all meters requiring manual reads will
6 be converted by the end of 2016, With the introduction of the majority of smart meters in
7 2010 ensuring compliance with seal periods as per Measurement Canada requirements is a
8 new duty that Engineering has taken on.

9 Grimsby Power's Engineering and Operations Departments were restructured in 2014. The
10 purpose of this restructuring was to enable Grimsby Power to properly resource the asset
11 management function of the utility as well as prepare for the addition of the Niagara West
12 MTS to Grimsby Power's distribution asset base. The restructuring involved three distinct
13 steps. The first was to replace the existing position of Director of Engineering and
14 Operations with two new positions. The Director of Asset Management position was created
15 to fulfill the role of the Director of Engineering and Operations but with more emphasis on
16 asset management practices and the regulatory requirements of the utility. The second was
17 to add an Engineering Supervisor position to provide engineering expertise to the
18 management of the distribution system and in particular to meet the additional technical
19 needs required with the addition of the Niagara West MTS. The third was to add an
20 Applications/Systems Support Professional to the department's compliment of staff. The
21 purpose of this position was to drive technological change within Grimsby Power's wide
22 range of assets including the distribution system and general plant.

23 In 2014 Grimsby Power developed its first Distribution System Plan (DSP) to meet the
24 Boards filing requirements. This DSP was developed on the back of Grimsby Power's
25 Distribution Asset Management Plan (DAMP) which was developed for the 2012 cost of
26 service application. The DSP is a living document which requires continuous updating in
27 order that the information remains current. Through the processes developed in the DSP
28 the Engineering team continues to refine Grimsby Power's asset management program to
29 meet reliability, demand, security and capacity requirements while ensuring long term
30 affordability and responsible stewardship of the distribution system. In this role the
31 Engineering team performs a condition-based system analysis to drive long-term asset
32 investment decisions in order to optimize the capital and maintenance cost mix throughout

1 the lifecycle of the asset. This team is responsible for maintaining distribution system asset
2 records in Grimsby Power's ESRI GIS system.

3 The Engineering Department has a significant workload with constantly changing priorities
4 because of the dynamic nature of Grimsby Power's system and customer needs. Working
5 with customers on new services, new connections or expansions can be a challenge
6 especially given that most customer work is in the short term and relatively immediate in
7 the eyes of the customer. Engineering staff engage customers, on their premises, to
8 understand their requirements, timelines and cost expectations. Customer expectations are
9 managed utilizing a que process, first project request in, first out. Work is coordinated with
10 customers and their representatives including various types of contractors. In this context
11 the term customer extends to include communication companies that want to attach
12 infrastructure to Grimsby Power's poles and to renewable generation facilities.

13 During major planned and un-planned outages Engineering staff take on responsibility for
14 assessing overall system needs and may assist Operations staff where appropriate. The
15 groups work together as a team to quickly and safely restore power. Customer engagement
16 is very important during outages and this was one of the messages customers had for
17 Grimsby Power when the DSP Customer Survey was conducted. Grimsby Power has a
18 rudimentary outage notification process for its website but this does not meet customers'
19 requirements. With the addition of extra staff in the Engineering and Operations
20 Departments Grimsby Power is poised to advance to the next level of customer outage
21 communication by implementing software that will provide outage notification to customers
22 through a variety of media as well as provide a platform to easily integrate information from
23 Grimsby Power's other software systems. This development is to begin in 2016.

24 Operations Department

25 The Operations department consists of a line department, stores, system maintenance, and
26 fleet management. The Operations department currently has six staff consisting of an
27 Operations Supervisor, four Journeyman Lineman, and one part time Supply Chain
28 Management Representative. There are significant plans to make changes to the staff
29 compliment in 2016. Two additional Journeyman Lineman (apprentices) are required to
30 facilitate knowledge transfer for two retirements. One retirement in the next five years and
31 one in the next ten years. It is also planned to make the Supply Chain Management

1 Representative a full time position in 2016 to enable the advanced inventory and warehouse
2 processes in the JOMAR ERP system to become operational. The Operations Supervisor is
3 also responsible for all fleet maintenance, the execution of Grimsby Power's distribution
4 maintenance plan, and the oversight of Grimsby Power's third party underground locate
5 vendor.

6 The line crew is responsible for i) predictive maintenance, ii) preventative maintenance iii)
7 emergency maintenance and repairs, iv) service work v) capital project implementation on
8 overhead and underground distribution plant. They also provide system switching when
9 required. The line crew consists of a Foreman and three powerline maintainers (some
10 apprentices). The crews are available 24/7 365 days a year to respond to any planned or
11 un-planned outages on the system. They respond regardless of weather and time of day.
12 Working safely is their main objective while accomplishing tasks quickly and efficiently. The
13 majority of service work is related to service upgrades requested by customers, and
14 requests to provide safety coverage for work (overhead line cover ups). This includes
15 service disconnections and reconnections by Grimsby Power for all service classes; assisting
16 pre-approved contractors; making final connections after Electrical Safety Authority ("ESA")
17 inspection for service upgrades; and changes of service locations.

18 The Supply Chain Management Representative is responsible for the procurement of all
19 goods necessary to keep an appropriate level of inventory given the activity of field work
20 and projects. Purchasing is in accordance with the approved Purchasing Policy, including
21 relationships with suppliers and the co-ordination of quotations. Stores is also responsible
22 for the receiving of inventory, issuing of materials, and inventory returns, as well as the
23 monitoring and control of inventory including cycle counts.

24 Although not a distinct department, the Operations Supervisor is responsible for the
25 maintenance and control of approximately 7 vehicles, including 2 bucket trucks, 1 radial
26 boom derrick, and 4 vans and pick-up trucks. Fleet also manages other major pieces of
27 equipment such as a forklift, a pole trailer, a reel trailer, a dump trailer, and numerous tools
28 including live line equipment. Having modern, reliable and safe equipment is a mandatory
29 requirement for completing capital and maintenance work efficiently and safely. Working
30 over and next to high voltage conductor means equipment and tools must perform.

1 Grimsby Power's vehicle replacement program provides for the replacement of vehicles as
2 follows:

- 3 • Large Trucks with Mounted Equipment – 15 years
- 4 • Medium Trucks with Mounted Equipment – 12 years
- 5 • Small Trucks – 8 years
- 6 • Trailers – As required

7 Grimsby Power's objective is to maximize the life of its vehicles and equipment through
8 routine maintenance programs. In terms of capital expenditures Grimsby Power plans its
9 vehicle replacements to levelize the spend as much as possible. However, with the limited
10 number of vehicles and the large cost of the both bucket trucks and radial boom derricks it
11 is inevitable that capital spending will be high and low from year to year. Operational and
12 mechanical assessments are completed each year to determine the condition of each
13 vehicle. The following items are reviewed: safety aspects of the vehicle; dielectric integrity,
14 operational and body condition; age of the vehicle; kilometers and hours on the vehicle;
15 past major mechanical problems; and potential major mechanical problems.

16 Fleet maintenance is outsourced to regular and specialized service providers. Vehicle costs
17 are allocated to operations, maintenance, and capital general ledger accounts based on the
18 number of hours employed in these activities. A standard hourly cost is set for different
19 classes of vehicles within the fleet.

20 Engineering and Operations together are responsible for the operations and maintenance of
21 Grimsby Power's distribution system. Maintenance activities include those predictive and
22 preventative maintenance programs which proactively determine where issues or risks exist
23 on the distribution system, or where the probabilities are increasing for new issues or risks
24 to occur. Grimsby Power continuously reviews and evaluates its maintenance information
25 from visual inspections in order to adjust predictive and preventative actions. Grimsby
26 Power has a written maintenance program simply called "Distribution System Maintenance
27 and Inspection Program". This program identifies what assets will be maintained and how
28 this will be accomplished. Grimsby Power's program contains the following elements:

- Line Clearing and Tree Trimming Maintenance Program
- Distribution System Plant Inspections and Ground Level Maintenance
- Off Road High Voltage Line Inspections & Maintenance
- Thermography / Ultrasound Inspection Program
- Switch Maintenance Program

Niagara West MTS has a written five year maintenance program. Due to the recent amalgamation this has not yet been incorporated into the above document.

Any identified deficiencies found are prioritized and addressed within a suitable time frame. Customer engagement is a major priority and requirement for Operations. When maintenance or capital work requires planned outages, Operations staff contact many of the customers impacted to arrange mutually convenient times to schedule the work. Sometime this requires evening or weekend work to minimize impacts on businesses. Often a fair degree of coordination is involved as customers prepare themselves for the outage and customers often schedule repairs and maintenance on their systems at the same time.

Repair activities consist of both planned and unplanned activities. Planned repairs represent work that is scheduled, and where possible, completed without interruptions to customers. Customer interruptions may be required for immediate emergency repairs, such as distribution system outages or failures due to storms, tree damage, animal, bird contact or equipment failures.

Network control operations are provided by the Operations Department. Grimsby Power does not have a dedicated control room to handle network operations so all of this work is coordinated by the Operations Supervisor or the On-Call lines staff. An answering service company is contracted to contact an on-call lineperson in the event of service problems after normal business hours.

Information Technology

Prior to 2015, information technology (IT) services were provided by the Engineering Technician (approximately 5% of duties) and by a third party IT company. In the 2015

1 planning process an additional position was created called the Information/Systems Support
2 Professional. This position is responsible for providing enterprise and departmental
3 systems, solutions and services to support the operational and strategic needs of Grimsby
4 Power. IT is responsible for the development and implementation of information technology
5 policies, procedures and processes to ensure control and protection of Grimsby Power's
6 assets, data, equipment and associated risks. This includes the evolving field of security
7 audits security protocols to avoid un-authorized access to customer & utility data. This
8 position was advertised but it has yet to be filled due to issues the Bargaining Unit has with
9 the specific duties of the position.

10 Customer Accounts Department under the direction of the Director of Customer Accounts

11 Grimsby Power issues approximately 132,000 invoices annually to customers. All customers
12 are billed on a monthly basis – first of the month to end of month. Grimsby Power offers
13 customers a number of billing and payment options including an equal payment plan and a
14 preauthorized payment plan.

15 The Customer Accounts Department is staffed with one Supervisor the Director of Customer
16 Accounts, two Customer Account Representatives, and a Cashier/Receptionist. There are
17 significant changes planned for 2016. One additional Customer Accounts Representative
18 will be added in 2016 due to increased workload and a Customer Accounts Supervisor will
19 be added to provide for knowledge transfer as the existing Director of Customer Accounts is
20 eligible for retirement.

21 Grimsby Power's SAP Customer Information System (CIS) is integrated with both the MDMR
22 and Operational Data Store (ODS). Synchronization between systems is critical to maintain
23 data consistency with the provincial Meter Data Management Repository. Synchronization
24 files are generated and submitted to the MDMR on a daily basis. Reports related to
25 synchronization file performance are monitored by a third party with appropriate action
26 taken when necessary. The Customer Accounts Department also advises Engineering when
27 smart meters fail to communicate with the AMI system and when repairs are successful.

28 Raw consumption data provided from smart meters must be validated prior to acceptance
29 into the CIS system. Grimsby Power has outsourced its Validation, Editing and Estimation
30 (VEE) process to a third party. This process is performed through the ODS to ensure data

1 consistency and integrity with the MDMR. A synchronization operator ensures
2 communications with the MDMR are successful and resolves any exceptions. The
3 synchronization operator function is outsourced to a third party.

4 In 2012 Grimsby Power began offering an e-billing service for those customers looking to
5 receive and store bills electronically. This has been a very successful initiative and as of
6 November 2015, 2288 customers or 20% of Grimsby Power's customer base were utilizing
7 e-billing.

8 Customer Accounts is also responsible for monthly payment of all renewable generation
9 contracts that customers have with the IESO (formerly OPA).

10 Customer Accounts is responsible for executing the collection and
11 disconnection/reconnection process at Grimsby Power. This workload has increased
12 significantly due to high energy prices and the state of the economy.

13 Grimsby Power continues to offer a well utilized information counter for customer
14 convenience to set up accounts, and arrange payments and to ask general questions. The
15 information counter is staffed four hours per day by the Cashier/Receptionist and for the
16 remaining hours by the Customer Account Representatives. This customer engagement
17 experience is actually preferred by many customers as was noted in Grimsby Power's DSP
18 Customer Engagement Survey conducted in 2014.

19 The Customer Accounts group is responsible to deliver customer service excellence by
20 responding to customer needs on the phone, in person or through e-mail communications.
21 Key activities include processing payments, processing customer moves, making payment
22 arrangements, identifying eligibility for special terms and arrangements based on residential
23 or income status, coordination of disconnects and reconnects, and timely and accurate
24 payment processing and collection of accounts in accordance with Distribution System Code
25 and related procedures. Customer Accounts staff manage phone and field responses to
26 customers to ensure quality achievement of service level parameters established by the
27 Board.

28 Customer Accounts staff are responsible for managing the collection process. The collection
29 process includes the collecting of overdue accounts, final accounts, previously written off

accounts and security deposit management. Grimsby Power enforces a credit policy in accordance with the Distribution System Code and employs all allowable collection activities in order to minimize credit risk. Active overdue accounts are collected by in-house and contract staff through reminder notices, hand delivered or mailed, and multiple direct telephone contact. In 2015 Grimsby Power's reminder system was changed from paper notices sent via mail to direct phone or e-mail contact. This service, provided by a third party, is in the early stages of deployment. In addition, a final attempt is made to contact and speak with the customer prior to disconnecting the service for non-payment. Final bill collections are turned over to a collection agency.

Customer Accounts staff are the main voice of Grimsby Power's customer experience and have the pulse on customer issues. Customer Accounts staff are a key resource to develop customer communication initiatives. Arguably Customer Accounts staff has the toughest job in the entire electric industry due to the impact of increasing energy costs and every increasing complex billing processes. They are sustained in their efforts by actually receiving positive feedback and kind words from customers for helping them. Grimsby Power's Customer Accounts staff has significantly increased their efficiency and effectiveness over the long term. Efficiencies gained by a more productive work environment have allowed the staff complements to stay the same for the last decade despite a 50% growth in customer base since 2000. They are a significant contributor to Grimsby Power's overall 92% customer satisfaction and "A" customer satisfaction rating as measured in the 2014 UtilityPULSE survey.

Finance Department under the direction of the Director of Finance

The Finance Department includes Financial Services and Regulatory. This group consists of one Director, one Finance & Regulatory Analyst, one Accounting Assistant, and one Settlement and Accounting Clerk. There are plans to change this complement in 2016. The addition of an Accounting Supervisor is planned for 2016.

Financial Services

The Finance department is responsible for the preparation of statutory, management and Board of Directors financial reporting in accordance with GAAP/IFRS standards; all daily accounting functions, including accounts payable, accounts receivable, purchasing, capital

1 componentization of assets and general accounting; treasury functions including borrowing
2 and cash management, risk management, accounting systems and internal control
3 processes; preparation of budgets and forecasts; and supporting tax compliance, and
4 wholesale settlement with the IESO ensuring compliance with market rules. Financial
5 Services also provides analysis and expert input into major decisions made by the business.
6 Day to day finance activities are conducted by the Accounting Assistant and the Settlement
7 and Accounting Clerk.

8 Regulatory

9 The regulatory functions within Grimsby Power are managed by the Director of Finance with
10 significant support from the Finance & Regulatory Analyst. The Analyst is responsible for all
11 regulatory reporting and compliance with applicable codes and legislation governing
12 electrical utilities. Regulatory reporting includes the development and preparation of rate
13 filings, performance reporting and compliance. The Analyst also provides administrative
14 support to all of Grimsby Power's CDM programs which are administered through a third
15 party vendor. The Finance & Regulatory Analyst is active in industry forums and regulatory
16 policy development and proceedings conducted by the Board.

17 Administration & Human Resources

18 The Chief Operating Officer (CEO) provides strategic and operational leadership for the
19 business. This position is the face of the business to Grimsby Power's customers and
20 external industry groups including provincial agencies and the media. The CEO is active in
21 the development of all major plans required by the business and often has an execution role
22 as well in both operating and capital programs. The CEO works with the management team
23 to monitor performance against objectives and to decide on remedial actions. The CEO
24 works closely with Board members to develop strategy and ensure results are achieved.
25 The CEO sets the pace for the business and drives continuous improvement both in staff,
26 work processes and equipment. The CEO role is key to defining corporate culture and
27 values and drives financial performance and customer service levels.

28 The human resource function within Grimsby Power is managed within the role of the
29 Executive Assistant. The position is responsible for benefits administration, pension,
30 recruitment, labour relations, and legislative compliance including privacy. This position

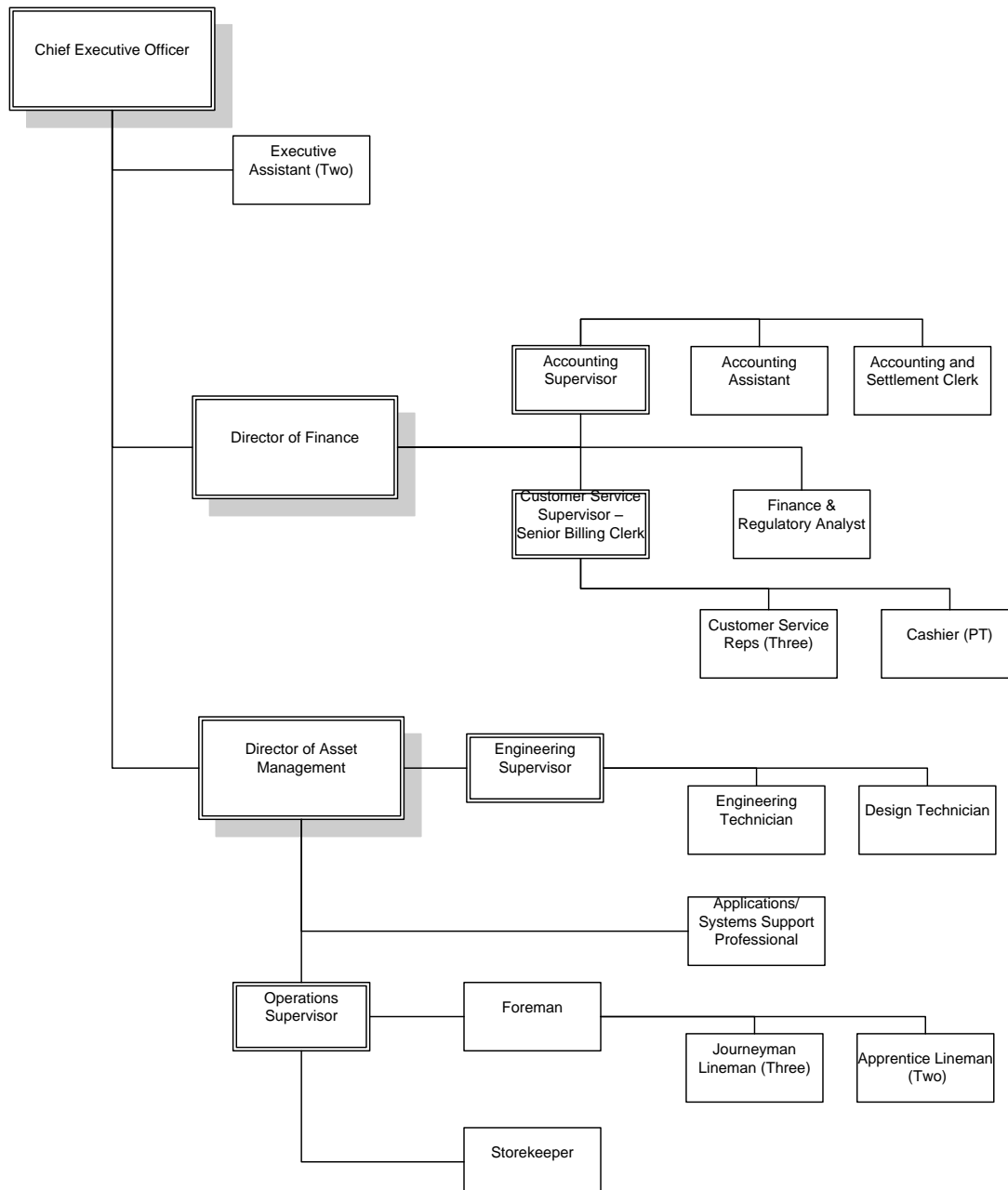
1 also supports the CEO. Actual changes to the staff compliment in this position were made
2 in 2015 with a reflection of one and one half FTE's included with the 2016 budget.

3 Taking into consideration the proposals in this application the organizational structure will
4 change in 2016 to the one shown below:

Figure 1-2

Grimsby Power Organizational Structure - 2016

Grimsby Power Inc. – Organizational Structure



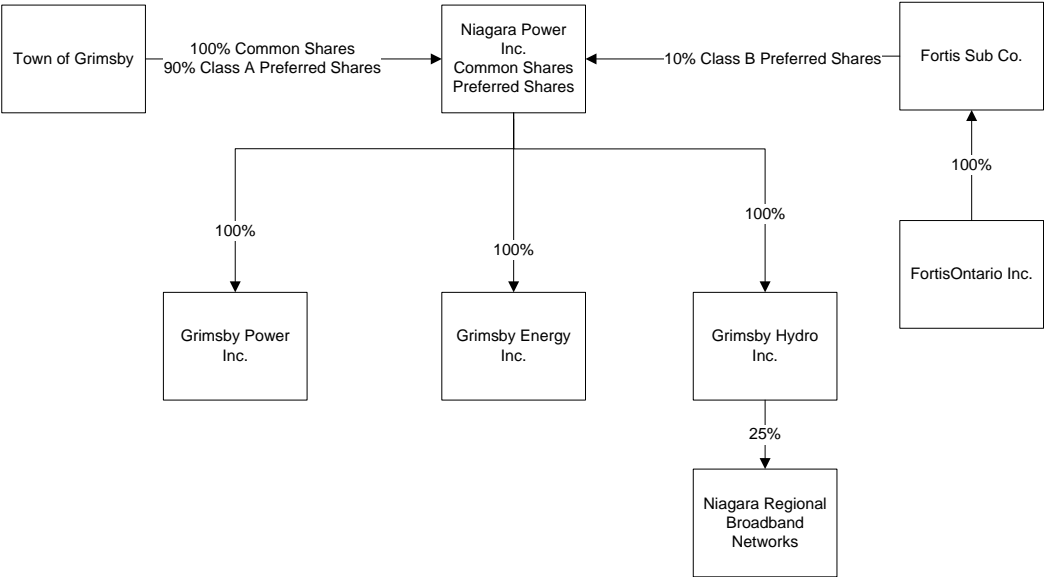
Utility Corporate Entities Organizational Structure

Grimsby Power is a subsidiary of Niagara Power Incorporated which is 90% owned by the Town of Grimsby and 10% by Fortis Ontario Incorporated. Grimsby Power reports directly to Niagara Power Inc. Niagara Power Inc. does not have any staff and Grimsby Power does not share any staff with Niagara Power Inc. Niagara Power Inc. and Grimsby Power both have separate Boards of Directors. A chart illustrating Grimsby Power's corporate family is provided below:

Figure 1-3

Grimsby Power Corporate Entities Chart - 2015

Grimsby Power Inc. – Corporate Entities Relationship Chart



Planned Changes in Corporate Structure

The Shareholders in conjunction with Niagara Power Inc. (NPI) are currently considering a corporate reorganization to segregate Grimsby Hydro Inc. and Grimsby Energy Inc. from NPI such that the governance of these entities is entirely attributed to the Corporation of the Town of Grimsby. This re-organization is currently under way and the details have not been made public and as such will not be disclosed in this Application.

Board of Directors - Composition

Grimsby Power has a Board of Directors with six members. Two Grimsby Power Board members are independent as per the Shareholders agreement which states:

At least one third of the Grimsby Board shall be independent of any affiliate of Grimsby Power and the composition of the Grimsby Board shall comply with the Affiliate Relationship Code.

Board Mandate

The Board's mandate, as set out in the Shareholders Agreement is detailed below:

The Shareholders and Niagara Power acknowledge and agree that Grimsby Power shall be operated with a view to profitability and maximizing shareholder value, while maintaining appropriate commitments to distribution system reliability, customer satisfaction, safety and environmental protection. Grimsby Power shall conform to all requirements of the Ontario Energy Board, the Independent Electricity System Operator and all other applicable regulatory and governmental authorities.

Board of Directors - Board Meetings

The Grimsby Power Board is currently scheduled to meet six times per year. The 2015 schedule of meetings was as follows:

- February 25, 2015
- April 1, 2015

- April 16, 2015
- June 3, 2015
- August 5, 2015
- October 5, 2015
- December 2, 2015

Board of Directors - Orientation and Continuing Education

The Grimsby Power Board receives continuous education through Board Reports, Board Meetings and the Electricity Distributors Association media. Briefing sessions are provided during informal meetings as required. From time-to-time, external subject matter experts are utilized to assist with the education process. Grimsby Power Board members are active in the community as well as their professional careers which provide experiential education/professional development.

Board of Directors - Code of Conduct

The Grimsby Power Board has not adopted a written code for directors.

Board of Directors - Nomination of Directors

The NPI Board in conjunction with the Town of Grimsby identifies and selects new members of the Grimsby Power Board. This is accomplished primarily by advertising vacancies in the local newspaper and interviewing appropriate candidates for nomination. In addition to this as per the Shareholders agreement:

At least annually, Niagara Power as the sole shareholder of Grimsby Power shall cause to be elected to the Grimsby Board at least one nominee proposed by Fortis Ontario.

As such one member of the Grimsby Power Board is made up of Fortis Ontario's nominee.

1 *Board of Directors - Board Committees*

2 There are no regular committees of the Grimsby Power Board.

3 **LETTERS OF COMMENT**

4 No letters of comment have been filed with the OEB during the course of this proceeding.

APPENDIX 1-A – 2015 BUDGET

2015

Grimsby Power Inc.

Budget for 2015

This report has been prepared for the GPI Board Meeting on February 25, 2015.



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**Grimsby Power Inc.
2015 Budget Commentary
January 30, 2015**

1 Introduction

Following a process established in 2010 with the preparation of the 2011 budget the 2015 budget has followed a similar process. Every attempt has been made to make this budget as accurate as possible notwithstanding the fact that during the year conditions may occur which may require changes in expenditures.

This budget has been prepared with the assumption that GPI and NWTC have amalgamated. Although this transaction is behind schedule it is anticipated that it will take place before year end. From a budgeting perspective revenue and expenses will look quite different than in the past. The major differences are highlighted in the commentary that follows. This budget will form the basis for creating the “test year” budget required for the cost of service rate application.

In terms of GPI’s cost of service application it is important, in the IRM years, to try and level the value of expenses for capital and OM&A. GPI needs to demonstrate that its cost of service application represented a true and accurate account of spending levels. In particular, since OM&A, was an issue in the proceeding, it is prudent to execute the budget with an OM&A expense that is relatively equal to the application which was set at \$2.439 million (MIFRS – including Property Tax and LEAP). This being said, 2015’s budget will clearly not meet this strategy or expectation since controllable expenses have increased by 11.7%. However, a major portion of this increase is due to the addition of NWTS expenses. A number of cost drivers have boosted the OM&A expenses considerably. These cost drivers are explained in more detail in Section 3.

Based on management’s experiences in the cost of service rate application and in working with the budget over the last few years, this year represents a very complete view of all types of expenses.

As with previous budgets this budget has been prepared with no percentage burdens applied to wage rates or distributed allocations. Burden costs are represented in the budget as separate line items posted to specific accounts where they best fit. Some expenses are still eligible under MIFRS to be allocated. The allocated amounts have been allocated between capital and expense.

Prior to 2012, revenue was based on a historical revenue forecast. As a result of the cost of service application GPI is now able to create a load forecast based on any number of determinants (customer counts, weather, etc.). This budget contains a revenue forecast based on kwhr/kw(s) from the weather regression model and the 2015 distribution rates for fixed, variable, and other miscellaneous rates.

2 Executive Summary

This budget represents a continuation of a business strategy that integrates leadership training, training in general, risk management activities such as audits, attendance at utility events, increased activity in health and safety programs, and activities which raise the general level of skills and abilities within the utility. Additional items in this year's budget which are extra ordinary in nature include:

- Two additional FTE's over 2014's budget
- NWTs's expenses

The resultant income statement and capital investment information is noted below:

Income Statement	2012 Board Approved Budget	2012 Rate Application	2012 Budget without Allocation & Including Tax Corrections	2013 Budget	2014 Budget	2015 Budget	Difference 2015 to 2014
Revenue							
Sales of Electricity	17,978,474	17,978,474	17,978,474	19,193,994	20,181,825	21,715,850	7.6%
Revenue from Services	3,905,336	3,905,336	3,905,336	4,010,087	4,120,525	4,771,013	15.8%
Other Operating Income	175,000	175,000	175,000	210,958	213,236	187,485	-12.1%
Other Income/Deductions	108,600	108,600	108,600	28,940	(3,423)	7,600	-322.0%
Investment Income	32,100	32,100	32,100	55,000	37,000	32,000	-13.5%
Total Revenue	22,199,510	22,199,510	22,199,510	23,498,979	24,549,163	26,713,948	8.8%
Expenses							
Distribution Expenses - Operations	433,518	453,574	463,354	442,453	545,680	831,285	52.3%
Distribution Expenses - Maintenance	508,878	431,965	580,760	589,449	513,531	593,216	15.5%
Administrative & General Expenses	1,082,548	1,002,111	1,082,548	1,166,045	1,303,565	1,276,574	-2.1%
Billing & Collecting	510,198	507,013	510,198	523,112	556,040	559,426	0.6%
Allocation Accounts	168,786	0					
Total Controllable Expense	2,703,928	2,394,663	2,636,860	2,721,059	2,918,816	3,260,501	11.7%
Power Supply Expenses	17,978,474	17,978,474	17,978,474	19,193,994	20,181,825	21,715,850	7.6%
Amortization Expenses	668,402	692,103	668,402	700,000	622,794	874,872	40.5%
Interest Expenses	371,726	436,171	371,726	408,518	440,913	662,473	50.3%
Taxes	64,156	65,438	178,928	158,336	112,600	51,301	-54.4%
Other Deductions	7,120	4,117	7,120	7,120	6,662	6,662	0.0%
Total Expense	21,793,806	21,570,966	21,841,510	23,189,027	24,283,610	26,571,659	9.4%
Net Income	405,704	628,544	358,000	309,952	265,553	142,289	-46.4%

Capital Investment	2012 Budget	2012 Rate Application	2013 Budget	2014 Budget	2015 Budget
Distribution Capital	993,498	867,979	797,184	1,349,852	964,319
General Capital	561,320	669,670	209,813	185,808	339,698
Contributions & Grants Credit				448,750	
Total	1,554,818	1,537,649	1,006,997	1,086,910	1,304,017

File Name – Income Statement - 2015

Note – Values for capital in 2015 include allocations

A complete listing of line by line budget detail has been included in Appendix A and financial statements (including history) are included in Appendix B.

As with the 2014 budget, the allocation account has been split between the various O&M and capital accounts. This split is based on the budgeted labour hours in these accounts. The approximate split is 52% capital and 48% operations and maintenance.

As shown in the above table total controllable expense has increased since the 2014 budget by \$341,685 or 11.7%.

In reference to net income the proposed net income is \$142,289 a decrease of \$123,264 from 2014's budget.





















































Capital expenditures on distribution assets are set at \$964,319. Capital expenditures on general assets are set at \$339,698. The capital statement in Appendix B provides three columns for 2015 as follows:

- 2015 Budget - without allocation (a)
- 2015 Budget – allocation amounts only (b), and
- 2015 Budget – with allocation amounts (c)

Year-end cash is forecasted to be \$523,096 down from the 2014 year-end budget of \$850,000.

3 Cost Drivers for 2015 as Compared With 2014

In 2015 a number of cost drivers have caused OM&A to increase. A list of these items is shown below:

Row Labels	 Sum of Total_Cost
 Existing_Expense_With_Significant_Increase_in_Cost	6,000
 (blank)	6,000
 Danima - Website Development Expense	6,000
 New_Expense	322,433
 Applications_Systems_Support_Technician	71,897
 Application Systems Support Technician - EAP Program	84
 Application Systems Support Technician - EHT	1,185
 Application Systems Support Technician - EI	1,305
 Application Systems Support Technician - Health	6,360
 Application Systems Support Technician - WSIB	610
 Applications Systems Support Technician - CPP	2,675
 Applications Systems Support Technician - Stats	2,823
 Applications Systems Support Technician - Vacation	4,380
 Expense/Time allocated for Network - App Sys Sup Tech	17,110
 Expense/Time allocated for ERP System - App Sys Sup Tech	17,110
 Expense/Time allocated for GIS - App Sys Sup Tech	17,110
 Applications Systems Support Technician - OMERS	1,145
 Engineering_Supervisor	113,665
 Engineering Supervisor - Bonus	14,738
 Engineering Supervisor - CPP	2,675
 Engineering Supervisor - EAP Program	84
 Engineering Supervisor - EHT	1,805
 Engineering Supervisor - EI	1,305
 Engineering Supervisor - Health	6,900
 Engineering Supervisor - OMERS on Bonus	1,175
 Engineering Supervisor - Stats	4,182
 Engineering Supervisor - Vacation	6,450
 Engineering Supervisor - WSIB	845
 New Engineering Supervisor	5,530
 Expense/Time allocated to distribution sytem operations - Eng. Sup.	33,963
 Expense/Time allocated to distribution system maintenance - Eng. Sup.	34,013
 Foreman	815
 Foreman - General Wages	815
 Journeyman_Lineman	1,768
 Journeyman_Lineman - General Wages	1,768
 Journeyman_Lineman_Apprentice	1,748
 Journeyman_Lineman_Apprentice - General Wages	1,748
 (blank)	132,539
 Conference Calling	480
 Dan Box - Weekly Deliveries of Collection Notices & Letters	7,200
 Payroll Services - Monthly Service Fees	680
 Payroll Services - Weekly Service Fees	6,179
 Physical Demand Analysis	1,800
 PVS - Locate Services	84,000
 Repairs to main gate	12,250
 Runner Mats for Engineering Department	600
 Software as a Serviced - Springboard for HR and Safety	1,200
 e-Billing Inserts for Contest	1,050
 Prizes for e-Billing Contest	1,500
 On Call Now - Contract Service - 6,000 Reminder Notice Calls	600
 Board of Directors - Mayor and Alderman \$ to NPI	15,000

[-] NWTS_Expense	606,984
[-] Engineering_Supervisor	19,652
+ Expense/Time allocated to station operations at NWTS - Eng. Sup.	19,652
[-] (blank)	587,332
+ Bell Canada - Phone Service at NWTS	1,152
+ Bell Canada - Rent of Communication Lines for NWTS	41,160
+ Chubb Edwards - Annual Fire Equipment Maint/Inspection at NWTS	550
+ Hydro One - Operating Control Centre for NWTS	28,968
+ Konkle Plumbing & Heating - Annual Maintenance at NWTS	1,200
+ Landscape Firm - Cut Down Weeds at NWTS	475
+ Mearie - Annual Insurance for NWTS	21,465
+ NPEI - Electricity Bill at NWTS	10,968
+ Ontario Security - Monitoring of Security at NWTS	240
+ Pestech - Annual Pest Control at NWTS	950
+ Rondar - Annual Scheduled Maintenance at NWTS	3,943
+ Rondar - Emergency Response Service Calls and Maintenance to NWTS	5,000
+ Rondar - Monthly Station Inspection at NWTS	16,500
+ Rondar - Unscheduled Maintenance at NWTS	5,000
+ Rondar - Weekly Station Inspection at NWTS	12,800
+ Snow Clearing Firm - Clear Snow from Driveway at NWTS	1,000
+ Town of Lincoln - Property Taxes at NWTS	2,739
+ Various service calls at NWTS related to building equipment	3,000
+ Weed Control Firm - Spray to Contain Weeds at NWTS	1,400
+ Interest on NWTS Swap Loan Agreement	246,253
+ Depreciation - Tangible Assets - NWTC	182,569
[-] Prepaid_Expense_COS	276,000
[-] (blank)	276,000
+ Borden Laden Gervais - 2016 COS Application - Lawyers and Rate Consultant	125,000
+ Consulting - 2016 COS Application - Burman - DSP and Investment Strategy	48,000
+ OEB Cost - 2016 COS Application	48,000
+ Intervenor Cost - 2016 COS Application	55,000
Grand Total	1,211,417

Cost drivers have been divided into categories as follows:

- Existing Expense with Significant Increase in Cost
- New Expenses
- NWTs Expenses
- Prepaid Expenses – Cost of Service (COS)

3.1 Existing Expense with Significant Increase in Cost - \$6,000

3.1.1 Danima – Website Development - \$6,000

GPI's website was redesigned and deployed in December 2011. The second phase of development will be to continually advance the capability of the website. In general terms the following elements will be integrated into the website:

- Enhancement of on-line forms and data capture using databases – for example an on-line form to apply for a microFIT connection.
- Make available corporate documents – everything from rate applications to policies.
- A page for customer notices such as notices we would place in the newspaper.
- Enhanced links to energy sector information.
- A secure login site for employees to obtain employee information

In 2013 and 2014 very little progress was made on the website due to resource constraints. It is anticipated with the addition of the Applications System Support Technician that this will take shape in 2015. The budgeted expense in 2014 was \$1,000.

3.2 New Expenses - \$322,433

3.2.1 New FTE – Application Systems Support Technician - \$71,897

This position is contained within GPI's Board approved succession planning strategy and also supports GPI's distribution system plan. In terms of the DSP this position will provide support to enhance customer communication with respect to outages and more general announcements on GPI's website. The position also supports GPI's technology systems such as Jomar, ESRI, Network Architecture, Network Security, website development, and development of peripheral systems such as the implementation of scanners in stores. This position is budgeted for in 2015 so that it is established prior to the submission of GPI's rate application.

3.2.2 Engineering Supervisor - \$133,318

This position was approved in 2014 but was not contained in 2014's budget. This position has been filled.

3.2.3 Weekly Deliveries of Collection Notices & Letters - \$7,200

In 2014 GPI experienced a spike in the need to deliver collection notices and letters. Customers are leaving payments of energy bill later than ever before. This task was previously performed by the Storekeeper.

3.2.4 ADP Payroll Services - \$6,859

In conjunction with JOMAR, ADP payroll services will be deployed in 2015.

3.2.5 PVS Locate Service - \$84,000

In 2014 a decision to contract out locates was made. This decision was made in conjunction with the reorganization of the Stores function at GPI. In addition to the contracting out the level of activity in 2015 was greater than GPI has experienced in the past. It is expected this increased level of activity will continue into 2015 due to the construction activity in town.

3.2.6 Board of Directors - \$15,000

This cost associated with payments to NPI for the services of the Mayor and Alderman as Directors on the GPI Board was not included in previous budgets.

3.3 NWTS Expenses - \$606,984

Costs associated with operating and maintaining NWTS is included in this section. This cost includes depreciation and interest on the SWAP loan. The OM&A costs have been reduced by approximately \$35,000 due to the amalgamation.

3.4 Prepaid Expense COS - \$276,000

These expenses will be classified as prepaid because they will be recovered (pending OEB approval) in GPI's cost of service rate application.

4 Assumptions/Estimates

In preparing a budget certain assumptions are made with respect to the information placed in the detailed records of the budget. Management has used a zero based budget approach to assign hours to line items. This budget reflects management's best efforts to identify all tasks, activities, and projects required to be executed in 2015. In preparing this budget the following assumptions are made:

- The presentation includes modifications that support Modified International Reporting Standards (MIFRS) and this has been done for rate regulation purposes only;
- HST is not included in budget line items;
- Union wages include negotiated wage rates and the rates utilized in the budget are blended due to timing. Union wages are set to increase by 1.95% June 1, 2015;
- Management wages have been updated as per Specific Board Report – 2015 Compensation Review & Recommendations for Management & Non – Union Compensation. The overall impact of Step and Job Rate increases in 2015 is 1.8%.
- Hourly truck costs have been changed to reflect one blended truck rate;
- Direct and subcontractor costs were either set at their actual costs (if known or likely to be known) or at 2014 values;
- Some costs represent estimates provided by vendors;
- The capital construction projects are based on preliminary estimates and are not based on detailed engineering designs – typically these designs would be plus or minus 50%;
- Labour is represented in the budget without any payroll burden applied. The burden is reflected as separate line items elsewhere in the budget;

- Revenue has been calculated using GPI's 2015 rates and quantities (kwhrs & kws) produced from the weather normalization model.

5 Information Contained in the Budget

The derivation of costs includes the following types of expenses:

- Labour – straight wage rates and hours for each employee;
- Equipment – this represents costs which can be distributed across capital and maintenance/operations accounts. One blended rate has been established for all truck sizes.
- Material or items from inventory;
- Direct Costs – costs which are not directly related to work on the distribution system assets;
- Sub-Contractor Costs – costs which are incurred directly on the distribution system assets.

All costs with the exception of general day to day tasks are broken down into specific tasks and activities.

6 GL Account Structure

There are very minor changes to the GL account structure.

7 Spending Protocol in 2015

Following established procedures, the purchase of goods and services will follow existing protocols which utilize purchasing policies and management controls. This would include obtaining multiple quotations and establishing request for documents (RFP, RFQ, etc.) to procure prices for various expenditures. Budget costs for some items are based on budgetary figures provided by vendors and service providers. It is probable that these costs will be over or under budget. Management will make every effort to minimize the actual expenditure but it is inevitable that some line items will be over budget. Management's goal will be to match the overall expenditure to realize the net income predicted by the budget notwithstanding the fact that on an account by account or project by project basis the actual spend may be over or under budget.

8 Comments on Selected Projects and Expenditures

8.1 Developer Refunds

Over the course of 2014 the impact of executing the distribution system codes economic evaluation model (EEM) was realized as GPI made payments to developers. Payments made in 2014 reconciled developer refunds to the end of 2013. For all future years GPI will make payments on a regular basis.

8.2 Borrowing

There are no plans in the budget to add any new debt instruments. An operating line of credit of \$1,000,000 is in place to provide for cash flow deficiencies as they arise.

8.3 Wage Rates and Salaries

A new collective agreement was negotiated in 2014 and covers a two year period. Wage rate increases were set at 1.95% to be effective June 1, 2014 and June 1, 2015. Journeyman Lineman obtained a 10 cents per hour increase above the 1.95% settlement.

Management salaries have been increased as per CEO's Specific Report - titled "2015 Compensation Review & Recommendations for Management & Non-Union Compensation". Overall the value of the increases equals \$4,457 or 1.8%. This increase includes step and percentage increases.

8.4 Succession Planning Strategy

In 2013 the Board approved a succession planning strategy. Incorporating the full succession planning strategy into 2014's budget was not financially acceptable due to the negative impact on net income. However, due to changes in the organization prompted by the retirement of the Director of Engineering and Operations and an increasing resource shortage (in the Engineering and Operations area) the Board approved the recruitment of an Engineering Supervisor in 2014. Although recruitment for this position began in June 2014 an appropriate candidate was not found until mid December and a January 5, 2015 start date was established. This position was not budgeted in 2014 but is included in 2015's budget. The remaining parts of the succession plan were not implemented in 2014.

In 2015 management has incorporated the remaining vacant position – the Application System Support Technician into the budget. Management believes this to be a sound strategy as GPI goes into the next rebasing period from January 1, 2016 onward where this position will already be incorporated into our OM&A and will be part of the rate base calculation for new rates.

8.5 Amalgamating GPI & NWTC

In 2014 a MAAD Application was submitted to the OEB proposing to amalgamate GPI with NWTC. The application was filed on November 6th and it is anticipated the OEB will make a decision by the end of Q1 – 2015. There is no budget impact to GPI as Niagara Power Inc. is funding the amalgamation expenses. However, there will be an additional year end to be completed in order to transition to the new OCBA structure and this will cause an additional year-end audit to be required with the additional third party expenses that this entails.

8.6 2016 Cost of Service Application

GPI's next cost of service application is due to be submitted to the OEB in April of 2015 for January 1, 2016 rates. Due to various influences GPI will not meet the April deadline. However, it is still expected that the COS application will be filed in 2015 – albeit late. This application is important because it provides the opportunity for the newly amalgamated entity to re-coup the maximum rate of return (pending OEB approval) (keeping in mind that NWTC was not recovering their maximum rate of return). This application will require additional third party resources and these expenses are noted in the budget detail as prepaid expenses.

9 Staffing

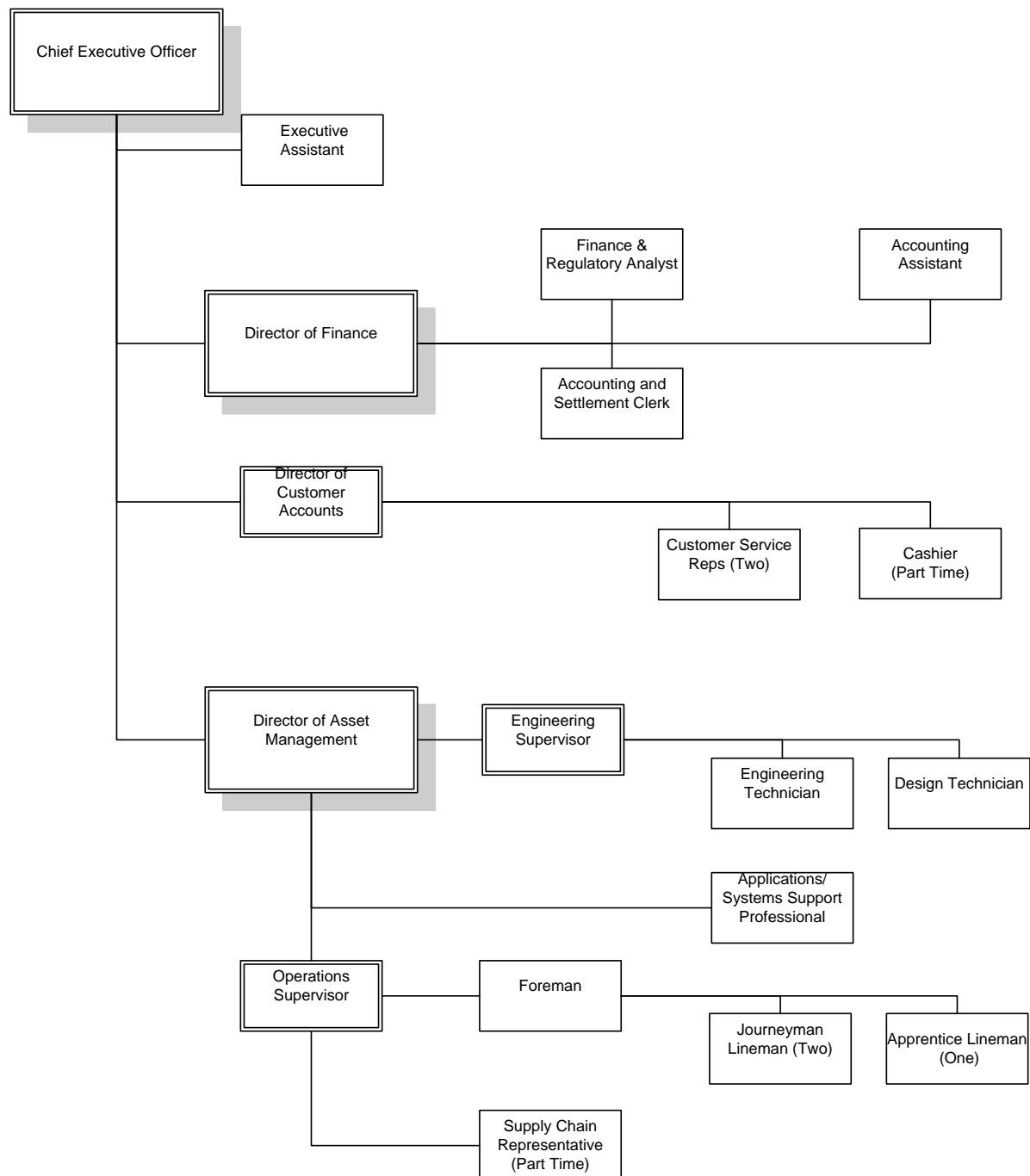
9.1 Organizational Structure

A formal succession plan was approved by the Board in 2013. 2015's budget contains expenses to cover the application of this plan. Specifically the budget contains expenses for salaries as follows:

- Engineering Supervisor – 52 weeks – Hired as of January 5, 2015
- Applications/Systems Support Technician – 42 weeks

The organizational structure is as follows:

Grimsby Power Inc. – Organizational Structure



9.2 Leadership Development and Training/Education

Providing specific leadership development training to key staff members has been provided in the budget. The table below compares the 2012 CoSRA with the proposed budget:

	2012 (CofSRA)	2012	2013	2014	2015
Seminars/Conferences	\$10,049	\$6,165	\$9,306	\$9,306	\$10,615
Training/Educational	\$24,205	\$26,034	\$29,420	\$31,835	\$36,825

Note - Costs include direct costs only.

Training and educational experiences include items such as equipment refreshers, software education, seminars, workshops, and conferences. These experiences provide employees with opportunities to grow and to meet employees of other LDC's who share their skill set. Specific details are as follows:

Row Labels	Direct
Seminars_and_Conferences	10,615
CEO - EDA Annual General Meeting/Enercom	2,685
CEO - EDA Niagara Grand Annual General Meeting - Sept/Oct	440
CEO - EDA Niagara Grand Spring Technical Meeting	165
Design_Technician - EDA Metering Workshop	435
Director of Finance - EDA Niagara Grand Annual General Meeting - Sept/Oct	300
Director of Finance - EDA Niagara Grand Spring Technical Meeting	250
Director_of_Asset_Management - EDA - EDIST Conference	1,550
Director_of_Asset_Management - EDA Metering Workshop	435
Director_of_Asset_Management - EDA Niagara Grand Fall Technical Meeting	210
Director_of_Asset_Management - EDA Niagara Grand Spring Technical Meeting	210
Engineering_Technician - EDA Metering Workshop	435
Engineering_Technician - EDIST	1,550
Executive Assistant - MEARIE - Risk Management or Labour Relations Conference	1,550
Executive Assistant - MEARIE - Risk Management or Labour Relations Conference - Hotel	400
Training_and_Educational	36,825
Accounting Assistant - MEARIE - Accounting Essentials in a Utility Environment	1,250
Accounting_and_Settlement_Clerk - MEARIE - Regulatory Finance for Non-Accountants	625
Cashier - Training (TBD)☐	500
Customer Accounts Representative - Training (TBD)	500
Customer_Accounts_Rep_Junior - Training (TBD)☐	500
Design_Technician - Transformer Station Training	3,000
Design_Technician - Tuition Reimbursement	2,000
Design_Technician - USF Training	2,050
Director of Customer Accounts - Training (TBD)☐	500
Director of Finance - Certificate in Human Resources for CPAs	1,900
Director_of_Asset_Management - EDA - Cost of Service Rebased Module 2	1,995
Director_of_Asset_Management - EDA - Regulatory Essentials for LDC Directors and Execs	1,070
Engineering_Technician - ESRI Training	1,200
Engineering_Technician - Transformer Station Training	3,000
Engineering_Technician - Tuition Reimbursement	1,000
Engineering_Technician - Unforeseen Training	1,000
Engineering_Technician - USF Training	2,800
Financial_and_Regulatory_Analyst - Introduction to Economic Regulation (Module 1)	1,845
Financial_and_Regulatory_Analyst - Update on OEB Regulation of Electricity Distributors	525
Journeyman_Lineman - Training TDB	800
Journeyman_Lineman_37_to_48_Months - MEARIE Powerline Technician - Level 4 Apprentice Training - Hotel	2,130
Journeyman_Lineman_37_to_48_Months - MEARIE Powerline Technician - Level 4 Apprentice Training Expense	4,285
Operations Supervisor - Project Management - Mearie Group - 4/28/15 to 4/29/15	1,850
Supply_Chain_Representative - Training TDB	500
Grand Total	47,440

Expenses are higher than in the past due to a number of new hires without previous LDC experience. These new hires include the Director of Asset Management, Engineering Supervisor, Accounting Assistant, and the Supply Chain Representative.

10 Detailed Discussion - Operations, Maintenance, and Administration Expenses

10.1 Administrative and General Expenses

10.1.1 Financial Audit and Tax Preparation Services

In 2011, GPI tendered the financial audit and tax preparation service contract. The result was significantly reduced costs as follows:

	2011	2012	2013	2014	2015
Financial Audit	\$30,600	\$19,825	\$21,500	\$21,500	\$22,000
Tax Preparation	\$3,570	\$5,700	\$5,800	\$5,800	\$6,000

2015 has been maintained with minimal cost increase.

Budget Cost - \$28,000

11 Detailed Discussion – Capital

11.1 Capitalization Policy Changes

There are no changes to capitalization policies in the 2015 budget.

11.2 Distribution Plant

In 2013 the OEB released new filing requirements for distribution applications and these are described in Chapter 5 of the filing requirements titled Consolidated Distribution System Plan Filing Requirements. Within these filing requirements the OEB has mandated the specific capital investment categories to be used. The capital investment categories are defined below:

- **System Access** investments are modifications (including asset relocation) to a distributor's distribution system a distributor is obligated to perform to provide a customer (including a generator customer) or group of customers with access to electricity services via the distribution system.
- **System Renewal** investments involve replacing and/or refurbishing system assets to extend the original service life of the assets and thereby maintain the ability of the distributor's distribution system to provide customers with electricity services.
- **System Service** investments are modifications to a distributor's distribution system to ensure the distribution system continues to meet distributor operational objectives while addressing anticipated future customer electricity service requirements.
- **General Plant** investments are modifications, replacements or additions to a distributor's assets that are not part of its distribution system; including land and buildings; tools and equipment; rolling stock and electronic devices and software used to support day to day business and operations activities.

These categories are further broken down into investment drivers. These drivers and their associated formats (for GPI budget purposes) are noted in the table below:

Category	Sub Category
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System Access	New Customer Connections
System Access	Modifications to Existing Customer Connections
System Access	Expansion
System Access	Other 3 rd Party Infrastructure Development Requirements
System Access	Mandated Service Obligations
System Access	Renewable Enabling Improvement
System Renewal	n/a
System Service	n/a
General Plant	New
General Plant	Replacement
General Plant	Software Development

In preparation for the cost of service application GPI has been working with Burman Energy Consultants Group to create a Distribution System Plan which meets the new filing requirements which are usually referred to as “Chapter 5” of the filing requirements. Within the DSP there will be a distinction between capital investments on the distribution system. Those investments that are related to system renewal and are driven primarily by the need to replace assets at end of life will be called programs. The business case for programs is driven by the useful life of the asset and its condition. Projects are capital investments that are of a more discretionary nature and are generally linked to providing the customer with services they need or want. Examples might be adding more circuit capacity, providing smart grid elements that increase reliability, providing enhanced communication services to customers regarding outages to name a few. The descriptions of the capital investments for 2015 are subdivided into the OEB’s investment categories and it is indicated if the investment is part of a program or project.

These investments and their costs are as follows:

Capital_Distribution_Plant	826,848
System_Access_-_Expansion	42,067
Project - Residential Subdivision Development	35,476
Project - Residential Subdivisions	6,591
System_Access_-_Mandated_Service_Obligations	30,050
Program - Compliance Sampling Program for Smart Meters	30,050
System_Access_-_Modifications_to_Existing_Customer_Connections	39,811
Program - Modifications to Existing Customer Connections	39,811
System_Access_-_New_Customer_Connections	35,211
Project - New Customer Connections	35,211
System_Renewal	505,114
Program - Convert Delta to Wye 689 South Service Road	7,767
Program - Primary Cable installation 3 Slessor BLVD to 70 Livingston Ave	19,938
Program - Primary Cable Silicon Injection	105,071
Program - Replace 10 Pad Mounted Transformers	59,082
Program - Replace 1081 IConF and IConG Meters with New IConA due to Encryption Issue	9,736
Program - Replace Defective Poles	32,824
Program - Replace Gang Operated Load Break Switches	17,091
Program - Replace Instrument Transformers 18M3 Wholesale Meter Point	34,352
Program - Replace Sectionalizing Terminal	8,029
Program - Transformer Station - Third party contractor costs to examine future capital expenditures.	15,000
Program - Underground primary cable replacement for non injectable segments	58,144
Program - CNR Pole Line Replacement and Relocation - Multi-year Project	75,000
Project - Bal Harbour Subdivision - Voltage Conversion	63,081
System_Service	174,596
Program - Replace >50KW form Meters with Smart Meters	34,876
Project - Automate 2 Primary 3 Phase Switches	70,295
Project - Park Road between Sobie Rd and Main St E. - Conductor Upgrade	69,425

Note – costs do not include allocations

Specific detail of GPI investments proposed for 2015 are as follows:

System Access – Expansion

Project – Residential Subdivision Development – This covers the time (labour, truck, material, subcontractor) spent by GPI building infrastructure associated with residential subdivision development.

System Access – Mandated Service Obligations

Program – Compliance Sampling Program for Smart Meters – The smart meters installed in GPI's service territory have a Measurement Canada seal period of 10 years. If a compliance program is not put in place to extend the seal period then all of the meters installed at the same time would need to be replaced. The compliance sample programs goal is to extend the seal period of meters so that more life can be gained. This is a capital item because GPI needs to purchase replacement meters which are utilized in order to rotate the meters in and out of service.

System Access – Modifications to Existing Customer Connections

Program - Modifications to Existing Customer Connections - This covers the time (labour, truck, material, subcontractor) spent by GPI building infrastructure associated with modifications to existing customer connections. The most common form of this is an upgrade to the size of the wire serving a residential customer.

System Access – New Customer Connections

Project - New Customer Connections - This covers the time (labour, truck, material, subcontractor) spent by GPI connecting new services.

System Renewal

Program – Convert Delta to Wye 689 South Service Road – This program will eliminate odd size transformers in which we have to carry spares for replacements. This will reduce our stock and therefore inventory and make it easier for the lineman to find replacements. Standardizing stock, reducing stock numbers and reducing spares.

Program – Primary Cable Installation 3 Slessor BLVD to 70 Livingston Ave - First phase of creating a loop feed for customers on Niagara St. This is to ensure that our customers have more than one primary supply. This will help reduce lengthy outages and increase overall uptime in the case of a cable fault.

Program - Primary Cable Silicone Injection - Injecting silicon into existing underground primary cables has proven to extend the life of the cables considerably. This is a continuation of an existing program.

Program - Replace 10 Pad Mounted Transformers - The annual inspection of underground distribution transformers has uncovered what appears to be an increasing trend in defective pad mount transformers. These transformers sit on a concrete pad and this concrete to metal interface is causing severe corrosion of the transformer cases and tanks. These transformers cannot be repaired in the field and as such need to be replaced. The budget cost includes the replacement of 10 pad mount transformers.

Program – Replace 1081 IConF and IConG Meters with New IConA Meters – The bulk of this program was completed in 2013 and 2014. The remaining meters are mostly meters with difficult access like meters inside of the customers premise. Approximately 1000 smart meters which were installed in the early days of the Smart Meter Program have reach end of life due technical obsolescence. These meters will not operate with the new meter encryption technology being deployed on the Sensus communications network. This program involves replacing all of these meter types.

Program – Replace Defective Poles - During annual inspections poles that exhibit signs of deterioration are tested for rot at the ground level and in the elevated positions if necessary. This program replaces defective poles identified in annual inspections. Generally poles inspected in the prior year are replaced in the current year.

Program – Replace Gang Operated Load Break Switches – It is expected that the load break maintenance program will uncover some switches that will need to be replaced. This item will accommodate two replacements.

Program – Replace Instrument Transformers 18M3 Wholesale Meter Point - This primary metering unit is over 40 years old and upgrading it to current standards is required. The primary metering unit is the meter that separates us from Hydro One (HO) and enables the calculation of GPI's power bill from HO.

Program – Replace Sectionalizing Terminal – 37 Main St. - Replace the high voltage ``junction box`` due to age

Program – Transformer Station – Third Party Contractor Costs to Examine Future Capital Expenditures – In preliminary discussions with the two main contractors at the station (Rondar and ESAC) both have indicated that there is very little capital investment required at the station. However, both have indicated that the SCADA system comprising of software and hardware should be upgraded and also we need to look at remote capability with SCADA at 231 Roberts Road. This expenditure will allow more detailed scoping to be performed to ascertain our best options for future upgrades of this equipment.

Program – Underground Primary Cable Replacement for Non – Injectable Segments - Initially these sections were injected with silicone but the cables either did not accept any or only accepted some of the injected silicone. These cable segments will be identified in conjunction with the contractor's assistance. This cable will be replaced on a year to year basis until it is completely out of the system.

Program – CNR Pole Line Replacement and Relocation – Multi-Year Project - This feeder runs along CN railway and was built in 1949. The feeder needs to be replaced and we are reviewing the design which would either remove it from the existing location beside the train track to gain better access or rebuilding it in place. There is an opportunity to possibly run along the South Service road or upgrade the South Service Road line to accommodate. GPI has been paying rent to the CNR for using their land, so we have potential money savings here as well.

Project – Bal Harbour Subdivision – Voltage Conversion – This project began in 2014. The Bal Harbour neighbourhood was developed in the timeframe between 1978 and 1988 and is located at the very north-east corner of Grimsby. This area was originally fed from an 8kv substation and in 1991 the area was converted to a single three phase totally enclosed pad-mounted substation. This project will eliminate 3 single phase step down transformers and increase the voltage from 8 to 27kv. The refurbishment was also needed based upon the 30 year life cycle of the cable. To date several defective cable terminations have been identified and repairs made prior to any outages due to faults. Thirty percent (30%) of this project still needs to be completed. GPI has 13 of the 16 transformers installed and all of the cable termination work needs to be completed (38 elbows). Once completed GPI will complete the conversion from 8 to 27kv as well as all the cleanup/restoration.

System Service

Program – Replace >50 KW Form Meters with Smart Meters – The OEB has mandated that all LDC's must install smart meters for these customers. It is an upgrade to give the customer more information for time of use and they will be able to see hourly usage. Currently the customers have meters that need to be read monthly by a meter reader. This project was part of 2014's budget. It was delayed because the new meters were not available from the manufacturer. Currently the manufacturers have stated that there will be meters available in the first quarter of 2015.

Project – Automate 2 Primary 3 Phase Switches – The installation of intelligent switches/reclosers began with the installation of two units in 2014. For 2015 there are 2 - 3 phase switches that need replacing. GPI is replacing these manual switches with reclosers due to age and function. The reclosers being installed will have the capability to be automated. This will eventually become part of our smart grid system. We are continuing to install this technology to isolate/divert power for increased reliability and maintenance accessibility.

Project – Park Road between Sobie Road and Main Street East – Conductor Upgrade – In order to facilitate maximum transfer capability between Beamsville TS and NWTs the primary conductor in this area needs to be upgraded. As a side benefit voltage stability will be better and losses will be lower. The old line was not capable of carrying the 27KV load. Work began on this project in 2014 with 40% of this project is still to be completed. All 68 poles are installed and cable is strung to pole #28. Removal of the old poles still needs to be completed.

11.3 General Plant

The capital portion of General Plant has been broken down into a number of different categories as follows:

- New – Items which do not currently exist.
- Replacement – Items which do exist and are in need of replacement
- Renovate – Renovations to existing building assets – no renovations are planned for 2014
- Software Development – Items utilized in the management of digital data throughout GPI's computer network.
- Trucks & Mobile Equipment – there are no trucks in this 2015 budget however, Appendix C contains the annual evaluation of all mobile equipment.

Detailed costs of these items are as follows:

Capital_General_Plant	339,698
General_Plant_-_New	86,878
3 Ton Chain Hoist (Chance)	3,000
3 Ton Web Hoist	6,089
Battery Press	4,200
Hydraulic Impact Guns	6,000
I Pads for Lineman	1,600
New office space - furniture - Finance and Regulatory Analyst	10,187
New office space - renovation - Finance and Regulatory Analyst	5,950
New print room - storage cabinets	2,162
Racking System - outside for transformers on poured concrete slab	16,200
Rapid Roll Fence	2,000
Server Disaster Recovery	20,490
Traffic Cones	2,000
Web server to integrate into website to show outages.	7,000
General_Plant_-_Replacement	162,000
4 Computer Workstations	6,000
Laptops for CEO and Director of Finance	5,000
Lighting - Upgrade in Bay 1 and Bay 2	13,000
Miscellaneous Tools	108,000
Monitors for Director of Customer Services	800
Racking System - in the storeroom (gated area)	4,500
Racking System in the Bay 1	5,700
Replace office furniture in Executive Assistants office	8,000
Replace solid glass windows with solid plus window opening section	10,000
Two Chairs for Accounting & Settlement Clerk and Accounting Assistant	1,000
General_Plant_-_Software_Development	90,820
Asset Management Planning Software	40,000
Auto CAD 2015 - Upgrade to newest version	3,000
DESS 7 software upgrade for simulation	4,500
GIS integration with JOMAR (ERP)	3,000
Inventory software with scanners	5,000
JOMAR ERP Software System - Modifications to the Software	30,000
Software Licenses - Adobe, Microsoft Office, Unforeseen Software	2,000
Software for the Server Disaster Recovery	2,670
Software for USB FMT tuning and troubleshooting communication with meters	650

New

Hoists - \$9,089 – The stringing and installation of 556 MCM primary conductor requires the use of higher tonnage hoists to accommodate the tensions created in the conductor during the installation process.

Battery Press - \$4,200 – This is required to crimp primary sleeves. Currently this is being done with a manual press.

Racking System - \$16,200 – This project is aimed at maximizing the use of the space in the storage yard by building vertical shelving supported on a concrete pad.

Rapid Roll Fence - \$2,000 – This new fencing system comes in a canister and can be deployed quickly and efficiently.



Server Disaster Recovery - \$20,490 – Create a disaster recovery plan and purchase a spare server to be stored offsite with software to replicate our server in case of an issue. Currently there is no backup in place and loss of service could create a major operating issue.

Web Server to Integrate Outages on Website - \$7,000 – Create a plan and understand what software can help us to update a map on our website as to where the outages have occurred. Part of GPI's customer information strategy as will be contained in GPI's DSP.

Replacement

Computer Workstations & Laptops - \$11,000 – Regular replacement of computer equipment at end of normal life.

Hydraulic Impact Guns - \$6,000 – Three units to replace old guns at end of useful life.

Miscellaneous Tools - \$108,000 - In 2015 we have increased our tool budget for a number of reasons. We are replacing some existing tools that have exceeded their useful life and need to be replaced. We are also adding tools to the trucks to ensure that each truck has a full set of tools as they currently do not and we waste travel time back to the shop to acquire. The largest purchase, however, is the full set of truck tools for the planned truck replacement (truck 10) in 2016. We would therefore split the expenses with tools in 2015 and a truck in 2016 to keep our capital down on purchased items so we can concentrate on the projects needed in the system.

Some of the larger expense items in the tool category are

- \$10k - Chance torque indicator – this is a torque indicator when installing screw anchors to ensure that they have the proper torque and meet specifications
- \$11k –for 2 units - Fluke Megger kit for testing up to 5KV – tests generators and cables to ensure their performance in the field
- \$60k – For a full set of tools for our new truck able to work 27.6Kv
- \$20k – upgrade all other tools for 27.6 Kv – rubber goods items and covers for lines for safety

Racking for Stores - \$10,200 – The pallet racking in the stores truck bay is comprised mainly of mismatched used equipment purchased many years ago. This racking does not have weight ratings and is not secured properly to the building structure. Replacement of this racking will allow proper weight ratings to be established and to match the racking options to the equipment being stored. Racking/shelving is also proposed to better organize the material in the gated stores area.

Office Furniture - \$9,000 – A continuation of our long term strategy to replaced aged work stations with new up to date furniture.

Replace Windows – \$10,000 - The purpose of this item is to replace a few strategic windows with windows that can be opened to provide fresh air to the building. The building was originally designed with mechanical ventilation only. This causes issues in the shoulder months where the building heats up but can't be cooled because the system basically has too much cooling capacity.

Software Development

Asset Management Planning Software - \$40,000 - This type of software is required to automate the decision making process to prioritize capital investment decisions. The software utilizes a number of user defined inputs to determine the best way to prioritize capital investments based on user defined risk attributes and profiles. Supports the rate making process as outlined in the OEB's Chapter Five of the filing requirements.

JOMAR ERP - \$30,000 – A continuation with modifications to the system and reports will be necessary on a go forward basis.

12 Revenue

Revenue as shown on the Statement of Earnings and Retained Earnings is as shown in Appendix B. The quantities used in calculating the revenue are derived from the load forecast model utilized in the cost of service preparation. This takes into account the weather normalization model which includes any number of variables to predict kwhr consumption and kw peaks by their respective rate class. These values by rate class multiplied by the rates for GPI's fixed and variable portions of the bill will produce a forecasted gross profit. This year's calculation in OEB rate application format and broken down by month is as shown in the tables below.

If the revenue trend is examined as shown in the table and graph below it is clear that while distribution revenue has levelled off, transmission revenue has been severely impacted. 2015 values for transmission have been forecasted utilizing historical data and the outlook is poor. The effects of load transfers within the LDC's to optimize circuit configuration, the effects of conservation and demand management activities, and the effect of microFIT and FIT generators has severely affected revenue.

GPI Revenue Calculation (Not Including Transmission)

Class	Nr Customers / Connections	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	2015 Proposed Fixed Rates	2015 Proposed Variable Rates	Fixed Distribution Revenue	Transformer Allowance	Variable Distribution Revenue	LRAM	Retail Services Revenue	STR Revenue	SSS Administration Fees	Dist. Rev. Including Transformer	Dist. Rev. Excluding Transformer
Residential	10,142	93,532,632		121,709		15.69	0.0121	1,910,139		1,129,177	- 9,353			29,356	3,059,319	3,059,319
GS < 50 kW	738	19,120,560		8,860		26.67	0.0131	236,302		250,232	86,043			1,820	574,396	574,396
GS >50	109	65,041,409	177,245	1,304		172.24	1.7672	224,526	- 33,000	313,219	- 4,768			251	500,228	533,228
Street Lighting	2,662	1,525,962	3,627		31,942	2.13	5.2987	68,050		19,220				3,514	90,783	90,783
USL	74	372,272			884	18.39	0.0116	16,260		4,305				221	20,786	20,786
Retailers												6,882	300		7,182	7,182
	13,725	179,592,835	180,872	131,872	32,826			2,455,277	-33,000	1,716,153	71,921	6,882	300	35,161	4,252,694	4,285,694

	2014 Board-Approved Rates			IRM3 Rates Per Application	
Class	Fixed Rates	Variable Rates	Price Cap Factor	Fixed Rates	Variable Rates
Residential	15.47	0.0119	1.45%	15.69	0.0121
GS < 50 kW	26.29	0.0129	1.45%	26.67	0.0131
GS >50	169.78	1.7419	1.45%	172.24	1.7672
Street Lighting	2.10	5.223	1.45%	2.13	5.2987
USL	18.13	0.0114	1.45%	18.39	0.0116
microFIT	5.40			5.40	

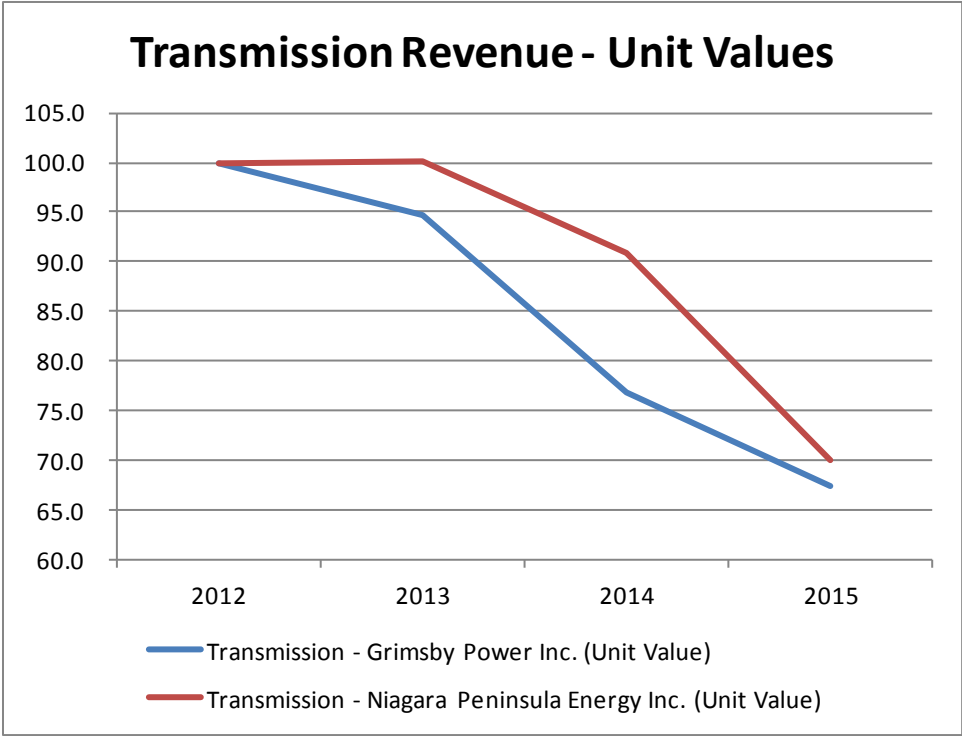
Revenue Calculation Including Transmission

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
SALES OF ELECTRICITY:	1,932,094.45	1,728,333.14	1,751,386.78	1,624,612.79	1,690,432.42	1,909,926.97	2,155,547.08	2,050,861.01	1,647,696.53	1,674,508.14	1,653,249.19	1,897,201.32	21,715,849.81
DISTRIBUTION REVENUES:	420,322.94	378,073.87	399,755.21	375,544.54	390,579.18	405,779.39	434,910.56	422,506.28	383,699.69	382,689.68	373,300.02	403,851.86	4,771,013.23
Distribution Service Revenue -Fixed	205,727.60	185,818.47	205,727.60	199,091.22	205,727.60	199,091.22	205,727.60	205,727.60	199,091.22	205,727.60	199,091.22	205,727.60	2,422,276.54
Distribution Service Revenue - Variable	158,799.61	142,105.03	144,513.98	134,296.52	139,695.30	156,851.69	176,464.39	168,188.56	136,121.38	138,436.43	136,560.34	156,041.17	1,788,074.39
Distribution Service Revenue -Transmission	52,809.44	47,453.07	46,527.34	39,266.83	42,169.98	46,946.50	49,732.28	45,603.82	45,597.13	35,539.35	34,758.49	39,096.79	525,501.02
Distribution Service Revenue -Other	2,986.30	2,697.30	2,986.30	2,889.97	2,986.30	2,889.97	2,986.30	2,986.30	2,889.97	2,986.30	2,889.97	2,986.30	35,161.28
TOTAL REVENUE	2,352,417.39	2,106,407.01	2,151,141.99	2,000,157.33	2,081,011.60	2,315,706.36	2,590,457.64	2,473,367.29	2,031,396.22	2,057,197.82	2,026,549.21	2,301,053.18	26,486,863.04

File - 2015 Revenue

Distribution and Transmission Revenue 2012 to 2015

Revenue Description	2012	2013	2014	2015
Grimsby Power Inc. - Transmission (\$)	452,853	428,978	347,923	304,987
Grimsby Power Inc. - Transmission (Unit Value)	100	94.7	76.8	67.3
Niagara Peninsula Energy Inc. - Transmission (\$)	315,088	315,140	286,262	220,514
Niagara Peninsula Energy Inc. - Transmission (Unit Value)	100	100.0	90.9	70.0
Other (\$)	1,680	1,477		
Total	769,621	745,595	634,185	525,501
Grimsby Power Inc. - Distribution (\$)	4,865,231	4,085,137	4,120,525	4,245,512
Grimsby Power Inc. - Distribution (Unit Value)	100	84.0	84.7	87.3



13 List of Appendices

Appendix A – Budget Detail by Expense Category– Not included because some of the information contained in this Budget Detail highlights information of a Labour Relations nature and may be used to identify attributes related to specific individuals.

Appendix B – Balance Sheet – Including History

Appendix C – Trucks and Mobile Equipment

GRIMSBY POWER INCORPORATED
Draft Budget_ Statement of Earnings and Retained Earnings

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Budget 2014	Budget 2015
Sales of Electricity	12,830,273	13,518,161	13,141,129	13,452,385	15,370,110	15,636,261	16,700,862	17,966,028	20,181,825	21,715,850
Distribution Revenue										
Fixed	1,985,155	2,048,001	2,088,987	2,075,565	2,098,756	2,137,526	2,622,377	2,260,505	2,351,061	2,422,277
Variable	1,149,459	1,206,893	1,209,217	1,212,103	1,252,844	1,248,103	2,213,976	1,794,922	1,739,714	1,788,074
Transmission										525,501
Other	25,172	24,769	25,372	25,805	26,200	27,549	28,878	29,710	29,750	35,161
Sales	15,990,059	16,797,824	16,464,705	16,765,859	18,747,910	19,049,438	21,566,093	22,051,165	24,302,350	26,486,863
Cost of Sales	(12,830,273)	(13,518,161)	(13,141,129)	(13,452,385)	(15,370,110)	(15,636,261)	(16,700,862)	(17,966,028)	(20,181,825)	(21,715,850)
Gross Profit	3,159,786	3,279,663	3,323,576	3,313,474	3,377,800	3,413,178	4,865,231	4,085,137	4,120,525	4,771,013
Other Income										
Interest Income	105,534	122,696	117,564	18,558	29,694	66,361	54,709	37,549	37,000	32,000
Miscellaneous Income	185,392	231,321	256,750	320,554	265,930	271,884	251,990	419,046	209,813	195,085
	290,926	354,018	374,314	339,112	295,624	338,245	306,699	456,595	246,813	227,085
TOTAL REVENUE	3,450,711	3,633,680	3,697,890	3,652,586	3,673,424	3,751,423	5,171,930	4,541,732	4,367,338	4,998,098
Operation Expense	187,438	187,089	200,472	197,350	179,324	306,908	411,623	522,827	545,680	831,285
Maintenance Expense	225,316	271,420	409,935	380,246	397,852	379,842	726,934	519,679	513,531	593,216
Billing and Collecting	393,970	465,537	470,689	447,269	487,849	474,972	517,462	512,577	556,040	559,426
Administration	599,394	663,462	634,397	687,172	684,872	901,926	1,279,082	1,119,954	1,303,565	1,249,574
Property taxes	26,488	26,990	27,150	30,314	25,130	24,402	24,915	25,586	27,600	27,000
Marketing	53,288	80,754	33,426	11,428	11,749	9,053	246	-	-	-
Amortization	809,449	807,571	842,962	967,542	975,166	952,669	586,795	585,912	622,794	874,872
Interest	498,491	486,596	472,053	440,872	459,637	502,961	399,551	397,142	440,913	662,473
Other deductions	-	-	-	-	-	4,224	28,123	10,912	6,662	6,662
TOTAL EXPENSE	2,793,834	2,989,420	3,091,084	3,162,192	3,221,579	3,556,957	3,974,731	3,694,589	4,016,785	4,804,507
NET INCOME BEFORE TAXES	656,878	644,261	606,806	490,394	451,845	194,465	1,197,200	847,142	350,553	193,590
Income Taxes - Current	215,734	247,852	160,356	130,495	180,391	31,124	343,820	283,579	85,000	51,301
NET INCOME	\$ 441,144	\$ 396,409	\$ 446,450	\$ 359,899	\$ 271,454	\$ 163,341	\$ 853,380	\$ 563,563	\$ 265,553	\$ 142,289
Retained earnings, January 1st	1,903,996	2,345,140	2,741,549	1,087,998	37,691	309,146	336,756	2,056,372	2,193,245	2,177,016
Net Income to current period	441,144	396,409	446,450	359,899	271,454	163,341	853,380	563,563	265,553	142,289
Retained Earnings - Future income Tax Adjustment				(210,206)			947,906			
Dividends Paid			(2,100,000)	(1,200,000)		(135,730)	(81,670)	(426,690)	(281,782)	(132,776)
Retained earnings, End of Period	\$ 2,345,140	\$ 2,741,549	\$ 1,087,998	\$ 37,691	\$ 309,146	\$ 336,756	\$ 2,056,372	\$ 2,193,245	\$ 2,177,016	\$ 2,186,529

GRIMSBY POWER INC
DRAFT BUDGET _ BALANCE SHEET

	BUDGET Dec 31 2015	BUDGET Dec 31 2014	ACTUAL Dec 31 2013	ACTUAL Dec 31 2012	ACTUAL Dec 31 2011	ACTUAL Dec 31 2010
Assets						
Current						
Cash and Cash Equivalents	523,096	850,000	762,577	1,013,700	622,471	1,602,924
Payment in Lieu of Taxes Receivable				10,000	30,000	44,116
Accounts Receivables	1,150,000	1,400,000	1,492,815	1,211,433	1,003,680	978,582
Service Revenue	1,000,000	1,100,000	1,294,914	704,421	629,854	753,212
Other	150,000	300,000	197,901	507,013	373,826	225,370
Receivable from Associated Company	3,000	20,000	17,310	19,853	11,729	12,333
Unbilled revenue	2,100,000	2,350,000	2,346,708	1,840,881	1,499,005	1,633,328
Inventory	550,000	500,000	524,346	229,905	232,815	227,793
Prepaid	276,000	104,044	104,315	102,831	275,039	85,788
	4,602,096	5,224,044	5,248,071	4,428,603	3,674,739	4,584,864
Other Assets						
Deposit on Long Term Asset					94,500	94,500
Future Payment in Lieu of Taxes			397,990	1,088,764		1,013,324
Regulatory Assets				149,515	1,254,859	854,126
Regulatory Assets-Future Payments in Lieu of Taxes			198,187			40,442
	-	-	596,177	1,238,279	1,349,359	2,002,392
Intangible assets	832,190	757,776	645,776	458,376	144,067	
Intangible assets	(530,013)	(403,183)	(263,083)	(155,158)	-	
Less: accumulated amortization	302,177	354,593	382,693	303,219	144,067	
Tangible assets						
Land	261,548	111,556	111,556	111,556	111,556	111,556
Buildings	1,593,834	568,371	550,496	541,613	495,838	755,681
Distribution stations	4,544,961	-	-			143,555
Distribution equipment	18,101,103	16,965,339	16,141,585	14,856,146	11,700,462	26,220,746
General Equipment	993,075	1,072,532	737,710	657,668	141,709	1,753,445
Contributed Capital			-			(4,977,193)
Less: accumulated amortization	(2,575,616)	(2,180,198)	(1,577,368)	(984,693)		(12,700,493)
	22,918,906	16,537,600	15,963,978	15,182,289	12,449,565	11,307,296
TOTAL ASSETS	\$ 27,823,179	\$ 22,116,237	\$ 22,190,920	\$ 21,152,389	\$ 17,617,730	\$ 17,894,552
Liabilities						
Current						
Accounts Payable and Accrued Liabilities	2,400,000	2,100,000	2,511,282	2,167,751	2,641,726	2,554,086
Current Portion Long Term Debt	3,023,578	2,591,277	1,305,966	1,302,561	106,667	1,600,000
Current Portion Customer Deposits	100,000	80,000	86,190	88,728	130,200	
Unrealized Loss on Interest Rate Swap Agreement	500,000					
Payment in Lieu of Taxes Payable	95,000		66,923			
Future Payments in Lieu of Taxes				244,862		
	6,118,578	4,771,277	3,970,361	3,803,902	2,878,593	4,154,086
Long Term Liabilities						
Long Term Debt	5,088,358	1,531,513	1,531,513	1,637,479	1,422,222	
Customer Deposits	130,000	100,000	109,390	105,282	107,040	290,305
Developers Expansion Deposits			28,315	28,315	28,315	105,577
Liability to Developers	300,000	100,000	956,522	642,251	486,522	373,140
Retailer Prudential	13,500	13,300	13,336	13,141	12,950	12,761
Promissory Note	5,782,746	5,782,746	5,782,746	5,782,746	5,782,746	5,782,746
Deferred Revenues - Contributed Capital	2,000,000	1,610,000	1,316,309	980,622	700,124	
	13,314,604	9,137,559	9,738,131	9,189,836	8,539,920	6,564,528
Regulatory Liabilities	350,000	176,916	348,147			
Future Payments in Lieu of Taxes			87,567	248,811	8,992	1,013,324
Shareholder's Equity						
Capital stock	5,782,747	5,782,747	5,782,747	5,782,747	5,782,747	5,782,747
Contributed surplus	70,721	70,721	70,721	70,721	70,721	70,721
Retained earnings	2,186,529	2,177,016	2,193,245	2,056,372	336,756	309,146
	8,039,997	8,030,484	8,046,713	7,909,840	6,190,224	6,162,614
TOTAL LIABILITIES & EQUITY	\$ 27,823,179	\$ 22,116,237	\$ 22,190,920	\$ 21,152,389	\$ 17,617,730	\$ 17,894,552

GRIMSBY POWER INCORPORATED
Draft Budget_ Statement of Cash Flow

	BUDGET Dec 31 2015	BUDGET Dec 31 2014	ACTUAL Dec 31 2013	ACTUAL Dec 31 2012	ACTUAL Dec 31 2011	ACTUAL Dec 31 2010
Cash provided by (used in):						
Operations:						
Net earnings	142,289	265,553	563,563	853,380	163,341	271,454
Amortization	991,150	770,255	701,801	691,820	965,076	975,166
Loss on disposal of capital assets			743	5,633	(925)	464
Loss on disposal of stranded meters					7,889	391,838
Future payments in lieu of taxes					49,434	98,229
Changes in non-cash working capital:						
Accounts Receivable	100,000	194,914	(590,494)	(74,567)	123,359	(89,438)
Other Accounts Receivable	150,000	(102,099)	309,112	(133,186)	(148,457)	88,007
Payable/Receivable to Associated	17,000	(2,690)	2,542	(8,124)	605	(43,744)
Unbilled Revenue	250,000	(3,292)	(505,827)	(341,875)	134,323	(102,483)
Inventory	(50,000)	24,346	(294,441)	2,910	(5,022)	(45,908)
Prepaid Expense	(171,956)	271	(1,484)	172,208	(189,251)	(52,581)
Accounts Payable	300,000	(411,282)	343,528	(473,975)	87,640	326,395
Unrealized Loss on Interest Rate Swap Agreement	500,000					
Payment in lieu of taxes receivable/payable	95,000	(66,923)	76,923	20,000	14,116	132,938
Future Payments in lieu of Taxes	-	508,610	86,481	343,820		
Customers and Developers Deposits	250,200	(900,453)	316,038	112,692	(16,753)	58,254
Regulatory Asstes/Liabilities	173,084	(171,230)	497,661	1,105,344	(766,807)	(1,879,149)
	<u>2,746,767</u>	<u>105,979</u>	<u>1,506,149</u>	<u>2,276,080</u>	<u>418,568</u>	<u>129,442</u>
Investing:						
Decrease (increase) in long term assets				94,500		
Net additions to capital assets	(7,320,040)	(1,315,776)	(1,563,708)	(3,610,307)	(1,902,582)	(1,423,239)
Proceeds on sale of capital assets				20,977	1,075	300
	<u>(7,320,040)</u>	<u>(1,315,776)</u>	<u>(1,563,708)</u>	<u>(3,494,830)</u>	<u>(1,901,508)</u>	<u>(1,422,939)</u>
Financing:						
Deffered Revenues- Contributed Capital	390,000	293,691	335,687	280,497	709,329	153,456
Proceeds on bank loan	3,989,146	1,285,311	(102,561)	1,411,151	(71,111)	1,600,000
Dividends paid	(132,776)	(281,782)	(426,690)	(81,670)	(135,730)	
	<u>4,246,370</u>	<u>1,297,220</u>	<u>(193,564)</u>	<u>1,609,979</u>	<u>502,488</u>	<u>1,753,456</u>
Increase (decrease) in cash during year	(326,904)	87,423	(251,123)	391,229	(980,452)	459,959
Total Cash, beginning of year	<u>850,000</u>	<u>762,577</u>	<u>1,013,700</u>	<u>622,471</u>	<u>1,602,924</u>	<u>1,142,965</u>
Total Cash, end of period	<u>\$ 523,096</u>	<u>\$ 850,000</u>	<u>\$ 762,577</u>	<u>\$ 1,013,700</u>	<u>\$ 622,471</u>	<u>\$ 1,602,924</u>

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**GRIMSBY POWER INC
CAPITAL STATEMENTS**

ACCT	DESCRIPTION	2010 ACTUAL	2011 ACTUAL	2012 ACTUAL	2013 ACTUAL	2014 BUDGET	2015 BUDGET a	2015 ALLOCATION b	2015 BUDGET c
1815	Transformer Station Transformer Station						15,000 15,000		15,000 15,000
1830	Poles, Towers & Fixtures	345,562	314,367	289,356	275,750	147,376	64,872	10,508	75,380
1835	Overhead Conductors & Devices	319,085	325,000	310,666	238,552	274,546	249,950	22,170	272,120
1855	Overhead Services Overhead	26,928 691,575	28,726 668,092	3,270 603,292	32,480 546,781	1,328 423,250	4,008 318,830	2,721 35,399	6,729 354,229
1840	Underground Conduit	292,541	194,281	18,680	148,242		16,704	398	17,102
1845	Underground Conductors & Devices	275,188	235,266	147,279	186,874	585,988	229,111	45,321	274,432
1855	Underground Services Underground	271,117 838,846	257,293 686,840	187,877 353,836	145,721 480,836	22,335 608,323	14,876 260,691	12,495 58,215	27,371 318,906
1850	Line Transformers - Overhead	166,175	115,923	85,429	59,372	9,767	13,629	7,483	21,112
1850	Line Transformers - Underground Transformers	377,719 543,894	262,259 378,182	233,039 318,468	157,047 216,418	154,451 164,218	113,145 126,774	16,858 24,341	130,003 151,115
1860	Metering - General								
1860	Meters - Residential		1,763	76,640	19,241	99,200	55,651	6,037	61,688
1860	Meters - GS < 50		20,870	9,443	5,147	3,467	3,335	2,079	5,414
1860	Meters - GS >50		(87,165)	10,190	7,923	29,916	39,920	10,049	49,969
1860	Meters - Whole Sales		(22,943)	-	8,216	52,375	3,271	594	3,865
1860	Meters - MicroFIT		892	781	537	1,728	3,376	758	4,134
1860	Meters - CTs & PTs		100,317	1,893	338				
1860	Meters Y/E adj Meters		(5,966) 7,770						
				98,947	41,403	186,685	105,553	19,517	125,070
SUB TOTAL		3,152,481	2,030,533	1,374,543	1,285,439	1,382,476	826,848	137,471	964,319
1611	Computer Software	33,120	3,954	26,790	187,400	114,670	90,820		90,820
1908	Buildings & Fixtures	71,174	98,196	47,232	8,883	15,675	55,350		55,350
1915	Office Furniture & Equipment	6,117	840	47,011	1,397	26,637	21,349		21,349
1920	Computer Equipment Hardware	9,181	9,104	169,010	16,230	33,290	40,890		40,890
1930	Transportation Equipment	926	17,111	324,205	-	253,300			-
1940	Tools Shop & Garage Equipment	38,148	6,073	944	20,140	28,446	131,289		131,289
1945	Measurement & Test Equipment	5,648		2,029	-	19,500			-
1955	Communication Equipment			23,913	42,276				
SUB TOTAL		164,314	135,278	641,134	276,325	491,518	339,698	-	339,698
	TOTALS	3,316,795	2,165,811	2,015,677	1,561,764	1,873,994	1,166,546	137,471	1,304,017
1995	Contributions & Grants Credit	(867,342)	(709,329)	(302,965)	(335,688)	(448,750)			
	GRAND TOTAL	\$ 2,449,453	\$ 1,456,482	\$ 1,712,711	\$ 1,226,076	\$ 1,425,244	\$ 1,166,546	\$ 137,471	\$ 1,304,017
	GRAND TOTAL (EXCLUDING SMART METERS)	1,371,287	1,174,601	1,712,711	1,226,076	1,425,244	1,166,546	137,471	1,304,017

Class	Nr Customers / Connections	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	2015 Fixed Rates (New)	2015 Variable Rates (New)	Fixed Distribution Revenue	Variable Distribution Revenue	SSS Administration Fees	LRAM Rev.	Retail Services Revenue	STR Revenue	Transformer Allowance	Dist. Rev. Including Transformer	Dist. Rev. Excluding Transformer
Residential	10,142	93,532,632		121,709		15.69	0.0121	1,910,139	1,129,177	29,356	-9,353				3,059,319	3,059,319
GS < 50 kW	738	19,120,560		8,860		26.67	0.0131	236,302	250,232	1,820	86,043				574,396	574,396
GS >50	109	65,041,409	177,245	1,304		172.24	1.7672	224,526	313,219	251	-4,768			(33,000)	500,228	533,228
Street Lighting	2,662	1,525,962	3,627		31,942	2.13	5.2987	68,050	19,220	3,514					90,783	90,783
USL	74	372,272			884	18.39	0.0116	16,260	4,305	221					20,786	20,786
Retailers												6,300	200		6,500	6,500
	13,725	179,592,835	180,872	131,872	32,826			2,455,277	1,716,153	35,161	71,921	6,300	200	-33,000	4,252,012	4,285,012

Trucks and Mobile Equipment

General Overview

A truck replacement schedule has been created utilizing industry best practices in terms of equipment age to understand the general timing of equipment replacements. Replacement schedules are based on the following useful lives:

- Large Trucks with Mounted Equipment – 15 years
- Medium Trucks with Mounted Equipment – 12 years
- Small Trucks – 8 years
- Trailers – As required

Industry best practice replacement schedules noted above have been established and determined to:

- Minimize repair costs
- Minimize truck down time
- Maximize re-sale value
- Maximize efficiencies by taking advantage of changes in design technology

The most significant risk to continue to use a unit beyond its useful life is the risk of having a major truck component failure which requires a major expense. Examples for large trucks would be an engine replacement, failure of the aerial device hydraulic systems, or a boom structure failure. Spending a significant amount on a truck repair when the truck is beyond its optimum age is not cost effective.

A chart has been prepared to capture all of GPI's mobile equipment data. Based on the useful lives noted above the replacement schedule would be as indicated by the letter S in the following chart.

Truck Replacement Schedule:

Unit #	Year	In Service Date	Original Book Value	Useful Life	Chassis	Mileage at Jan 2015 (km)	PTO Hours Jan 2015	Engine Hours	Mounted Device	2013		2014		2015		2016		2017		2018	
Large Trucks (15 Year Cycle)																					
9	1995	Jul 17/95	\$ 205,925	FD	Freightliner FL80	58481	4019	7376	Altec - RBD - Digger Derrick									X	\$422,066		
11	2012	Oct 1/12	\$ 310,506	15	Freightliner FL80	18285	687		Posi-Plus												
Medium Trucks (12 Year Cycle)																					
10	2003	Apr 16/03	\$ 134,551	FD	Ford F550 - 4x2	144898	2718		Versalift SST - ML - Single Bucket					S		X	\$ 350,000				
Small Trucks (8 Year Cycle)																					
1	2005	Dec xx/05	\$ 27,128	FD	Ford F150 XLT 4x4	119859			Pickup	S						X	\$ 70,000				
12	2008	Feb xx/09	\$ 21,795	8	GMC Savana 2500 Van	74176			Van							S				X	\$ 48,000
19	2007	Mmm xx/07	\$ 22,173	8	Chev	60270			Mini Van					S						X	\$ 44,000
20	2007	Mmm xx/07	\$ 26,409	FD	Chev Equinox	101693			SUV					S						X	\$ 48,000
Trailers (As Required based on Condition)																					
	2008	Aug 06/08	\$ 10,009	15	Reel Trailer				Wheeler Reeler (Lightning Sales)												
	2011	July 20/11	\$ 17,110	15	Pole Trailer				CZ Engineering												
	2012	Sept 27/12	\$ 11,746	15	Multi-Purpose Trailer				CAM Superline												
Forklifts & Equipment (As Required based on Condition)																					
	1994		\$ 27,025	FD	Fork Lift - 500#		1218		Nissan												
										\$	-	\$	-	\$	-	\$	420,000	\$	422,066	\$	140,000

A schedule based solely on age does not however, take into consideration other factors which are important to the decision process. An individual truck's level of reliability, repair, and maintenance history changes with each progressive year and thus, other factors need to be considered in the decision process.

An evaluation matrix (shown below) has been created to assist with making decisions regarding truck replacements. This system was created using best practices presented at a Fleet Management Conference and Equipment Show in the United States in 2007. The matrix takes into consideration the age of the vehicle, mileage, type of service, reliability, maintenance & repair cost, and the condition of the vehicle. Points are allocated for each vehicle in each category (truck class) and summed together to provide a total point score.

Factor	Fleet Evaluation Matrix for 2014 Budget Process				
	Description of Evaluation Criteria				
Age	One point for each year of service based on in service date				
Mileage	One point for each 16093 kilometers (10000miles) of use				
Type of Service	Light duty - Small Vehicles - Engineering or Administrator Use - Large vehicles - on road use only and lightly loaded.	n/a	Medium Duty - Small Vehicles - trucks used by trades which are commonly loaded - Large vehicles - mainly on road use and with average payload	n/a	Heavy Duty - Small & Large Vehicles - Trades use and commonly loaded for road and off road use
Reliability	Repair once every 3 months or less	n/a	Repair two or three times in 3 month period	n/a	Repair two or more times per month on average
Maintenance and Repair Costs	Accumulated cost as compared to original purchase cost - $\leq 20\%$	Accumulated cost as compared to original purchase cost - $> 20\% \ \& \ \leq 47\%$	Accumulated cost as compared to original purchase cost - $> 47\% \ \& \ \leq 74\%$	Accumulated cost as compared to original purchase cost - $> 74\% \ \& \ < 100\%$	Accumulated cost as compared to original purchase cost - $\geq 100\%$
Take into consideration body condition, rust, interior condition, anticipated repairs, and accident history					
Condition	Excellent - Truck has no signs of deterioration and is close to like new condition	Very Good - Truck is no longer in new condition but is still in very good shape	Good - Truck has signs of regular use	Fair - Truck is showing signs of early deterioration with advanced signs of rust, & worn interior components.	Poor - Truck has signs of rust perforation, seat covers are worn thru, and repairs have been postponed due to age and cost benefit.

The point ranges have been divided into action categories to assist with the replacement decision. The action items associated with the scoring result ranges are noted below:

Scoring Results	
Point Ranges	Action
Under 18	Excellent - Continue to Monitor
18-22	Good - Continue to Monitor
23-27	Qualifies for Replacement - Schedule Detailed Evaluation
over 27	Needs Immediate Consideration - Perform Detailed Evaluation

An evaluation matrix is utilized to track the scores for each individual piece of equipment. Final truck replacement decisions will be based on five components as follows and each of these factors will be reviewed annually:

- Age of Truck(s) – The older the truck the greater the risk of increased maintenance and repair expenditures – one point for each year of service;

- Mileage of the Truck(s) – One point for each 16,093 kilometers;
- Type of Service – What kind of duty can be expected in daily use? Point ranges 1 thru 5;
- Reliability – How often is the truck down due to repair? Point ranges 1 thru 5;
- Maintenance and Repair Cost – The accumulated cost as function of original purchase price. Point ranges 1 thru 5;
- Condition - Detailed assessment of the condition of the Truck(s) prior to setting current year's budget.

In addition to the evaluation matrix the two following factors are also taken into account:

- An assessment of current and future needs – is the truck suited for current needs and what type of vehicle will suit future needs as opposed to replacing the truck with a like for like replacement;
- Capital expenditures year over year – Truck expenditures should be smoothed out to even the spend year over year. Generally speaking lumpy spending with significant changes (highs and lows) from year to year is less favorable in terms of our rate applications.

Grimsby Power's Fleet

All trucks have been assessed and the resulting scoring is shown below:

Fleet Evaluation Matrix:

Factor	Fleet Evaluation Matrix for 2015 Budget Process					Fleet Evaluation Matrix for 2015 Budget Process						
	Description of Evaluation Criteria					Large Trucks			Small Trucks			
						9	10	11	1	12	19	20
Age	One point for each year of service based on in service date					20	12	3	10	7	8	8
Mileage	One point for each 16093 kilometers (10000miles) of use					4	9	1	7	5	4	6
Type of Service	Light duty - Small Vehicles - Engineering or Administrator Use - Large vehicles - on road use only and lightly loaded.	n/a	Medium Duty - Small Vehicles - trucks used by trades which are commonly loaded - Large vehicles - mainly on road use and with average payload	n/a	Heavy Duty - Small & Large Vehicles - Trades use and commonly loaded for road and off road use	3	5	3	5	1	1	1
Reliability	Repair once every 3 months or less	n/a	Repair two or three times in 3 month period	n/a	Repair two or more times per month on average	5	5	1	1	1	1	1
Maintenance and Repair Costs	Accumulated cost as compared to original purchase cost - ≤ 20%	Accumulated cost as compared to original purchase cost - > 20% & ≤ 47%	Accumulated cost as compared to original purchase cost - > 47% & ≤ 74%	Accumulated cost as compared to original purchase cost - > 74% & < 100%	Accumulated cost as compared to original purchase cost - ≥ 100%	3	3	1	1	1	1	1
Take into consideration body condition, rust, interior condition, anticipated repairs, and accident history												
Condition	Excellent - Truck has no signs of deterioration and is close to like new condition	Very Good - Truck is no longer in new condition but is still in very good shape	Good - Truck has signs of regular use	Fair - Truck is showing signs of early deterioration with advanced signs of rust, & worn interior components.	Poor - Truck has signs of rust perforation, seat covers are worn thru, and repairs have been postponed due to age and cost benefit.	4	5	1	3	3	3	3
Total Score						39	39	10	27	18	18	20

It should be noted that maintenance and repair costs as a percentage of original book value in the above table is a qualitative assessment. Expense history is currently not tabulated prior to 2006. Information is not currently available for 2014 activities. However, information as stated in 2014 is as follows:

Accumulated Truck Expenses:

		Small Vehicles				Large Vehicles			Other				Total Cost per Year & Sum Total
		Truck 1	Truck 12	Truck 19	Truck 20	Truck 10	Truck 9	Truck 11	Pole and Reel Trailers	Forklift	Utility (Box) Trailer	Truck Supplies	
2006		446	1,456	77	728	2,596	1,576						8,711
2007		552	738	-	92	6,204	934						8,696
2008		430	745	38	37	4,161	3,879						20,286
2009		1,117	-	-	-	5,380	13,979						23,049
2010		424	516	179	1,346	12,224	11,181						49,243
2011		1,280	1,442	555	1,528	10,104	8,357		826	756		963	39,147
2012		1,408	633	1,471	1,163	5,257	11,093	1,475	1,265	1,575	451	3,401	35,732
2013		1,288	122	294	102	7,522	6,348	1,463	-	927	179	1,042	19,290
Accumulated Maintenance & Repair Cost	A	6,946	5,652	2,614	4,996	53,448	57,347	2,938	2,090	3,258	630	4,364	184,863
Original Book Value	B	27,128	21,795	22,173	26,409	134,551	205,925	309,926	27,120	27,025	11,746		
A divided by B		25.6%	25.9%	11.8%	18.9%	39.7%	27.8%	0.9%	7.7%	12.1%	5.4%		

For the older vehicles the percentages shown are much lower than they should be given that a large portion of the history is unknown. Please note that some vehicles show no expenses in a given year. Prior to 2010 some expenses, such as oil changes, were kept in a separate account with expenses that were not all truck maintenance & repair. These other expenses have not been separated into appropriate accounts and therefore are not included for years prior to 2010.

Based on the scoring system, Trucks 9, 10, and 1 should be considered for replacement. A detailed assessment for each truck is as follows.

Truck 10 – Single Bucket Telescoping ManLift



- **Evaluation Matrix Rating** - 39
- **Age** – Was purchased as a new vehicle and was put into service in 2003. The chassis is a Ford F550 with a Versalift single bucket aerial device and steel body.
- **Mileage** – 144,898km as of December 31, 2014 (131,891km as of Oct 31, 2013).
- **Type of Service** - Utilized as a primary service truck and is the most utilized bucket truck in the fleet.
- **Reliability** - This truck on average needs to be repaired 2 or 3 times in a 3 month period. In 2014 this truck was out of service for approximately 2 months while parts and repairs were being sourced and made.
- **Maintenance and Repair Costs** – Information on repair costs prior to 2006 have not been tabulated. However, costs since 2006 total \$65,692 plus 2014.
- **Condition**
 - Interior – fair condition – seats worn – floor worn.
 - Cab – good to fair condition – electrical wiring on lighting circuits showing signs of overheating and spot lights don't work properly
 - Engine – fair to poor condition – oil leaking and had to replace seals, transmission slipping in reverse (will require repair in near future)
 - Body – showing advanced signs of corrosion. Large areas of spalling are noticeable everywhere on the body.
 - Aerial Device – fair to poor condition – bucket levelling system is beginning to fail (will require repair in near future) – boom functions not as precise as they should be – this is a sign of advanced wear.

Replacement Decision for Truck 10 – Single Bucket Truck

This truck is heavily used by the line staff and the configuration of the truck (light duty chassis with heavy loading) is taking its toll on the unit. The useful life of this vehicle is 12 years and it is 12 years old in 2015. When this unit was purchased the intended use was service work, street light work, and work on 8kV circuits. The unit is not certified for work on 27kV. Since 2003 GPI has been investing heavily in the elimination of 8kV circuits and in 2014 both 8kv substations were taken out of service. Street light work in 2012 was discontinued. Since this unit at end of life (in terms of useful life - 12 years, is fully depreciated, is showing an advanced age, is constantly breaking down, and the type of work would be better suited to a different style of aerial device a replacement decision is recommended. Management's recommendation would be as follows:

- Design truck in 2015
- Order and take delivery of truck in 2016 (dependent on manufacturing availability)

The design of the truck would change so that the unit could be used for both service work and work on 27kV increasing the versatility without making the truck too big. A similar vehicle utilized in the industry as a standard service truck is shown in the photo below:



Benefits of this over the current design are as follows:

- Can be used as back-up to main line truck due to 27kV capability – can fill in for main line truck when the main line truck is being serviced
- Side by side boom reduces maintenance issues compared with T10's extension boom
- Small enough to fit into confined areas where the main line truck is limited
- Full size truck chassis (which is not fully loaded with normal stock levels) – increases longevity
- Useful life of truck is 15 years – same as main line truck

Replacement Decision for Truck 9 – Radial Boom Derrick



- **Evaluation Matrix Rating** - 39
- **Age** – Was purchased as a new vehicle and was put into service in mid 1995. The chassis is a Freightliner FL80 with an Altec D2055 derrick.
- **Mileage** – 58,481 as of December 31, 2014 (55,381 as of October 31, 2013) – low mileage.
- **Type of Service** - Utilized to transport equipment and lift equipment into place. Is used when installing poles. Use has been reduced because main line truck now has lifting capacity for transformers.
- **Reliability** - This truck on average needs to be repaired 2 or 3 times in a 3 month period. This truck had one major issue in 2013 - an engine rebuild was necessary due to a faulty head gasket. In 2014 derrick portion of vehicle required several minor repairs and multiple hoses required replacement.
- **Maintenance and Repair Costs** – Information on repair costs prior to 2006 have not been tabulated. However, costs since 2006 amount to \$59,718 plus 2014.
 - Interior – fair condition – showing signs of normal wear and tear.
 - Cab – fair condition.
 - Engine – good condition.
 - Body – good condition.
 - Derrick – fair condition.

Replacement Decision for Truck 9

This truck is in good to fair condition and is constructed to today's standards. A replacement at this time is not required. Placed in the replacement schedule in 2017 but will be evaluated on a year to year basis.

APPENDIX 1-B – 2016 BUDGET

2015

Grimsby Power Inc.

Rate Application Budget & Bill Impacts for 2016

This report was prepared for the GPI Board Meeting on December 2, 2015



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**Grimsby Power Inc.
Rate Application Budget & Bill Impacts for 2016
Commentary
November 25, 2015**

1 Introduction

Following a process established in 2010 with the preparation of the 2011 budget the 2016 Cost of Service budget has followed a similar process. This budget will form the basis for creating the “test year” budget required for the cost of service rate application. Every attempt has been made to make this budget as accurate as possible notwithstanding the fact that during the year conditions may occur which may require changes in expenditures. Based on management’s experiences in preparing previous budgets this year represents a very complete view of all types of expenses.

From a budgeting perspective revenue and expenses will look quite different than 2015’s budget. Revenue has been increased to support GPI’s proposed rate base and is derived on the solid methodology of the weather normalization model. Expenses include one time or normalized costs over the five year rate term. For example GPI plans to perform three customer satisfaction surveys over the rate term. The expense in 2016 reflects a normalized cost – survey cost times 3 (performed 3 times) divided by 5 (the number of years in the rate term). One-time expenses are simply divided by 5. The budget also includes the recovery of expenses incurred to produce or meet the expectations of the filing requirements and the rate application process excluding expenses for an oral hearing. This budget also includes the operation of the Niagara West MTS so comparative values with the years prior to 2015 will look quite different. Increases in expenses will be explained in Section 3 – Cost Drivers.

As with previous budgets this budget has been prepared with no percentage burdens applied to wage rates or distributed allocations. Burden costs are represented in the budget as separate line items posted to specific accounts where they best fit. Some expenses are still eligible under MIFRS to be allocated. The allocated amounts have been allocated between capital and expense.

2 Executive Summary

This budget represents a resetting of GPI’s business strategy that integrates succession planning, a Distribution System Plan (DSP) complete with a five year capital forecast, leadership training, training in general, risk management activities such as audits, attendance at utility events, increased activity in health and safety programs, and activities which raise the general level of skills and abilities within the utility.

The resultant income statement and capital investment information is noted below:

2016 Rate Application Budget

Income Statement	2012 Board Approved Budget	2012 Rate Application	2012 Budget without Allocation & Including Tax Corrections	2013 Budget	2014 Budget	2015 Budget	2016 CoS Budget	Difference 2016 to 2015
<u>Revenue</u>								
Sales of Electricity	17,978,474	17,978,474	17,978,474	19,193,994	20,181,825	21,715,850	23,845,118	9.8%
Revenue from Services	3,905,336	3,905,336	3,905,336	4,010,087	4,120,525	4,771,013	6,268,885	31.4%
Other Operating Income	175,000	175,000	175,000	210,958	213,236	187,485	379,274	102.3%
Other Income/Deductions	108,600	108,600	108,600	28,940	(3,423)	7,600	20,600	171.1%
Investment Income	32,100	32,100	32,100	55,000	37,000	32,000	35,000	9.4%
Total Revenue	22,199,510	22,199,510	22,199,510	23,498,979	24,549,163	26,713,948	30,548,877	14.4%
<u>Expenses</u>								
Distribution Expenses - Operations	433,518	453,574	463,354	442,453	545,680	831,285	885,613	6.5%
Distribution Expenses - Maintenance	508,878	431,965	580,760	589,449	513,531	593,216	757,383	27.7%
Administrative & General Expenses	1,082,548	1,002,111	1,082,548	1,166,045	1,303,565	1,276,574	1,621,537	27.0%
Billing & Collecting	510,198	507,013	510,198	523,112	556,040	559,426	695,031	24.2%
Allocation Accounts	168,786	0						
Total Controllable Expense	2,703,928	2,394,663	2,636,860	2,721,059	2,918,816	3,260,501	3,959,564	21.4%
Power Supply Expenses	17,978,474	17,978,474	17,978,474	19,193,994	20,181,825	21,715,850	23,845,118	9.8%
Amortization Expenses	668,402	692,103	668,402	700,000	622,794	874,872	1,123,580	28.4%
Interest Expenses	371,726	436,171	371,726	408,518	440,913	662,473	627,396	-5.3%
Taxes	64,156	65,438	178,928	158,336	112,600	51,301	261,426	409.6%
Other Deductions	7,120	4,117	7,120	7,120	6,662	6,662	6,706	0.7%
Total Expense	21,793,806	21,570,966	21,841,510	23,189,027	24,283,610	26,571,659	29,823,790	12.2%
Net Income	405,704	628,544	358,000	309,952	265,553	142,289	725,087	409.6%

Capital Investment	2012 Budget	2012 Rate Application	2013 Budget	2014 Budget	2015 Budget	2016 Budget
Distribution Capital	993,498	867,979	797,184	1,349,852	964,319	742,821
General Capital	561,320	669,670	209,813	185,808	339,698	711,400
Contributions & Grants Credit				448,750		
Total	1,554,818	1,537,649	1,006,997	1,086,910	1,304,017	1,454,221

File Name – Income Statement – 2016 - CoS

2016 Rate Application Budget

Note – Values for capital in 2015 and 2016 do not include Assumed Plant and Customer Projects – A portion of assumed plant is deducted as a contribution and all of Customer Projects are contributions. The full Capital Statement is included in Appendix B.

A complete listing of line by line budget detail has been included in Appendix A and financial statements (including history) are included in Appendix B.

As with the 2015 budget, the allocation account has been split between the various O&M and capital accounts. This split is based on the budgeted labour hours in these accounts. The approximate split is 46% capital and 54% operations and maintenance.

As shown in the above table total controllable expense has increased since the 2015 budget to \$3,959,564 or 21.4%.

In reference to net income the proposed net income is \$725,087, an increase of 409.6% over 2015's budget. Net income is set at the maximum rate of return of 9.19%.

Capital expenditures on distribution assets are set at \$742,821 (budget plus allocation). Capital expenditures on general assets are set at \$711,400. This totals \$1,454,221 and represents GPI's committed self directed projects. Also anticipated are additions to assumed plant and work on customer work orders totalling \$817,210 of which \$561,251 is covered by capital contributions. This work includes payments to developers for residential subdivision development.

Year-end cash is forecasted to be \$1,709,985 a substantial improvement from estimated year end 2015.

3 Cost Drivers for 2016 as Compared With 2015

In 2016 a number of cost drivers have increased expenses. Cost drivers have been split into three categories as shown below:

- New Expenses
- Prepaid Expenses – Cost of Service (COS)
- Niagara West MTS Expenses

New Expenses:

The most significant cost driver in this budget is the addition of staff to fulfill GPI's succession planning strategy. These costs total \$649,033 and include all benefits and training.

From an external expense point of view only \$49,378 has been added to the 2016 budget as compared to 2015. Of this total \$16,240 is related to interest expense and \$22,075 is to perform OEB mandated customer surveys.

Further details are noted below:

Description of Cost Driver	Expense
+ Accounting_Supervisor	138,919
+ Customer_Accounts_Rep_24to36	70,369
+ Customer_Accounts_Supervisor	92,713
+ Engineering_Supervisor	19,945
+ Executive_Assistant	94,160
+ Foreman	829
+ Journeyman_Lineman	3,745
+ Journeyman_Lineman_24to36	146,857
+ Storekeeper	81,497
New_Expense	
- Administrative_and_General_Expenses	30,525
Repairs to main gate	2,450
Perform statistical survey for Scorecard - Public Awareness of Electrical Safety - 2016 - 2018 - 2020	9,198
Springboard "Compliance Science" SAAS Product	6,000
Perform statistical survey for Customer Satisfaction - 2016 - 2018 - 2020	12,877
- Distribution_Expenses_Maintenance	2,000
Rental of Line Truck for work on 27kv	2,000
- Distribution_Expenses_Operations	613
Runner Mats for Engineering Department	613
- Interest_Expense	16,240
Interest on \$700K Loan for Assumed Plant & NWTC Loan Repayment	16,240

Cost of Service Expenses:

The expenses incurred to produce the cost of service rate application which are being requested to be recovered from rates are shown below. These expense items total \$60,765. This value represents one fifth of the total costs or \$303,826 being requested for recovery over the rate recovery period from 2016 to 2020.

Description of Cost Driver	Expense
- Prepaid_Expense_COS	
- Administrative_and_General_Expenses	60,765
Borden Laden Gervais - 2016 COS Application - Lawyers and Rate Consultant	25,550
Consulting - 2016 COS Application - Burman - Develop DSP - 2015 Expense	5,825
OEB Cost - 2016 COS Application	9,811
Intervenor Cost - 2016 COS Application	11,242
Perform investment strategy survey for DSP - 2014 by CGC	4,292
Perform investment strategy analysis for COS - 2015 by Burman	4,044

Niagara West MTS:

With the amalgamation effective October 1, 2015 all NWTS expenses will be incurred for the first full year in 2016. These expenses were included in 2015's budget so in some respects they are not new but they are repeated here because they are significant and will be fully deployed in 2016. These expense items totalling \$605,397 are shown below.

Description of Cost Driver	Expense
NWTS_Expense	
Amortization_Expense	190,576
Depreciation - Tangible Assets - NWTC	190,576
Distribution_Expenses_Maintenance	32,658
Rondar - Annual Scheduled Maintenance at NWTS	27,658
Rondar - Unscheduled Maintenance at NWTS	5,000
Distribution_Expenses_Operations	152,103
Hydro One - Operating Control Centre for NWTS	29,605
Bell Canada - Rent of Communication Lines for NWTS	42,066
Bell Canada - Phone Service at NWTS	1,177
Konkle Plumbing & Heating - Annual Maintenance at NWTS	1,226
Landscape Firm - Cut Down Weeds at NWTS	485
Weed Control Firm - Spray to Contain Weeds at NWTS	1,431
Snow Clearing Firm - Clear Snow from Driveway at NWTS	1,022
NPEI - Electricity Bill at NWTS	11,209
Chubb Edwards - Annual Fire Equipment Maint/Inspection at NWTS	562
Ontario Security - Monitoring of Security at NWTS	245
Pestech - Annual Pest Control at NWTS	971
Various service calls at NWTS related to building equipment	3,066
Rondar - Monthly Station Inspection at NWTS	16,500
Rondar - Weekly Station Inspection at NWTS	12,800
Mearie - Annual Insurance for NWTS	21,937
Town of Lincoln - Property Taxes at NWTS	2,799
Rondar - Emergency Response Service Calls and Maintenance to NWTS	5,000
Interest_Expense	230,060
Interest on NWTS Swap Loan Agreement	230,060

3.1 Notes to Cost Drivers

3.1.1 New Position – Accounting Supervisor - \$138,919

This position is contained within GPI's Board approved succession planning strategy. This position represents 1 additional employee.

3.1.2 Additional – Customer Accounts Representative - \$70,369

This position is contained within GPI's Board approved succession planning strategy. The middle Customer Account Representative rate has been used to normalize the cost over the rate period. The five year rate period matches the time it takes to ascend through the rate schedule. This position represents 1 additional employee.

3.1.3 Overlap – Customer Accounts Supervisor - \$17,199

This position is contained within GPI's Board approved succession planning strategy. This position is a backfill position for the pending retirement of the existing Director of Customer Accounts. The expense for the overlap is estimated for a period of 12 months. This has been accomplished by normalizing the Director of Customer Accounts expenses over the 5 year rate period. This position is not an additional FTE.

3.1.4 New Position - Executive Assistant

In 2015 GPI hired one additional Executive Assistant as contemplated in GPI's succession plan. In the budget 50% of one Executive Assistant's time is charged to GPI's affiliates NPI and GEI who require administrative support. The reduction in cost is approximately half of the annual cost of \$94,160 or \$47,080.

3.1.5 Overlap - Journeyman Lineman – 24 to 36 Months - \$146,857

These two positions are contained within GPI's Board approved succession planning strategy. The middle Journeyman Lineman rate has been used to normalize the cost over the rate period. The five year rate period matches the time it takes to ascend through the rate schedule. These positions represent 2 additional employees. One of these positions has been normalized over the rate period to adjust for the retirement of one lineman (existing Foreman in 2018).

3.1.6 Additional – Storekeeper - \$60,158

This position is contained within GPI's Board approved succession planning strategy. In terms of budget a Storekeeper has been input at the top rate for the full year. As this position is currently part time the full impact will not be realized until the position is actually filled with a full time position as we do have obligations with respect to the part time person. The incremental difference is the difference between the part time position (\$21,920 budgeted in 2015) and the full time position – approximately \$60,000 annually. This position represents 1/2 additional employee.

3.1.7 Survey – Public Awareness of Electrical Safety - \$9,198

A new measure has been added by the OEB to Grimsby Power's scorecard (and all other LDC's). This measure is to ascertain the public's perception about electrical safety in each LDC's service territory. The announcements for this measure indicate that this information is to be obtained from a statistically relevant survey of questions provided by the ESA and that the survey will be required every two years. This would mean surveys would be required in 2016, 2018, and 2020. A cost of \$15,000 has been estimated to conduct the survey and then averaged over the five year rate term.

3.1.8 Repairs to Main Gate - \$2,450

The main gate requires repairs which are estimated at \$12,250. This cost is a one-time repair and therefore, is averaged over the five year rate term.

3.1.9 Rental of Line Truck - \$2,000

Currently GPI does not have two trucks capable of working live 27Kv. Some work requires the use of two trucks and it is estimated that work can be combined into two months of truck rental. This is a one-time rental as GPI has a new truck due for delivery at the end of 2016 (assuming budget approval). This expense of \$10,000 is averaged over the five year rate term.

3.1.10 Interest Expense - \$16,240

In late 2015 additional loans were taken out to cover the capital costs for payments to developers (for providing residential subdivision expansions) and for repayment of NWTC's \$200,000 loan. The interest on approximately \$600,000 is captured by this line item.

3.1.11 Prepaid Expense COS - \$60,765

These expenses will be classified as prepaid because they will be recovered (pending OEB approval) in GPI's cost of service rate application. These expenses totalling \$303,836 have been normalized over the 5 year rate period and include legal fees for lawyers, rate consultant fees, consultant expenses for DSP & Investment Strategy, customer satisfaction survey, customer investment survey, and OEB rate application costs. They do not include costs for an oral hearing if necessary in the rate application process. They also do not include costs from the OEB to review the DSP. Management understands that OEB is now contracting this to third party experts but to date no utility (that we know of) has been billed – may be as high as \$40,000.

4 Assumptions/Estimates

In preparing a budget certain assumptions are made with respect to the information placed in the detailed records of the budget. Management has used a bottom up budget approach to build each expense item. This budget reflects management's best efforts to identify all tasks, activities, and projects required to be executed in 2016. In preparing this budget the following assumptions are made:

- The presentation is in Modified International Reporting Standards (MIFRS) and this has been done for rate regulation purposes only;
- HST is not included in budget line items;
- Union wages include negotiated wage rates and the rates utilized in the budget are blended due to timing. Union wages are set to increase by 1.95% June 1, 2015. After June 1, 2016 it has been assumed that hourly rates will increase by 2.2%. This is the CPI estimate for 2016 by the TD Bank;
- Management Job Rates include an annual percentage wage increase of 1.5%.
- Hourly truck costs have been changed to reflect one blended truck rate;
- Direct and subcontractor costs were either set at their actual costs (if known or likely to be known) or increased by 2.2%. This is the CPI estimate for 2016 by the TD Bank;
- Some costs represent estimates provided by vendors;
- The capital construction projects are based on preliminary estimates and are not based on detailed engineering designs – typically these designs would be plus or minus 50%;
- Labour is represented in the budget without any payroll burden applied. The burden is reflected as separate line items elsewhere in the budget;
- A number of line items have been normalized to reflect the cost being spread out over the five year rate term. This is effectively the average cost per year over the five year rate term. These items are noted in the detail of this report.
- Revenue has been calculated using GPI's proposed 2016 rates and quantities (kwhrs & kws) produced from the weather normalization model. The revenue model includes a new Embedded Distributor rate class for NPEI.

5 Information Contained in the Budget

The derivation of costs includes the following types of expenses:

- Labour – straight wage rates and hours for each employee;
- Equipment – this represents costs which can be distributed across capital and maintenance/operations accounts. One blended rate has been established for all truck sizes.
- Material or items from inventory;
- Direct Costs – costs which are not directly related to work on the distribution system assets;
- Sub-Contractor Costs – costs which are incurred directly on the distribution system assets.

All costs with the exception of general day to day tasks are broken down into specific tasks and activities.

6 GL Account Structure

There are very minor changes to the GL account structure.

7 Spending Protocol in 2016

Following established procedures, the purchase of goods and services will follow existing protocols which utilize purchasing policies and management controls. This would include obtaining multiple quotations and establishing request for documents (RFP, RFQ, etc.) to procure prices for various expenditures. Budget costs for some items are based on budgetary figures provided by vendors and service providers. It is probable that these costs will be over or under budget. Management will make every effort to minimize the actual expenditure but it is inevitable that some line items will be over budget. Management's goal will be to match the overall expenditure to realize the net income predicted by the budget notwithstanding the fact that on an account by account or project by project basis the actual spend may be over or under budget.

8 Comments on Selected Projects and Expenditures

8.1 Developer Refunds

GPI will make payments to developers as established by policy and procedures.

8.2 Borrowing

There are no plans in the budget to add any new debt instruments in 2016. An operating line of credit of \$2,000,000 is in place to provide for cash flow deficiencies as they arise.

8.3 Succession Planning Strategy

In July 2015 the Board approved GPI's updated succession plan dated June 26, 2015. All of the components of this succession plan have been integrated into this budget.

8.4 Amalgamating GPI & NWTC

GPI and NWTC formally amalgamated on October 1, 2015. Although 2015's budget included Niagara West MTS expenses for the year, due to the timing of the amalgamation 2015's financial statements will not include a full year of expenses. 2016's budget does include all of the expenses to operate the station.

9 Staffing

9.1 Organizational Structure

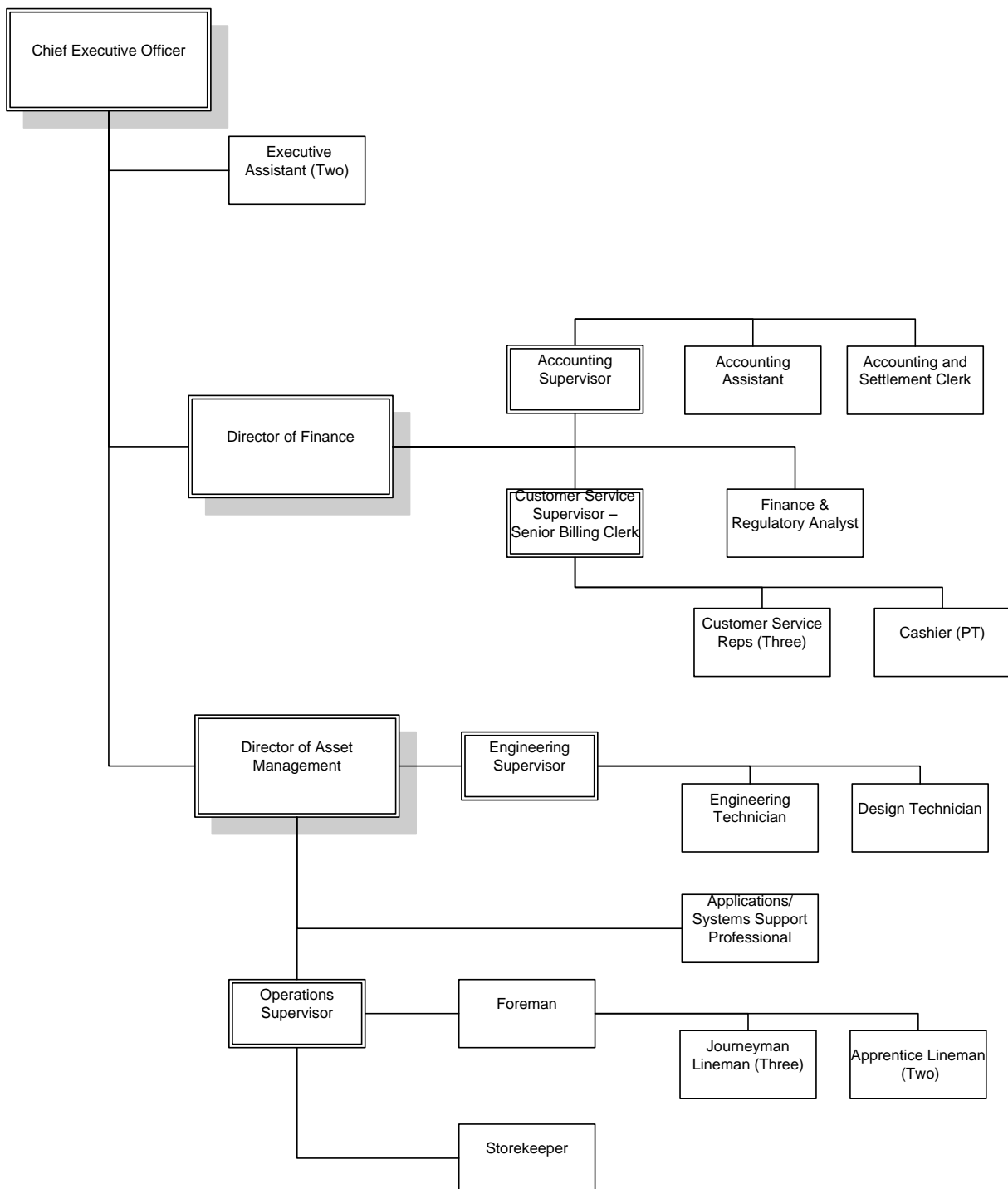
A formal succession plan was approved by the Board in July 2015. 2016's budget contains expenses to cover the application of this plan and all costs include a full year.

Currently GPI has [REDACTED]

[REDACTED]. Management is currently reviewing its options with respect to both of these positions and this review may result in changes to the organizational structure.

The organizational structure is as follows:

Grimsby Power Inc. – Organizational Structure



9.2 Leadership Development and Training/Education

Providing specific leadership development training to key staff members has been provided in the budget. The table below compares the 2012 CoSRA with the proposed budget:

	2012 (CofSRA)	2012	2013	2014	2015	2016
Seminars/Conferences	\$10,049	\$6,165	\$9,306	\$9,306	\$10,615	\$10,180
Training/Educational	\$24,205	\$26,034	\$29,420	\$31,835	\$36,825	\$45,434

Note - Costs include direct costs only and do not include labour

Training and educational experiences include items such as equipment refreshers, software education, seminars, workshops, and conferences. These experiences provide employees with opportunities to grow and to meet employees of other LDC's who share their skill set. Specific details are as follows:

Seminars_and_Conferences	10,180
CEO - EDA Annual General Meeting/Enercom	2,685
CEO - EDA Niagara Grand Annual General Meeting - Sept/Oct	440
CEO - EDA Niagara Grand Spring Technical Meeting	165
Design_Technician - EDA Metering Workshop	435
Director of Finance - EDA Niagara Grand Annual General Meeting - Sept/Oct	300
Director of Finance - EDA Niagara Grand Spring Technical Meeting	250
Director_of_Asset_Management - EDA Niagara Grand AGM	210
Director_of_Asset_Management - EDA Niagara Grand Spring Technical Meeting	210
Engineering Supervisor - EDA - EDIST Conference	1,550
Engineering Supervisor EDA Metering Workshop	285
Engineering Supervisor- EDA Metering Workshop	150
Engineering_Technician - EDIST	1,550
Executive Assistant - MEARIE - Risk Management or Labour Relations Conference	1,550
Executive Assistant - MEARIE - Risk Management or Labour Relations Conference - Hotel	400

2016 Rate Application Budget

Training_and_Educational	45,435
Acc Sup - TBD	400
Acc Sup - Training - TBD	1,500
Accounting Assistant - MEARIE - Accounting Essentials in a Utility Environment	1,250
Accounting_and_Settlement_Clerk - MEARIE - Regulatory Finance for Non-Accountants	625
Cashier - Training (TBD)☐	500
Cus Acc Sup - Training (TBD)☐	500
Customer Accounts Representative - Training (TBD)	1,000
Customer_Accounts_Rep_Junior - Training (TBD)☐	500
Design_Technician - Transformer Station Training	1,000
Design_Technician - Tuition Reimbursement	2,000
Design_Technician - USF Training	2,050
Director of Customer Accounts - Training (TBD)☐	100
Director of Finance - Certificate in Human Resources for CPAs	1,900
Director_of_Asset_Management - EDA - Cost of Service Rebasng Module 3	1,995
Director_of_Asset_Management - EDA - Regulatory Essentials for LDC Directors and Execs	1,070
Engineering_Technician - ESRI Training	1,200
Engineering_Technician - Transformer Station Training	1,000
Engineering_Technician - Tuition Reimbursement	1,000
Engineering_Technician - Unforeseen Training	1,000
Engineering_Technician - USF Training	2,800
Executive Assistant - Training - TBD	1,550
Executive Assistant - Training - TBD - Hotel	495
Financial_and_Regulatory_Analyst - Introduction to Economic Regulation (Module 1)	1,845
Financial_and_Regulatory_Analyst - Update on OEB Regulation of Electricity Distributors	525
MEARIE Powerline Technician - Apprentice Training Expense	12,830
Operations Supervisor - Project Management - Mearie Group - 4/28/15 to 4/29/15	1,850
Supply_Chain_Representative - Training TDB	500
Training - TBD	1,650
Training TDB	800

Expenses are higher than in the past due to a number of additional employees and a number of employees who are relatively new to this industry.

10 Detailed Discussion - Operations, Maintenance, and Administration Expenses

10.1 Administrative and General Expenses

10.1.1 Financial Audit and Tax Preparation Services

In 2011, GPI tendered the financial audit and tax preparation service contract. The result was significantly reduced costs as follows:

	2011	2012	2013	2014	2015	2016
Financial Audit	\$30,600	\$19,825	\$21,500	\$21,500	\$22,000	\$22,484
Tax Preparation	\$3,570	\$5,700	\$5,800	\$5,800	\$6,000	\$6,132

11 Detailed Discussion – Capital

11.1 Capitalization Policy Changes

There are no changes to capitalization policies in the 2016 budget.

11.2 Distribution Plant

In 2013 the OEB released new filing requirements for distribution applications and these are described in Chapter 5 of the filing requirements titled Consolidated Distribution System Plan Filing Requirements. Within these filing requirements the OEB has mandated the specific capital investment categories to be used. The capital investment categories are defined below:

- **System Access** investments are modifications (including asset relocation) to a distributor's distribution system a distributor is obligated to perform to provide a customer (including a generator customer) or group of customers with access to electricity services via the distribution system.
- **System Renewal** investments involve replacing and/or refurbishing system assets to extend the original service life of the assets and thereby maintain the ability of the distributor's distribution system to provide customers with electricity services.
- **System Service** investments are modifications to a distributor's distribution system to ensure the distribution system continues to meet distributor operational objectives while addressing anticipated future customer electricity service requirements.
- **General Plant** investments are modifications, replacements or additions to a distributor's assets that are not part of its distribution system; including land and buildings; tools and equipment; rolling stock and electronic devices and software used to support day to day business and operations activities.

These categories are further broken down into investment drivers. These drivers and their associated formats (for GPI budget purposes) are noted in the table below:

Category	Sub Category
System Access	New Customer Connections
System Access	Modifications to Existing Customer Connections
System Access	Expansion
System Access	Other 3 rd Party Infrastructure Development Requirements
System Access	Mandated Service Obligations
System Access	Renewable Enabling Improvement
System Renewal	n/a
System Service	n/a
General Plant	New
General Plant	Replacement
General Plant	Software Development

In preparation for the cost of service application GPI worked with Burman Energy Consultants Group to create a Distribution System Plan which meets the new filing requirements (usually referred to as “Chapter 5” of the filing requirements). Within the DSP there is a distinction between capital investments on the distribution system. Those investments that are related to system renewal and are driven primarily by the need to replace existing assets at end of life will be called programs. The business case for programs is driven by the typical useful life of the asset and its condition. Projects are capital investments that are of a more discretionary nature and are generally linked to providing the customer with services they need or want. Examples might be adding more circuit capacity, providing smart grid elements that increase reliability, providing enhanced communication services to customers regarding outages to name a few. The descriptions of the capital investments for 2016 are subdivided into the OEB’s investment categories and it is indicated if the investment is part of a program or project.

These investments and their costs are as follows:

Description of Capital Expense	Total Cost
▣ Capital_Distribution_Plant	572,529
▣ System_Access_-_Expansion	109,917
Project - Residential Subdivision Development	109,917
▣ System_Access_-_Mandated_Service_Obligations	30,050
Program - Compliance Sampling Program for Smart Meters	30,050
▣ System_Access_-_Modifications_to_Existing_Customer_Connections	38,500
Program - Modifications to Existing Customer Connections	3,411
Program - Modifications to Existing Customer Connections	35,088
▣ System_Access_-_New_Customer_Connections	64,782
Project - New Customer Connections	64,782
▣ System_Renewal	199,263
Program - Replace Defective Poles	49,827
Program - Replace Gang Operated Load Break Switches	19,744
Program - Replace Sectionalizing Terminal	7,509
Program - Underground primary cable replacement for non injectable segments	58,346
Program - Replace Pad Mounted Transformers	63,837
▣ System_Service	110,018
Program - Transformer Station - Modifications to Support Renewable Generation	45,000
Project - Automate 2 Primary 3 Phase Switches	65,018
▣ (blank)	20,000
Rental of Line Truck for work on 27kv	20,000

Note – costs do not include allocations

Specific detail of GPI investments proposed for 2016 are as follows:

System Access – Expansion

Project – Residential Subdivision Development – This covers the time (labour, truck, material, subcontractor) spent by GPI building infrastructure associated with residential subdivision development.

System Access – Mandated Service Obligations

Program – Compliance Sampling Program for Smart Meters – The smart meters installed in GPI's service territory have a Measurement Canada seal period of 10 years. If a compliance program is not put in place to extend the seal period then all of the meters installed at the same time would need to be replaced. The compliance sample programs goal is to extend the seal period of meters so that more life can be gained.

System Access – Modifications to Existing Customer Connections

Program - Modifications to Existing Customer Connections - This covers the time (labour, truck, material, subcontractor) spent by GPI building infrastructure associated with modifications to existing customer connections. The most common form of this is an upgrade to the size of the wire serving a residential customer.

System Access – New Customer Connections

Project - New Customer Connections - This covers the time (labour, truck, material, subcontractor) spent by GPI connecting new services.

System Renewal

Program – Replace Defective Poles - During annual inspections poles that exhibit signs of deterioration are tested for rot at the ground level and in the elevated positions if necessary. This program replaces defective poles identified in annual inspections as well as planned replacements as identified within the DSP methodology. Generally poles (identified as in need of replacement) inspected in the prior year are replaced in the current year.

Program – Replace Gang Operated Load Break Switches – It is expected that the load break maintenance program will uncover some switches that will need to be replaced.

Program – Replace Sectionalizing Terminal – Replace a high voltage ``junction box`` due to age and condition.

Program – Underground Primary Cable Replacement for Non – Injectable Segments - Initially an attempt was made to inject these cables with silicone (silicone injection program) but the cables either did not accept any or only accepted some of the injected silicone. These cable segments will be identified in conjunction with the contractor's assistance. This cable will be replaced on a year to year basis until it is completely out of the system.

Program - Replace Pad Mounted Transformers - The annual inspection of pad mounted distribution transformers has uncovered what appears to be an increasing trend in defective pad mount transformers. These transformers sit on a concrete pad and this concrete to metal interface is causing severe corrosion of the transformer cases and tanks. These transformers cannot be repaired in the field and as such need to be replaced.

System Service

Program – Transformer Station – Modifications to Support Renewable Generation – Protection & Control Equipment and SCADA Equipment at the station has now been in use for approximately 12 years and this technology (specified in 2002/2003 is becoming obsolete). A long range plan for replacing this equipment will be put in place and the first focus will be on making changes to accommodate the connection of renewable generation.

Project – Automate 2 Primary 3 Phase Switches – GPI has developed a master plan for the deployment of automated switches and this plan will be rolled out over a number of years. The installation of intelligent switches/reclosers began with the installation of two units in 2014/15.

11.3 General Plant

The capital portion of General Plant has been broken down into a number of different categories as follows:

- New – Items which do not currently exist.
- Replacement – Items which do exist and are in need of replacement
- Renovate – Renovations to existing building assets
- Software Development – Items utilized in the management of digital data throughout GPI's computer network.
- Trucks & Mobile Equipment – Appendix C contains the annual evaluation of all mobile equipment.

Detailed costs of these items are as follows:

Capital_General_Plant	711,400
(blank)	711,400
Inventory Software with Scanners	5,000
Monitors for IT and Spare	800
Software for the Server Disaster Recovery	3,000
Bucket Truck - 46ft Aerial Device and Fiberglass Body	356,000
JOMAR ERP Software System - Modifications to the Software and Installation of New Modules	30,000
Racking System - Storeroom	4,500
Racking System in Stores High Bay	5,700
Racking System - Outside - Transformer Storage - Concrete Slab	16,200
Annual Software Licenses - Adobe, Microsoft Office, Unforeseen Software	29,000
Asset Management Planning & Systems Integration Software	110,000
Program - Computer Workstations	6,000
Disaster Recovery Server	25,200
Program - Laptops	5,000
Replace Solid Glass Windows with Windows that Open	10,000
Program - Replace Office Furniture - One Office per Year	9,000
Refurbish Lobby - Office Furniture and Renovation	96,000

New

Inventory Software with Scanners - \$5,000 – JOMAR has the ability to integrate mobile technology. Automating the inventory transactions by bar coding items will lead to a more efficient warehouse reducing errors associated with keying information.

Disaster Recovery Server and Software - \$28,200 – Create a disaster recovery plan and purchase a spare server to be stored offsite with software to replicate our server in case of an issue. Currently there is no backup in place and loss of service could create a major operating issue. (data is backed up but a configured server is not set up)

Racking System - \$16,200 – This project is aimed at maximizing the use of the space in the storage yard by building vertical racking supported on a concrete pad.

Replacement

Racking for Stores - \$10,200 – The pallet racking in the stores truck bay is comprised mainly of mismatched used equipment purchased many years ago. This racking does not have weight ratings and is not secured properly to the building structure. Replacement of this racking will allow proper weight ratings to be established and to match the racking options to the equipment being stored. Racking/shelving is also proposed to better organize the material in the gated stores area.

Computer Workstations & Laptops - \$11,000 – Regular replacement of computer equipment at end of normal life.

Replace Windows – \$10,000 - The purpose of this item is to replace a few strategic windows with windows that can be opened to provide fresh air to the building. The building was originally designed with mechanical ventilation only. This causes issues in the shoulder months where the building heats up but can't be cooled because the system basically has too much cooling capacity.

Office Furniture - \$9,000 – A continuation of our long term strategy to replaced aged work stations with new up to date furniture.

Refurbish Lobby - \$96,000 - The front lobby has largely remained unchanged since the building was constructed in the mid 80's. This work will include a new front counter and work station, partition walls/doors, flooring, and disability access equipment as mandated by legislation.

Before this renovation begins management will review the current status of the building with respect to its useful life and report back to the Board on options going forward which will address whether or not to continue to operate out of this building.

Software Development

JOMAR ERP - \$30,000 – A continuation with modifications to the system and reports will be necessary on a go forward basis. Included with this is the deployment of modules not currently in use.

Annual Software Licenses - \$29,000 – This includes updates/upgrades to licenses and new licenses for software such as DESS, WiFi, Web Server, I-pads, MS Office, AutoCad, to name a few.

Asset Management Planning Software & Systems Integration Software - \$110,000 - Software in today's market is very flexible and covers a broad range of applications. For GPI purposes this type of software is required to provide outage and asset management.

Trucks and Mobile Equipment

Refer to Appendix C for a detailed report on the status of the fleet.

12 Revenue

Revenue as shown on the Statement of Earnings and Retained Earnings is as shown in Appendix B. The quantities used in calculating the revenue are derived from the load forecast model utilized in the cost of service preparation. This utilizes the weather normalization model which includes any number of variables to predict kwhr consumption and kw peaks by their respective rate class. These values by rate class multiplied by the rates for GPI's fixed and variable portions of the bill will produce a forecasted gross profit. 2016's revenue calculation in OEB rate application format and broken down by month is as shown in the tables below. One item of note is the creation of the Embedded Distributor rate class.

Embedded Distributor – NPEI – This is a new class created as a result of amalgamating GPI and NWTC. Niagara Peninsula Energy Inc. (NPEI) becomes a customer of GPI. This new rate has been proposed as a fixed monthly fee and takes into account the cost allocation attributes as dictated by the cost allocation model. This fixed fee eliminates the variable income resulting from NPEI either reducing load or adding distributed generation to the distribution system. Essentially NPEI is paying for 50% of the fixed costs of the station plus some of GPI's expenses incurred to operate the station. Station expenses are in the \$600,000 range and NPEI's is contributing \$529,281 in revenue. Due to the cost allocation model they are actually offsetting some of GPI's previous expenses. This approach is consistent with the OEB's new policy and rationale of migrating residential rates to fixed rates. The rationale has been used to promote the use of a fixed rate to NPEI. This has some risk in that it will be the first time an LDC has used this approach in a rate application and NPEI will likely not support this because it represents a large increase over what they are currently paying.

GPI Revenue Calculation

Class	Nr Customers / Connections	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	2015 Fixed Rates (New)	2015 Variable Rates (New)	Fixed Distribution Revenue	Variable Distribution Revenue	Transformer Allowance	Dist. Rev. Including Transformer	Dist. Rev. Excluding Transformer
Residential	10,310	92,563,942		123,720		23.28	0.0118	2,876,395	1,092,255		3,968,649	3,968,649
GS < 50 kW	751	18,812,265		9,012		37.95	0.0186	342,747	349,908		692,655	692,655
GS >50	107	69,648,507	186,573	1,284		299.70	2.9599	384,823	552,239	- 28,999	908,063	937,062
Street Lighting	2,680	1,145,992	3,429		32,160	2.86	7.1116	91,937	24,384		116,321	116,321
USL	74	373,349			888	47.95	0.0302	42,596	11,275		53,872	53,872
Retailers								-			-	-
Embeded Distributor - NPEI	1		126,624	12		44,110.41		529,325	-		529,325	529,325
	13,923	182,544,054	316,626	134,028	33,048			4,267,823	2,030,060	- 28,999	6,268,885	6,297,884

Class	2014 Board-Approved Rates		2016 Proposed Rates	
	Fixed Rates	Variable Rates	Fixed Rates	Variable Rates
Residential	15.69	0.0121	23.28	0.0118
GS < 50 kW	26.67	0.0131	37.95	0.0186
GS >50	172.24	1.7672	299.70	2.9599
Street Lighting	2.13	5.2987	2.86	7.1116
USL	18.39	0.0116	47.95	0.0302
Embeded Distributor - NPEI		1.77	44,110.41	

Revenue Calculation by Month

	January	February	March	April	May	June	July	August	September	October	November	December	Total
SALES OF ELECTRICITY	2,019,668	1,889,367	2,019,668	1,954,518	2,019,668	1,954,518	2,019,668	2,019,668	1,954,518	2,019,668	1,954,518	2,019,668	23,845,118
Distribution Service Revenue - Fixed	314,193	293,922	314,193	304,057	314,193	304,057	314,193	314,193	304,057	314,193	304,057	314,193	3,709,499
Distribution Service Revenue - Variable	171,945	160,852	171,945	166,398	171,945	166,398	171,945	171,945	166,398	171,945	166,398	171,945	2,030,060
Distribution Service Revenue - Transmission	44,834	41,941	44,834	43,387	44,834	43,387	44,834	44,834	43,387	44,834	43,387	44,834	529,325
Distribution Service Revenue - Other	3,895	3,644	3,895	3,770	3,895	3,770	3,895	3,895	3,770	3,895	3,770	3,895	45,990
TOTAL REVENUE	2,554,535	2,389,726	2,554,535	2,472,131	2,554,535	2,472,131	2,554,535	2,554,535	2,472,131	2,554,535	2,472,131	2,554,535	30,159,993

13 Bill Impacts of 2016 Rate Application Budget

13.1 Revenue Deficiency

In the rate application GPI will be asking the OEB to approve a new level of revenue. The new revenue value is driven by all of the increases in expenses over the 2012 to 2015 rate period plus those additional expenses proposed for the new rate period from 2016 to 2020.

The revenue deficiency calculation is as follows:

2016 Rate Application Budget

Description	2015 Bridge Actual	2016 Test Existing Rates	2016 Test - Required Revenue
Revenue			
Revenue Deficiency			1,867,580
Distribution Revenue	4,673,008	4,401,305	4,401,305
Other Operating Revenue (Net)	296,461	311,878	311,878
Total Revenue	4,969,469	4,713,183	6,580,763
Costs and Expenses			
Administrative & General, Billing & Collecting	1,809,000	2,291,018	2,291,018
Operation & Maintenance	1,424,500	1,642,996	1,642,996
Donations - LEAP	4,662	4,662	4,662
Depreciation & Amortization	853,578	1,000,584	1,000,584
Property Taxes	27,000	27,594	27,594
Deemed Interest	649,708	627,164	627,164
Total Costs and Expenses	4,768,448	5,594,018	5,594,018
Utility Income Before Income Taxes	201,021	-880,835	986,745
Income Taxes:			
Corporate Income Taxes	-32,413	-425,692	69,217
Total Income Taxes	-32,413	-425,692	69,217
Utility Net Income	233,433	-455,143	917,528
Income Tax Expense Calculation:			
Accounting Income	201,021	-880,835	986,745
Tax Adjustments to Accounting Income	-323,333	-725,549	-725,549
Taxable Income	-122,312	-1,606,383	261,196
Income tax expense before credits	-32,413	-425,692	69,217
Credits	0	0	0
Income Tax Expense	-32,413	-425,692	69,217
Tax Rate Refecting Tax Credits	26.50%	26.50%	26.50%
Actual Return on Rate Base:			
Rate Base	26,195,379	24,959,952	24,959,952
Interest Expense	649,708	627,164	627,164
Net Income	233,433	-455,143	917,528
Total Actual Return on Rate Base	883,141	172,021	1,544,692
Actual Return on Rate Base	3.37%	0.69%	6.19%
Required Return on Rate Base:			
Rate Base	26,195,379	24,959,952	24,959,952
Return Rates:			
Return on Debt (Weighted)	4.34%	4.19%	4.19%
Return on Equity	9.42%	9.19%	9.19%
Deemed Interest Expense	682,306	627,164	627,164
Return On Equity	987,042	917,528	917,528
Total Return	1,669,348	1,544,692	1,544,692
Expected Return on Rate Base	6.37%	6.19%	6.19%
Revenue Deficiency After Tax	786,207	1,372,671	-0
Revenue Deficiency Before Tax	1,069,669	1,867,580	-0

As shown, GPI's revenue deficiency is \$1,867,580. This revenue deficiency must be recovered in rates and the resulting distribution rate changes are as follows:

Class	Charge Unit	Charge Unit	2015 Current		2016 Proposed		2016 Proposed with Fixed Variable Transition	
			Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Residential	Customer	kWh	15.69	0.0121	20.34	0.0157	23.28	0.0118
GS < 50 kW	Customer	kWh	26.67	0.0131	37.95	0.0186		
GS >50 to 4999 kW	Customer	kW	172.24	1.7672	299.7	2.9599		
Street Lighting	Connection	kW	2.13	5.2987	2.86	7.1116		
Unmetered and Scattered	Connection	kWh	18.39	0.0116	47.95	0.0302		
Embedded Distributor - NPEI	Customer	kW		1.77	44,110.41			

For residential rates the rate changes reflect two distinct steps. The 2016 proposed rates represent the full recovery of the revenue deficiency and the next rate represents the first of multiple steps to transition from a fixed and variable rate to a solely fixed rate. This transition has been mandated by the OEB and will be implemented over a four year period. The impact to the customer of the change in distribution rates is as follows:

Rate Class	Volume (kwhrs/kw)	2015 Rates			2016 Rates ¹			2016 Rates with Move to Fixed ²			Delta ¹	Delta ²
		Fixed	Variable	Distribution Cost	Fixed	Variable	Distribution Cost	Fixed	Variable	Distribution Cost		
Residential	332	15.69	0.0121	\$ 19.92	20.34	0.0157	\$ 25.79	23.28	0.0118	\$ 27.38	29.5%	37.4%
Residential	800	15.69	0.0121	\$ 25.88	20.34	0.0157	\$ 33.47	23.28	0.0118	\$ 33.15	29.3%	28.1%
Residential	1500	15.69	0.0121	\$ 34.79	20.34	0.0157	\$ 44.97	23.28	0.0118	\$ 41.79	29.2%	20.1%
GS<50kW	1000	26.67	0.0131	\$ 40.46	37.95	0.0186	\$ 57.40				41.9%	
GS<50kW	2000	26.67	0.0131	\$ 54.25	37.95	0.0186	\$ 76.85				41.7%	
GS<50kW	10000	26.67	0.0131	\$ 164.56	37.95	0.0186	\$ 232.45				41.3%	
GS>50kW	60	172.24	1.7672	\$ 283.85	299.70	2.9599	\$ 485.41				71.0%	
GS>50kW	350	172.24	1.7672	\$ 823.29	299.70	2.9599	\$ 1,383.01				68.0%	
GS>50kW	1000	172.24	1.7672	\$ 2,032.39	299.70	2.9599	\$ 3,394.87				67.0%	

2015 Losses	1.0526
2016 Losses	1.0457

A substantial change in losses has occurred since our last rate application. Losses on the system have been reduced from 5.26% to 4.57% a 13.1% reduction. The reasons for this would include converting from 8kV to 27.6kV, configuring the network to optimize losses, and potentially less theft of power.

From a distribution rates perspective (the rates GPI controls) the percentage change with losses applied are substantial. The percent change is different for each rate class because of changes within the cost allocation model. In 2016 a number of factors used in the cost allocation model were changed to reflect current conditions and the addition of Niagara West MTS has a significant impact on cost allocation.

In terms of the overall bill impact the percent change is less dramatic as follows:

		Total Bill			
		Current	Proposed	Impact	
	kWh	Charge \$	Charge \$	\$ Change	% Change
Residential 10th Percentile	332	\$ 66.41	\$ 71.86	\$ 5.45	8.21%
Residential	500	\$ 91.55	\$ 95.74	\$ 4.19	4.57%
Residential	800	\$ 136.44	\$ 138.37	\$ 1.93	1.41%
Residential	1000	\$ 166.37	\$ 166.79	\$ 0.42	0.25%
Residential	1500	\$ 241.19	\$ 237.85	-\$ 3.34	-1.38%
Residential	2000	\$ 316.01	\$ 308.90	-\$ 7.10	-2.25%
General Service <50 kW	1000	\$ 183.98	\$ 195.96	\$ 11.98	6.51%
General Service <50 kW	2000	\$ 340.26	\$ 352.93	\$ 12.67	3.72%
General Service <50 kW	5000	\$ 809.08	\$ 823.84	\$ 14.76	1.82%
General Service <50 kW	10000	\$ 1,590.46	\$ 1,608.69	\$ 18.23	1.15%
General Service <50 kW	15000	\$ 2,371.83	\$ 2,393.54	\$ 21.71	0.92%
General Service 50 to 4,999 kW	60	\$ 2,546.39	\$ 2,808.29	\$ 261.90	10.29%
General Service 50 to 4,999 kW	100	\$ 4,128.99	\$ 4,480.52	\$ 351.52	8.51%
General Service 50 to 4,999 kW	250	\$ 10,063.75	\$ 10,751.37	\$ 687.62	6.83%
General Service 50 to 4,999 kW	350	\$ 13,476.85	\$ 14,391.87	\$ 915.02	6.79%
General Service 50 to 4,999 kW	500	\$ 33,540.16	\$ 34,704.62	\$ 1,164.46	3.47%
General Service 50 to 4,999 kW	1000	\$ 61,473.77	\$ 63,708.56	\$ 2,234.79	3.64%
Street Lighting	150	\$ 28.99	\$ 30.21	\$ 1.22	4.20%
Street Lighting	50000	\$ 12,625.31	\$ 14,614.85	\$ 1,989.54	15.76%
Unmetered Scattered Load	150	\$ 39.16	\$ 70.81	\$ 31.65	80.81%
Unmetered Scattered Load	450	\$ 80.21	\$ 116.03	\$ 35.82	44.66%

The OEB sets the threshold for rate mitigation at total bill increases of 10% or more. For all regular customer rate classes the total bill impacts are less than 10% and for the average customers (blue highlight in kWh/kW column) they are as follows:

- Residential 1.41%
- GS<50kW 3.72%
- GS>50kW 6.83%

Given GPI's increases in cost this total bill impact is quite reasonable.

However, the Street Lighting and Unmetered Scattered Load classes will be faced with substantial increases. This can be explained by changes in cost allocation as shown in the table below:

Rate Class	2012 Board Approved	2016 Updated Cost Allocation Study	2016 Proposed Ratios	2017 to 2020 Proposed Ratios	Board Targets Min to Max	
Residential	105.7%	115.2%	105.3%	105.3%	85.0%	115.0%
General Service < 50 kW	101.9%	105.4%	105.3%	105.3%	80.0%	120.0%
General Service 50 to 4,999 kW	80.0%	66.1%	80.0%	80.0%	80.0%	120.0%
Street Lighting	70.0%	111.3%	105.3%	105.3%	80.0%	120.0%
Unmetered Scattered Load	103.6%	47.4%	80.0%	80.0%	80.0%	120.0%
Embedded Distributor	n/a	61.3%	100.0%	100.0%	80.0%	120.0%

The OEB sets the range of cost allocation ratios. When a ratio is above 100% this rate class is over contributing and subsidizing those classes with ratios less than 100%. With the revisions to the cost allocation model the ratios produced by the model are shown in column C above. Some of these are not within the OEB's approved ranges so they have been adjusted using the following methodology:

- The embedded distributor rate has been set to 100% so that GPI customers are not subsidizing NPEI's customers
- The GS>50kW and the USL classes were brought to the minimum of the range.

These changes (increases in proportion) lower the proportion in the remaining rate classes.

The final cost allocation ratios result in the following sharing of the base revenue requirement:

Rate Class	2016 Base Revenue at Existing Rates	2016 Proposed Base Revenue Allocated at Existing Rates Proportion	2016 Proposed Base Revenue	Miscellaneous Revenue
Residential	3,061,190	4,360,127	3,968,649	211,976
GS < 50 kW	486,791	693,348	692,655	27,395
GS >50 to 4999 kW	521,870	743,311	908,063	42,831
Street Lighting	86,669	123,444	116,321	9,382
Unmetered and Scattered	20,661	29,428	53,872	6,111
Embedded Distributor	224,125	319,226	529,325	14,183
TOTAL	4,401,305	6,268,885	6,268,885	311,878

Column D represents the portion of base revenue requirement supported by each customer class. Of note is the substantial increase in proportion within the Street Lighting and Unmetered Scattered Load classes. The Embedded Distributor rate class is new for 2016 and represents the revenue recovery for operating the Niagara West MTS.

14 List of Appendices

Appendix A – Budget Detail by Expense Category – Not included because some of the information contained in this Budget Detail highlights information of a Labour Relations nature and may be used to identify attributes related to specific individuals.

Appendix B – Financial Statements

Appendix C – Trucks and Mobile Equipment

GRIMSBY POWER INCORPORATED
Draft Budget_ Statement of Earnings and Retained Earnings

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Budget 2015	Budget 2016
Sales of Electricity	12,830,273	13,518,161	13,141,129	13,452,385	15,370,110	15,636,261	16,700,862	17,966,028	19,165,768	21,715,850	23,845,118
Distribution Revenue											
Fixed	1,985,155	2,048,001	2,088,987	2,075,565	2,098,756	2,137,526	2,622,377	2,260,505	2,356,631	2,422,277	3,709,499
Variable	1,149,459	1,206,893	1,209,217	1,212,103	1,252,844	1,248,103	2,213,976	1,794,922	1,618,909	1,788,074	2,030,060
Transmission										525,501	529,325
Sales	15,964,887	16,773,055	16,439,333	16,740,054	18,721,710	19,021,890	21,537,215	22,021,455	23,141,309	26,451,702	30,114,002
Cost of Sales	(12,830,273)	(13,518,161)	(13,141,129)	(13,452,385)	(15,370,110)	(15,636,261)	(16,700,862)	(17,966,028)	(19,165,768)	(21,715,850)	(23,845,118)
Gross Profit	3,134,614	3,254,894	3,298,204	3,287,669	3,351,600	3,385,629	4,836,353	4,055,427	3,975,540	4,735,852	6,268,885
Other Income											
Interest Income	105,534	122,696	117,564	18,558	29,694	66,361	54,709	37,549	36,056	32,000	35,000
Miscellaneous Income	210,564	256,091	282,122	346,360	292,130	299,433	280,868	448,755	338,253	230,246	399,874
	316,098	378,787	399,686	364,918	321,824	365,793	335,577	486,304	374,308	262,246	434,874
TOTAL REVENUE	3,450,711	3,633,680	3,697,890	3,652,586	3,673,424	3,751,423	5,171,930	4,541,732	4,349,849	4,998,098	6,703,759
Operation Expense	187,438	187,089	200,472	197,350	179,324	306,908	411,623	522,827	594,775	831,285	885,613
Maintenance Expense	225,316	271,420	409,935	380,246	397,852	379,842	726,934	519,679	436,218	593,216	757,383
Billing and Collecting	393,970	465,537	470,689	447,269	487,849	474,972	517,462	512,577	534,276	559,426	695,031
Administration	599,394	663,462	634,397	687,172	684,872	901,926	1,279,082	1,119,954	1,213,975	1,249,574	1,593,943
Property taxes	26,488	26,990	27,150	30,314	25,130	24,402	24,915	25,586	25,780	27,000	27,594
Marketing	53,288	80,754	33,426	11,428	11,749	9,053	246	-	-	-	-
Amortization	809,449	807,571	842,962	967,542	975,166	952,669	586,795	585,912	678,594	874,872	1,123,580
Interest	498,491	486,596	472,053	440,872	459,637	502,961	399,551	397,142	414,545	662,473	627,396
Other deductions	-	-	-	-	-	4,224	28,123	10,912	5,162	6,662	6,706
TOTAL EXPENSE	2,793,834	2,989,420	3,091,084	3,162,192	3,221,579	3,556,957	3,974,731	3,694,589	3,903,325	4,804,507	5,717,247
NET INCOME BEFORE TAXES	656,878	644,261	606,806	490,394	451,845	194,465	1,197,200	847,142	446,523	193,590	986,512
Income Taxes - Current	215,734	247,852	160,356	130,495	180,391	31,124	343,820	283,579	175,829	51,301	261,426
NET INCOME	\$ 441,144	\$ 396,409	\$ 446,450	\$ 359,899	\$ 271,454	\$ 163,341	\$ 853,380	\$ 563,563	\$ 270,694	\$ 142,289	\$ 725,087
Retained earnings, January 1st	1,903,996	2,345,140	2,741,549	1,087,998	37,691	309,146	336,756	2,056,372	2,015,077	1,998,848	2,008,361
Net Income to current period	441,144	396,409	446,450	359,899	271,454	163,341	853,380	563,563	270,694	142,289	725,087
Retained Earnings - Future income Tax Adjustment				(210,206)			947,906				
Dividends Paid			(2,100,000)	(1,200,000)		(135,730)	(81,670)	(426,690)	(281,781)	(132,776)	
Retained earnings, End of Period	\$ 2,345,140	\$ 2,741,549	\$ 1,087,998	\$ 37,691	\$ 309,146	\$ 336,756	\$ 2,056,372	\$ 2,015,077	\$ 2,003,991	\$ 2,008,361	\$ 2,733,447

DRAFT BUDGET _ BALANCE SHEET

	BUDGET Dec 31 2016	BUDGET Dec 31 2015	ACTUAL Dec 31 2014	ACTUAL Dec 31 2013	ACTUAL Dec 31 2012	ACTUAL Dec 31 2011
Assets						
Current						
Cash and Cash Equivalents	1,709,985	523,096	727,297	762,577	1,013,700	622,471
Payment in Lieu of Taxes Receivable			321,613	198,187	10,000	30,000
Accounts Receivables	961,500	1,150,000	938,329	1,492,815	1,211,433	1,003,680
Service Revenue	763,500	1,000,000	710,502	1,294,914	704,421	629,854
Other	198,000	150,000	227,827	197,901	507,013	373,826
Receivable from Associated Company	12,000	3,000	14,103	17,310	19,853	11,729
Unbilled Revenue	2,250,000	2,100,000	2,133,379	2,346,708	1,840,881	1,499,005
Inventory	540,000	550,000	535,806	524,346	229,905	232,815
Prepaid	200,000	276,000	124,289	104,315	102,831	275,039
	<u>5,673,485</u>	<u>4,602,096</u>	<u>4,794,814</u>	<u>5,446,258</u>	<u>4,428,603</u>	<u>3,674,739</u>
Other Assets						
Deposit on Long Term Asset						94,500
Future Payment in Lieu of Taxes	(178,168)	(178,168)	59,374	219,822	1,088,764	
Regulatory Assets	-	-	738,802	-	149,515	1,254,859
	<u>(178,168)</u>	<u>(178,168)</u>	<u>798,176</u>	<u>219,822</u>	<u>1,238,279</u>	<u>1,349,359</u>
Intangible assets						
Intangible Assets	1,009,190	832,190	741,370	645,776	458,376	144,067
Less: Accumulated Amortization	(665,398)	(530,013)	(401,543)	(263,083)	(155,158)	-
	<u>343,792</u>	<u>302,177</u>	<u>339,827</u>	<u>382,693</u>	<u>303,219</u>	<u>144,067</u>
Tangible assets						
Land	261,548	261,548	111,556	111,556	111,556	111,556
Buildings	1,997,831	1,593,834	553,896	550,496	541,613	495,838
Transformer Station	7,645,534	7,645,534				
Distribution Equipment	22,327,047	18,101,103	19,048,466	16,141,585	14,856,146	11,700,462
General Equipment	1,405,596	993,075	810,068	737,710	657,668	141,709
Less: Accumulated Amortization	(6,199,226)	(5,676,189)	(2,217,340)	(1,577,368)	(984,693)	
	<u>27,438,330</u>	<u>22,918,906</u>	<u>18,306,645</u>	<u>15,963,978</u>	<u>15,182,289</u>	<u>12,449,565</u>
TOTAL ASSETS	<u>\$ 33,277,439</u>	<u>\$ 27,645,011</u>	<u>\$ 24,239,463</u>	<u>\$ 22,012,752</u>	<u>\$ 21,152,389</u>	<u>\$ 17,617,730</u>
Liabilities						
Current						
Accounts Payable and Accrued Liabilities	3,107,952	2,900,000	3,240,606	2,511,282	2,167,751	2,641,726
Payable to Associated Company	30,000		37,221			
Current Portion Long Term Debt	3,838,170	3,023,578	2,779,578	1,305,966	1,302,561	106,667
Current Portion Customer Deposits	135,000	100,000	135,653	86,190	88,728	130,200
Payment in Lieu of Taxes Payable		95,000		66,923		
Future Payments in Lieu of Taxes			89,855		244,862	
	<u>7,111,122</u>	<u>6,118,578</u>	<u>6,282,912</u>	<u>3,970,361</u>	<u>3,803,902</u>	<u>2,878,593</u>
Long Term Liabilities						
Long Term Debt	3,963,585	5,088,358	1,421,935	1,531,513	1,637,479	1,422,222
Customer Deposits	119,454	130,000	100,956	109,390	105,282	107,040
Developers Expansion Deposits				28,315	28,315	28,315
Liability to Developers	173,762	300,000	422,755	956,522	642,251	486,522
Retailer Prudential	14,500	13,500	13,533	13,336	13,141	12,950
Promissory Note	5,782,746	5,782,746	5,782,746	5,782,746	5,782,746	5,782,746
Deferred Revenues - Contributed Capital	4,569,415	2,000,000	2,357,166	1,316,309	980,622	700,124
	<u>14,623,462</u>	<u>13,314,604</u>	<u>10,099,092</u>	<u>9,738,131</u>	<u>9,189,836</u>	<u>8,539,920</u>
Regulatory Liabilities	555,840	350,000		348,147		
Future Payments in Lieu of Taxes				87,567	248,811	8,992
Shareholder's Equity						
Capital Stock	8,182,847	5,782,747	5,782,747	5,782,747	5,782,747	5,782,747
Contributed Srplus	70,721	70,721	70,721	70,721	70,721	70,721
Retained Earnings	2,733,447	2,008,361	2,003,991	2,015,077	2,056,372	336,756
	<u>10,987,015</u>	<u>7,861,829</u>	<u>7,857,459</u>	<u>7,868,545</u>	<u>7,909,840</u>	<u>6,190,224</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 33,277,439</u>	<u>\$ 27,645,011</u>	<u>\$ 24,239,463</u>	<u>\$ 22,012,752</u>	<u>\$ 21,152,389</u>	<u>\$ 17,617,730</u>

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GRIMSBY POWER INCORPORATED
Draft Budget_ Statement of Cash Flow

	BUDGET Dec 31 2016	BUDGET Dec 31 2015	ACTUAL Dec 31 2014	ACTUAL Dec 31 2013	ACTUAL Dec 31 2012	ACTUAL Dec 31 2011	ACTUAL Dec 31 2010
Cash provided by (used in):							
Operations:							
Net earnings	725,087	142,289	270,694	563,563	853,380	163,341	271,454
Amortization	1,159,420	991,150	633,576	701,801	691,820	965,076	975,166
Loss on disposal of capital assets				743	5,633	(925)	464
Loss on disposal of stranded meters						7,889	391,838
Future payments in lieu of taxes						49,434	98,229
Changes in non-cash working capital:							
Accounts Receivable	236,500	100,000	584,413	(590,494)	(74,567)	123,359	(89,438)
Other Accounts Receivable	(48,000)	150,000	(29,927)	309,112	(133,186)	(148,457)	88,007
Payable/Receivable to Associated	(9,000)	17,000	3,208	2,542	(8,124)	605	(43,744)
Unbilled Revenue	(150,000)	250,000	213,329	(505,827)	(341,875)	134,323	(102,483)
Inventory	10,000	(50,000)	(11,460)	(294,441)	2,910	(5,022)	(45,908)
Prepaid Expense	76,000	(171,956)	(19,973)	(1,484)	172,208	(189,251)	(52,581)
Accounts Payable	207,952	800,000	729,324	343,528	(473,975)	87,640	326,395
Payable to Associated Company	30,000		37,221				
Payment in lieu of taxes receivable/payable	(95,000)	(83,168)	(190,349)	(544,294)	20,000	14,116	132,938
Future Payments in lieu of Taxes - Current Asset/Liability		178,168	162,735	707,698	343,820		
Customers and Developers Deposits	(100,784)	250,200	(520,856)	316,038	112,692	(16,753)	58,254
Regulatory Asstes/Liabilities	205,840	173,084	(1,086,949)	497,661	1,105,344	(766,807)	(1,879,149)
	<u>2,248,014</u>	<u>2,746,767</u>	<u>774,987</u>	<u>1,506,149</u>	<u>2,276,080</u>	<u>418,568</u>	<u>129,442</u>
Investing:							
Decrease (increase) in long term assets					94,500		
Net additions to capital assets	(5,720,460)	(7,320,040)	(2,933,377)	(1,563,708)	(3,610,307)	(1,902,582)	(1,423,239)
Proceeds on sale of capital assets					20,977	1,075	300
	<u>(5,720,460)</u>	<u>(7,320,040)</u>	<u>(2,933,377)</u>	<u>(1,563,708)</u>	<u>(3,494,830)</u>	<u>(1,901,508)</u>	<u>(1,422,939)</u>
Financing:							
Capital Sock	2,400,100						
Deffered Revenues- Contributed Capital	2,569,415	390,000	1,040,857	335,687	280,497	709,329	153,456
Proceeds on bank loan	(310,181)	3,989,146	1,364,034	(102,561)	1,411,151	(71,111)	1,600,000
Dividends paid	-	(132,776)	(281,781)	(426,690)	(81,670)	(135,730)	
	<u>4,659,334</u>	<u>4,246,370</u>	<u>2,123,110</u>	<u>(193,564)</u>	<u>1,609,979</u>	<u>502,488</u>	<u>1,753,456</u>
Increase (decrease) in cash during year	1,186,889	(326,904)	(35,280)	(251,123)	391,229	(980,452)	459,959
Total Cash, beginning of year	523,096	850,000	762,577	1,013,700	622,471	1,602,924	1,142,965
Total Cash, end of period	<u>\$ 1,709,985</u>	<u>\$ 523,096</u>	<u>\$ 727,297</u>	<u>\$ 762,577</u>	<u>\$ 1,013,700</u>	<u>\$ 622,471</u>	<u>\$ 1,602,924</u>
	-	-	-	-	-	-	-

Class	Nr Customers / Connections	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	2015 Fixed Rates (New)	2015 Variable Rates (New)	Fixed Distribution Revenue	Variable Distribution Revenue	Transformer Allowance	Dist. Rev. Including Transformer	Dist. Rev. Excluding Transformer
Residential	10,310	92,563,942		123,720		23.28	0.0118	2,876,395	1,092,255		3,968,649	3,968,649
GS < 50 kW	751	18,812,265		9,012		37.95	0.0186	342,747	349,908		692,655	692,655
GS >50	107	69,648,507	186,573	1,284		299.70	2.9599	384,823	552,239	- 28,999	908,063	937,062
Street Lighting	2,680	1,145,992	3,429		32,160	2.86	7.1116	91,937	24,384		116,321	116,321
USL	74	373,349			888	47.95	0.0302	42,596	11,275		53,872	53,872
Retailers								-			-	-
Embedded Distributor - NPEI	1		126,624	12		44,110.41		529,325	-		529,325	529,325
	13,923	182,544,054	316,626	134,028	33,048			4,267,823	2,030,060	- 28,999	6,268,885	6,297,884

GRIMSBY POWER INC
DRAFT CAPITAL STATEMENTS

ACCT	DESCRIPTION	2010 ACTUAL	2011 ACTUAL	2012 ACTUAL	2013 ACTUAL	2014 ACTUAL	2015 BUDGET a	2015 ALLOCATION b	2015 BUDGET	2016 BUDGET (a)	2016 ALLOCATION (b)	2016 ASSUMED PLANT (c)	2016 CUSTOMER WO (d)	2016 BUDGET (e)=(a)+(b)+(c)+(d)
1815	Transformer Station						15,000		15,000	45,000				45,000
	Transformer Station					-	15,000		15,000	45,000	-	-	-	45,000
1830	Poles, Towers & Fixtures	345,562	314,367	289,356	275,750	194,572	64,872	10,508	75,380	78,383	29,264		15,549	123,196
1835	Overhead Conductors & Devices	319,085	325,000	310,666	238,552	310,571	249,950	22,170	272,120	127,794	32,184		13,723	173,701
1855	Overhead Services	26,928	28,726	3,270	32,480	20,877	4,008	2,721	6,729	3,715	2,576		1,007	7,297
	Overhead	691,575	668,092	603,292	546,781	526,021	318,830	35,399	354,229	209,891	64,024	-	30,279	304,194
1840	Underground Conduit	292,541	194,281	18,680	148,242	423,281	16,704	398	17,102	1,516	319	189,011		190,845
1845	Underground Conductors & Devices	275,188	235,266	147,279	186,874	444,290	229,111	45,321	274,432	108,664	34,032	86,906	15,066	244,669
1855	Underground Services	271,117	257,293	187,877	145,721	529,419	14,876	12,495	27,371	16,319	13,060	229,288	32,874	291,542
	Underground	838,846	686,840	353,836	480,836	1,396,990	260,691	58,215	318,906	126,499	47,411	505,205	47,940	727,055
1850	Line Transformers - Overhead	166,175	115,923	85,429	59,372	28,913	13,629	7,483	21,112	6,318	2,854		10,989	20,161
1850	Line Transformers - Underground	377,719	262,259	233,039	157,047	742,371	113,145	16,858	130,003	99,956	30,616	116,148	87,553	334,274
	Transformers	543,894	378,182	318,468	216,418	771,284	126,774	24,341	151,115	106,275	33,470	116,148	98,542	354,435
	Meters		7,770	98,947	41,403	212,586	105,553	19,517	125,070	84,864	25,387	-	19,096	129,347
SUB TOTAL		3,152,481	2,030,533	1,374,543	1,285,439	2,906,881	826,848	137,471	964,319	572,529	170,292	621,353	195,857	1,560,032
1611	Computer Software	33,120	3,954	26,790	187,400	95,594	90,820		90,820	177,000				177,000
1908	Buildings & Fixtures	71,174	98,196	47,232	8,883	3,400	55,350		55,350	132,400				132,400
1915	Office Furniture & Equipment	6,117	840	47,011	1,397	5,952	21,349		21,349	9,000				9,000
1920	Computer Equipment Hardware	9,181	9,104	169,010	16,230	9,822	40,890		40,890	37,000				37,000
1930	Transportation Equipment	926	17,111	324,205	-	1,637			-	356,000				356,000
1940	Tools Shop & Garage Equipment	38,148	6,073	944	20,140	21,892	131,289		131,289					-
1945	Measurement & Test Equipment	5,648		2,029	-	19,325			-					-
1955	Communication Equipment			23,913	42,276	130								
1970	Load Management Controls - Customer Premises					13,599								
SUB TOTAL		164,314	135,278	641,134	276,325	171,352	339,698	-	339,698	711,400.00	-	-	-	711,400
	TOTALS	3,316,795	2,165,811	2,015,677	1,561,764	3,078,233	1,166,546	137,471	1,304,017	1,283,928.88	170,292	621,353	195,857	2,271,432
1995	Contributions & Grants Credit	(867,342)	(709,329)	(302,965)	(335,688)	(1,040,857)						(365,394)	(195,857)	(561,251)
	GRAND TOTAL	\$ 2,449,453	\$ 1,456,482	\$ 1,712,711	\$ 1,226,076	\$ 2,037,376	\$ 1,166,546	\$ 137,471	\$ 1,304,017	\$ 1,283,929	170,292	255,959	-	1,710,181

Trucks and Mobile Equipment

2016 Budget Review

General Overview

A truck replacement schedule has been created utilizing industry best practices in terms of equipment age to understand the general timing of equipment replacements. Replacement schedules are based on the following useful lives:

- Large Trucks with Mounted Equipment – 15 years
- Medium Trucks with Mounted Equipment – 12 years
- Small Trucks – 8 years
- Trailers – As required

Industry best practice replacement schedules noted above have been established and determined to:

- Minimize repair costs
- Minimize truck down time
- Maximize re-sale value
- Maximize efficiencies by taking advantage of changes in design technology

The most significant risk to continue to use a unit beyond its useful life is the risk of having a major truck component failure which requires a major expense. Examples for large trucks would be an engine replacement, failure of the aerial device hydraulic systems, or a boom structure failure. Spending a significant amount on a truck repair when the truck is beyond its optimum age is not cost effective.

A chart has been prepared to capture all of GPI's mobile equipment data. Based on the useful lives noted above the replacement schedule would be as indicated by the letter S in the following chart.

Truck Replacement Schedule:

Unit #	Year	In Service Date	Original Book Value	Useful Life	Chassis	Mileage at Nov 2015 (km)	PTO Hours Nov 2015	Engine Hours	Mounted Device	2013		2014		2015		2016		2017		2018		2019		2020	
Large Trucks (15 Year Cycle)																									
9	1995	Jul 17/95	\$ 205,925	FD	Freightliner FL80	58481	4108.8	7524.2	Altec - RBD - Digger Derrick										X	\$ 422,066					
11	2012	Oct 1/12	\$ 310,506	15	Freightliner FL80	24775.2	896.6		Posi-Plus 55ft c/w Mt'l Handler																
					Freightliner FL80				Posi-Plus 46ft c/w Mt'l Handler							X	\$ 350,000								
Medium Trucks (12 Year Cycle)																									
10	2003	Apr 16/03	\$ 134,551	FD	Ford F550 - 4x2	153197.6	2843.6		Versalift SST - ML - Single Bucket					S											
Small Trucks (8 Year Cycle)																									
1	2005	Dec xx/05	\$ 27,128	FD	Ford F150 XLT 4x4	126080			Pickup	S								X	\$ 70,000						
12	2008	Feb xx/09	\$ 21,795	8	GMC Savana 2500 Van	80622			Van										X	\$ 70,000					
19	2007	Mmm xx/07	\$ 22,173	8	Chev	67075			Mini Van					S							X	\$ 70,000			
20	2007	Mmm xx/07	\$ 26,409	FD	Chev Equinox	107525			SUV					S									X	\$ 70,000	
Trailers (As Required based on Condition)																									
	2008	Aug 06/08	\$ 10,009	15	Reel Trailer				Wheeler Reeler (Lightning Sales)																
	2011	July 20/11	\$ 17,110	15	Pole Trailer				CZ Engineering																
	2012	Sept 27/12	\$ 11,746	15	Multi-Purpose Trailer				CAM Superline																
Forklifts & Equipment (As Required based on Condition)																									
	1994		\$ 27,025	FD	Fork Lift - 500#		1218		Nissan																
										\$ -		\$ -		\$ -		\$ 350,000		\$ 70,000		\$ 492,066		\$ 70,000		\$ 70,000	

A schedule based solely on age does not however, take into consideration other factors which are important to the decision process. An individual truck's level of reliability, repair, and maintenance history changes with each progressive year and thus, other factors need to be considered in the decision process.

An evaluation matrix (shown below) has been created to assist with making decisions regarding truck replacements. This system was created using best practices presented at a Fleet Management Conference and Equipment Show in the United States in 2007. The matrix takes into consideration the age of the vehicle, mileage, type of service, reliability, maintenance & repair cost, and the condition of the vehicle. Points are allocated for each vehicle in each category (truck class) and summed together to provide a total point score.

Factor	Fleet Evaluation Matrix for 2014 Budget Process				
	Description of Evaluation Criteria				
Age	One point for each year of service based on in service date				
Mileage	One point for each 16093 kilometers (10000miles) of use				
Type of Service	Light duty - Small Vehicles - Engineering or Administrator Use - Large vehicles - on road use only and lightly loaded.	n/a	Medium Duty - Small Vehicles - trucks used by trades which are commonly loaded - Large vehicles - mainly on road use and with average payload	n/a	Heavy Duty - Small & Large Vehicles - Trades use and commonly loaded for road and off road use
Reliability	Repair once every 3 months or less	n/a	Repair two or three times in 3 month period	n/a	Repair two or more times per month on average
Maintenance and Repair Costs	Accumulated cost as compared to original purchase cost - $\leq 20\%$	Accumulated cost as compared to original purchase cost - $> 20\% \ \& \ \leq 47\%$	Accumulated cost as compared to original purchase cost - $> 47\% \ \& \ \leq 74\%$	Accumulated cost as compared to original purchase cost - $> 74\% \ \& \ < 100\%$	Accumulated cost as compared to original purchase cost - $\geq 100\%$
Take into consideration body condition, rust, interior condition, anticipated repairs, and accident history					
Condition	Excellent - Truck has no signs of deterioration and is close to like new condition	Very Good - Truck is no longer in new condition but is still in very good shape	Good - Truck has signs of regular use	Fair - Truck is showing signs of early deterioration with advanced signs of rust, & worn interior components.	Poor - Truck has signs of rust perforation, seat covers are worn thru, and repairs have been postponed due to age and cost benefit.

The point ranges have been divided into action categories to assist with the replacement decision. The action items associated with the scoring result ranges are noted below:

Scoring Results	
Point Ranges	Action
Under 18	Excellent - Continue to Monitor
18-22	Good - Continue to Monitor
23-27	Qualifies for Replacement - Schedule Detailed Evaluation
over 27	Needs Immediate Consideration - Perform Detailed Evaluation

An evaluation matrix is utilized to track the scores for each individual piece of equipment. Final truck replacement decisions will be based on five components as follows and each of these factors will be reviewed annually:

- Age of Truck(s) – The older the truck the greater the risk of increased maintenance and repair expenditures – one point for each year of service;

- Mileage of the Truck(s) – One point for each 16,093 kilometers;
- Type of Service – What kind of duty can be expected in daily use? Point ranges 1 thru 5;
- Reliability – How often is the truck down due to repair? Point ranges 1 thru 5;
- Maintenance and Repair Cost – The accumulated cost as function of original purchase price. Point ranges 1 thru 5;
- Condition - Detailed assessment of the condition of the Truck(s) prior to setting current year's budget.

In addition to the evaluation matrix the two following factors are also taken into account:

- An assessment of current and future needs – is the truck suited for current needs and what type of vehicle will suit future needs as opposed to replacing the truck with a like for like replacement;
- Capital expenditures year over year – Truck expenditures should be smoothed out to even the spend year over year. Generally speaking lumpy spending with significant changes (highs and lows) from year to year is less favorable in terms of our rate applications.

Grimsby Power's Fleet

All trucks have been assessed and the resulting scoring is shown below:

Fleet Evaluation Matrix:

Factor	Fleet Evaluation Matrix for 2016 Budget Process					Fleet Evaluation Matrix for 2016 Budget Process						
	Description of Evaluation Criteria					Large Trucks			Small Trucks			
						9	10	11	1	12	19	20
Age	One point for each year of service based on in service date					21	13	4	11	8	9	9
Mileage	One point for each 16093 kilometers (10000miles) of use					4	10	2	8	5	4	7
Type of Service	Light duty - Small Vehicles - Engineering or Administrator Use - Large vehicles - on road use only and lightly loaded.	n/a	Medium Duty - Small Vehicles - trucks used by trades which are commonly loaded - Large vehicles - mainly on road use and with average payload	n/a	Heavy Duty - Small & Large Vehicles - Trades use and commonly loaded for road and off road use	3	5	3	5	1	1	1
Reliability	Repair once every 3 months or less	n/a	Repair two or three times in 3 month period	n/a	Repair two or more times per month on average	5	5	1	1	1	1	1
Maintenance and Repair Costs	Accumulated cost as compared to original purchase cost - ≤ 20%	Accumulated cost as compared to original purchase cost - > 20% & ≤ 47%	Accumulated cost as compared to original purchase cost - > 47% & ≤ 74%	Accumulated cost as compared to original purchase cost - > 74% & < 100%	Accumulated cost as compared to original purchase cost - ≥ 100%	3	3	1	1	1	1	1
Take into consideration body condition, rust, interior condition, anticipated repairs, and accident history												
Condition	Excellent - Truck has no signs of deterioration and is close to like new condition	Very Good - Truck is no longer in new condition but is still in very good shape	Good - Truck has signs of regular use	Fair - Truck is showing signs of early deterioration with advanced signs of rust, & worn interior components.	Poor - Truck has signs of rust perforation, seat covers are worn thru, and repairs have been postponed due to age and cost benefit.	4	5	1	3	3	3	3
Total Score						40	41	12	29	19	19	22

Based on the scoring system, Trucks 9, 10, and 1 should be considered for replacement. A detailed assessment for each truck is as follows.

Truck 10 – Single Bucket Telescoping ManLift



- **Evaluation Matrix Rating -**
- **Age** – Was purchased as a new vehicle and was put into service in 2003. The chassis is a Ford F550 with a Versalift single bucket aerial device and steel body.
- **Mileage** – 153,198km as of Nov 12, 2015 (144,898km as of December 31, 2014).
- **Type of Service** - Utilized as a primary service truck and is the most utilized bucket truck in the fleet.
- **Reliability** – This truck has become completely unreliable and due to the need for an expensive repair in November 2015 this vehicle was permanently removed from service.
- **Maintenance and Repair Costs** – Information not available.
- **Condition**
 - Interior – fair condition – seats worn – floor worn.
 - Cab – poor condition – electrical system in need of major repairs
 - Engine – fair to poor condition – oil leaking and had to replace seals, transmission slipping in reverse (will require repair in near future)
 - Body – poor - showing advanced signs of corrosion. Large areas of Paint and metal peeling/bubbling are noticeable everywhere on the body.
 - Aerial Device – poor condition – boom functions unpredictable

Replacement Decision for Truck 10 – Single Bucket Truck

This truck has currently been taken out of service and a replacement is necessary.

The design of the truck would change so that the unit could be used for both service work and work on 27kV increasing the versatility without making the truck too big. A similar vehicle utilized in the industry as a standard service truck is shown in the photo below:



Benefits of this over the current design are as follows:

- Can be used as back-up to main line truck due to 27kV capability – can fill in for main line truck when the main line truck is being serviced
- Side by side boom reduces maintenance issues compared with T10's extension boom
- Small enough to fit into confined areas where the main line truck is limited
- Full size truck chassis (which is not fully loaded with normal stock levels) – increases longevity
- Useful life of truck is 15 years – same as main line truck

It is recommended that the procurement of this truck begin immediately in 2015.

Replacement Decision for Truck 9 – Radial Boom Derrick



- **Evaluation Matrix Rating** - 39
- **Age** – Was purchased as a new vehicle and was put into service in mid 1995. The chassis is a Freightliner FL80 with an Altec D2055 derrick.
- **Mileage** – 58,481 – low mileage – speedometer broken
- **Type of Service** - Utilized to transport equipment and lift equipment into place. Is used when installing poles. Use has been reduced because main line truck now has lifting capacity for transformers.
- **Reliability** - This truck on average needs to be repaired 2 or 3 times in a month.
- **Maintenance and Repair Costs** – not available.
 - Interior – fair condition – showing signs of normal wear and tear.
 - Cab – fair condition.
 - Engine – good condition.
 - Body – good condition.
 - Derrick – fair condition.

Replacement Decision for Truck 9

This truck is in good to fair condition and is constructed to today's standards. A replacement at this time is not required but the unit is starting to show signs of advanced wear and unreliability. Placed in the replacement schedule in 2018 but will be evaluated on a year to year basis.

Replacement Decision for Truck 1 – Pick Up Truck

- **Evaluation Matrix Rating** - 29
- **Age** – Was purchased as a new vehicle and was put into service in 2005. This is a Ford F150 4x4 with regular pick up box.
- **Mileage** – 126,080km
- **Type of Service** - Utilized as main crew truck and transport of material & equipment.
- **Reliability** - This truck on average needs to be repaired 1 time in a 3 month period.
- **Maintenance and Repair Costs** – not available.
 - Interior – good condition – showing signs of normal wear and tear.
 - Cab – good condition.
 - Engine – good condition.
 - Body – good condition.

Replacement Decision for Truck 1

This truck is in good condition. A replacement at this time is not required but the unit is starting to show signs of normal wear and tear. Placed in the replacement schedule in 2017 but will be evaluated on a year to year basis.

APPENDIX 1-C – SCORECARD

Scorecard - Grimsby Power Incorporated											9/28/2015
									Target		
Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Telephone Calls Answered On Time	72.40%	77.80%	85.50%	87.00%	69.30%	⬆	65.00%		
	Customer Satisfaction	First Contact Resolution					99.79%				
		Billing Accuracy					99.98%	➡	98.00%		
		Customer Satisfaction Survey Results					92.00%				
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public awareness [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C	➡		C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	➡		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	➡		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	3.00	2.09	1.23	2.38	0.73	⬇		at least within 1.23 - 3.00	
		Average Number of Times that Power to a Customer is Interrupted	1.06	1.24	1.73	1.70	0.52	⬇		at least within 1.06 - 1.73	
	Asset Management	Distribution System Plan Implementation Progress					76.90%				
	Cost Control	Efficiency Assessment			2	2	2				
		Total Cost per Customer ¹	\$483	\$517	\$568	\$538	\$554				
		Total Cost per Km of Line ¹	\$20,349	\$22,193	\$25,010	\$23,739	\$24,953				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Annual Peak Demand Savings (Percent of target achieved) ²		24.65%	40.19%	50.49%	55.44%	●		2.06MW	
		Net Cumulative Energy Savings (Percent of target achieved)		53.60%	91.58%	123.10%	137.08%	●		7.76GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%			100.00%				
		New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.73	1.28	1.30	1.32	0.76				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.20	1.18	1.25	1.07	1.24				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.00%	9.42%	9.42%	9.42%			
			Achieved		2.35%	12.04%	7.20%	5.89%			
Notes: 1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information. 2. The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.							Legend:	⬆ up	⬇ down	➡ flat	
								● target met	● target not met		

Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2014 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

Scorecard MD&A - General Overview

Grimsby Power Incorporated is committed to providing the residents and businesses of Grimsby with a safe and reliable supply of electricity while operating effectively and efficiently at an equitable cost. In 2014 Grimsby Power Incorporated exceeded all performance targets with the exception of one measure under Conservation and Demand Management. Grimsby Power Inc. is committed to energy conservation and continues to promote energy savings in each target market.

Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2014, Grimsby Power Inc. connected 100% of the 407 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB) despite a nearly 50% increase in the number of connections from 2013. Grimsby Power Inc. contributes the continued 100% rating in this category to a continued emphasis on customer service.

- **Scheduled Appointments Met On Time**

Grimsby Power Inc. scheduled 60 appointments with its customers in 2014 to complete work requested by customers. This includes cut and reconnects (upgrades to customer owned equipment) and any other related work requested by customers. Consistent with each year since 2010, the utility met 100% of these appointments on time, which exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2014 the customer service representatives at Grimsby Power Inc. received over 5,600 calls from its customers. A representative answered a call in 30 seconds or less in nearly 70% of these calls. This result exceeds the OEB-mandated 65% target for timely call response. In 2014 the representatives at Grimsby Power received nearly 50% more telephone calls than 2013. The increase in the number of calls along with an increase in the complexity of customer inquiries resulted in a 17% decrease in calls answered within 30 seconds from 2013. The increased volume of calls was due to an increase in the number of new connections and a large volume of customer moves within the Town of Grimsby. The increased complexity of calls is a result of increased customer awareness of changes within the electricity industry and the increase in web enabled processes where representatives are helping customers complete forms, navigate e-billing processes and use the MyHydroEye product. Grimsby Power is committed to customer service and continues to promote the use of e-services through promotional contests and communications to help reduce the number of calls to the utility.

Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The Ontario Energy Board (OEB) has instructed all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014 so that information can be reported in 2015. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

For Grimsby Power Inc., the First Contact Resolution measure is determined by taking the number of calls escalated to management over the total number of calls received by customer service representatives for the period July 1, 2014 to December 31, 2014. From July 1st to December 31st nearly 2,900 calls were received and only 6 of those calls required the attention of management. This meant that 99.79% of customer related issues could be handled by our customer service representatives. Continued education in customer service and continued awareness of customer needs through customer satisfaction surveys empowers our human resources to have continued success in first contact resolution.

- **Billing Accuracy**

Until July 2014 a specific measurement of billing accuracy had not been previously defined across the industry. After consultation with some electricity distributors, the Ontario Energy Board (OEB) has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period from October 1, 2014 – December 31, 2014 Grimsby Power issued more than 33,000 bills and achieved a billing accuracy of 99.98%. This compares favorably to the prescribed OEB target of 98%.

Grimsby Power continues to strive for excellence in billing accuracy results and continues its ongoing effort to recognize any issues that may arise and identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time the Ontario Energy Board is allowing electricity distributors discretion as to how they implement this measure.

In 2014, Grimsby Power engaged a third party to conduct a customer satisfaction survey. This customer satisfaction survey provided information that supports discussions around improving customer service at all levels and departments within Grimsby Power Inc. The survey asks customers questions on a wide range of topics, including: overall satisfaction with Grimsby Power, reliability, customer service, outages, energy conservation, billing and corporate image. The result of the survey was 92% of Grimsby Power customers were “very + fairly satisfied”. This result exceeded the overall Ontario score of 83% in the same category. An identified area of concern was communication surrounding power outages. To respond to this concern Grimsby Power is evaluating the use of increased technology to have increased notification to customers regarding power outages and to keep customers informed with status updates.

Safety

- **Public Safety**

The Ontario Energy Board (OEB) introduced this Safety measure in 2015. This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

- **Component A – Public Awareness of Electrical Safety**

In 2016 Grimsby Power Inc. will engage a third party company to launch the new public awareness survey among a representative sample of the Town's population. The survey will gauge awareness levels of key electrical safety concepts related to distribution assets and will be based on a template survey provided by the Electrical Safety Authority (ESA.) The survey will provide a benchmark of levels of awareness including identifying gaps where additional education and awareness efforts may be required. **Note, this component of the public safety measure will not have performance data for the 2014 scorecard because the survey result is not available. The year 2017 will be the first year that the data for this component of measure will be shown on the scorecard for the 2016 results.**

- **Component B – Compliance with Ontario Regulation 22/04**

Over the past five years, Grimsby Power Inc. was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety which includes adherence to design standards and GPI's construction verification program which ensures that the construction work matches the design standards. Ontario Regulation 22/04 - *Electrical Distribution Safety* establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

- **Component C – Serious Electrical Incident Index**

Grimsby Power has had zero incidents involving the general public.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

Grimsby Power Inc. experienced a significant decrease in the average number of hours that power to a customer was interrupted during 2014. The 2014 figure for the Average Number of Hours that Power to a customer was interrupted was 0.73. The target set out by the OEB is a range of 1.23 – 3.00. Grimsby Power is well below the target band. Grimsby Power continues to focus on system reliability through planned maintenance and capital investments in infrastructure.

- **Average Number of Times that Power to a Customer is Interrupted**

Grimsby Power's Average Number of Times that Power to a Customer is Interrupted was 0.52. This is below the lowest target range of 1.06. Investment in infrastructure and a reduced impact of serious storms in 2014 reduced the number of times power was interrupted.

Asset Management

- **Distribution System Plan Implementation Progress**

Grimsby Power plans to file an application with the OEB for a full review of its rates effective January 1, 2016. Accordingly, Grimsby Power is in the process of finalizing its Distribution System Plan ("DSP").

In 2014 Grimsby Power Inc. did not have a formal Distribution System Plan and reported the percentage of Grimsby Power capital projects that had been completed. Grimsby Power reported 76.90% completion of capital projects at December 31, 2014. This percentage was determined by using a weighted completion percentage for capital projects.

Cost Control

- **Efficiency Assessment**

The relative efficiency of LDC's is evaluated annually by the Pacific Economics Group LLC for the OEB. This evaluation is part of the OEB's rate setting parameters and benchmarking under the renewed regulatory framework for Ontario's electricity distributors. Each LDC is ranked by a "stretch factor" into five different groups which reflect the potential for incremental productivity gains in each LDC. In 2014, for the third year in a row, Grimsby Power was placed in Group 2. A Group 2 distributor is defined as having actual costs 10 to 25 percent below predicted costs. A Group 2 utility is considered "more efficient" – in other words, Grimsby Power's continued focus on reasonable costs has made the LDC more efficient. In 2014, 45% (33 distributors) of the Ontario distributors were ranked as "average efficiency"; 29% were ranked as "more efficient"; 26% were ranked as "least efficient."

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Grimsby Power's capital and operating costs and dividing this cost by the total number of customers that Grimsby Power serves. The cost performance result for 2014 is \$554/customer which is a 2.97% increase over 2013.

Grimsby Power has experienced an increase in its total costs required to deliver quality and reliable services to customers. Growth in employee compensation costs, as well as investments in new information technology systems along with the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. Grimsby Power will continue to replace distribution assets proactively and in conjunction with its Distribution System Plan in a manner that evaluates risks and impacts on customer rates. This will be demonstrated in our 2016 rate application.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above, the total cost is divided by the kilometers of line that Grimsby Power operates to serve its customers. Grimsby Power's 2014 rate is \$24,953 per Km of line. Grimsby Power has experienced low growth in its total kilometers of lines and an increased growth in capital additions due to a large increase in residential subdivision development relative to past years. Typically these developments "lie along" existing distribution lines and this keeps the total kilometers of line low whereas the density of the customer base increases. This causes the cost per Km of line to increase and it has increased at an average rate of 4.5% per year since 2010.

Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**

Grimsby Power achieved 55.4% of its Net Annual Peak Demand Savings target by the end of 2014 while province wide only 69.8% of the target was met.

- **Net Cumulative Energy Savings (Percent of target achieved)**

Grimsby Power is pleased to have achieved 137% of its four-year net cumulative energy savings target by the end of 2014. Our successful achievement was made possible by the strong participation from local businesses in retrofit programs, energy efficient lighting programs and other conservation and demand management programs offered to Grimsby consumers through a dedicated expert third party service provider.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of the receipt of the application if there is no distribution system reinforcement or expansion required and within 90 days if there is distribution system reinforcement or expansion required. In 2014, Grimsby Power completed one CIA and it was done within the prescribed time limits.

- **New Micro-embedded Generation Facilities Connected On Time**

In 2014, Grimsby Power connected 4 new micro-embedded generation facilities (microFIT projects of less than 10 kW) 100% of time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time.

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being “liquid”. The higher the number, the more “liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations.

Grimsby Power’s current ratio decreased from 1.32 in 2013 to .76 in 2014. The Company’s objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations to meet its requirements. The current ratio is indicative of increased spending on capital expenditures due to increased growth in the community and in particular the increase in residential subdivision development. The use of a short term note bearing only interest also affected the 2014 liquidity ratio. Had this note had been taken on a long term basis our liquidity would have been in line with 2010-2013 ratios.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring. Grimsby Power continues to move towards a debt to equity structure that closely matches the deemed 60% to 40% capital mix as set out by the OEB. In 2014 Grimsby Power moved closer to the 60/40 split by moving its total debt to equity ratio from 1.07 in 2013 to 1.24 in 2014.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Grimsby Power’s current distribution rates were approved by the OEB and include an expected or deemed regulatory return on equity of 9.42%. This deemed rate was determined through the rate application process in 2012 (EB-2011-0273). The OEB monitors the achieved regulatory return on equity and if an LDC achieves +/- 3% of their deemed regulatory return on equity the OEB may make further inquiries with distributors.

- **Profitability: Regulatory Return on Equity – Achieved**

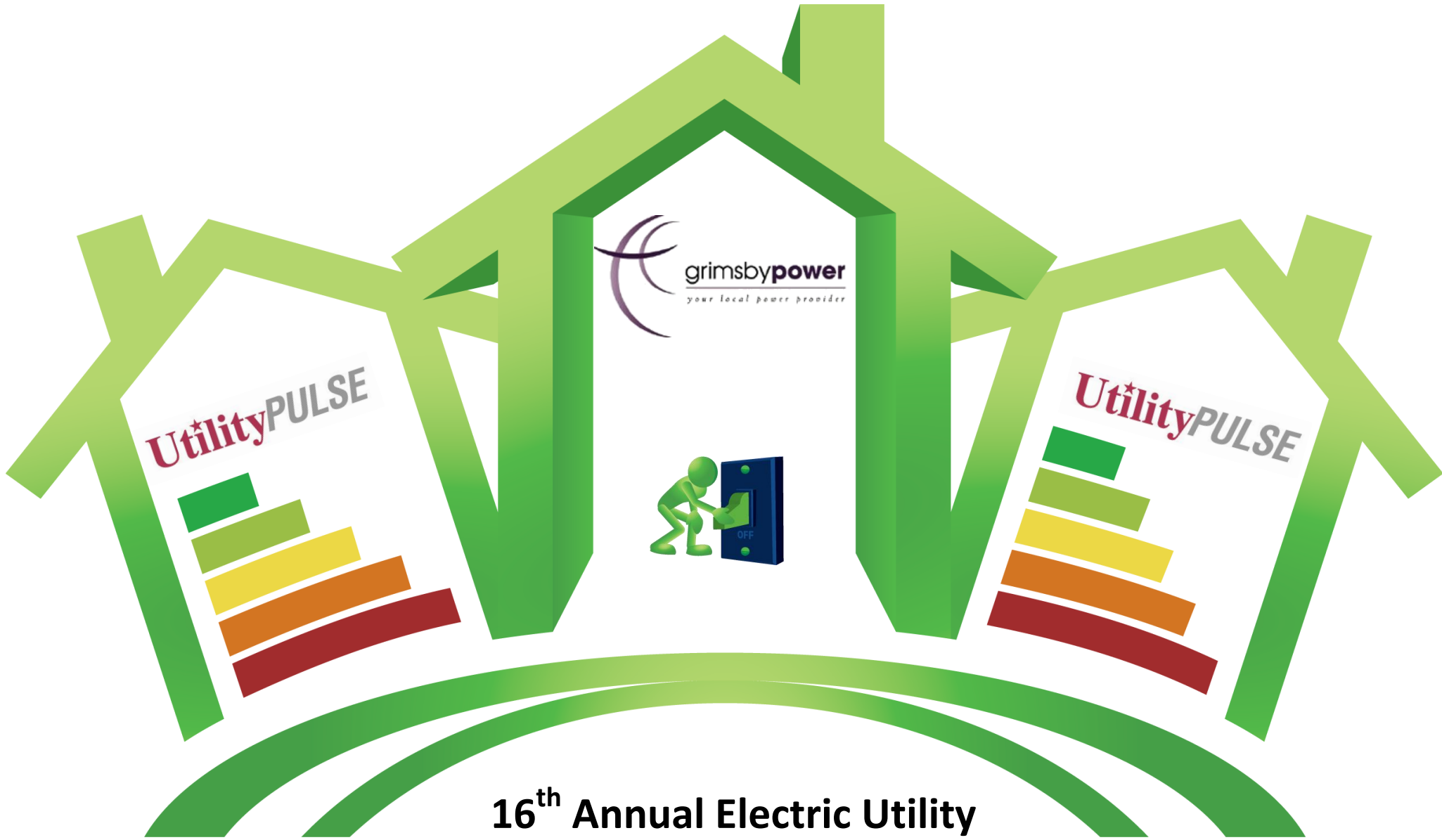
Grimsby Power’s achieved regulatory return on equity in 2014 was 5.89%. The achieved regulatory return on equity was lower than deemed in 2014 due to a slight increase in operating expenses and an abnormally large increase in fixed assets caused by increased growth in residential subdivision development. The average regulatory return over the past 3 years was 8.38% which is well within the +/- 3% deadband that the OEB expects distributors to stay within.

Note to Readers of 2014 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgment on the reporting date of the performance scorecard, and could be markedly different in the future.

APPENDIX 1-D – UTILITYPULSE CUSTOMER SATISFACTION SURVEY

Grimsby Power Inc.



**16th Annual Electric Utility
Customer Satisfaction Survey**

The purpose of this report is to profile the connection between Grimsby Power Inc. and its customers.

The primary objective of the Electric Utility Customer Satisfaction Survey is to provide information that will support discussions about improving customer care at every level in your utility.

The UtilityPULSE Report Card® and survey analysis contained in this report do not merely capture state of mind or perceptions about your customers' needs and wants - the information contained in this survey provides actionable and measurable feedback from your customers.

This is privileged and confidential material and no part may be used outside of Grimsby Power without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.

All comments and questions should be addressed to:

Sid Ridgley, UtilityPULSE division, Simul Corporation

Toll free: 1-888-291-7892 or Local: 905-895-7900

Email: sidridgley@utilitypulse.com or sridgley@simulcorp.com



Executive summary

Rosemarie LeClair, Chair of the Ontario Energy Board, in a recent presentation (Ontario Energy Network, April 28, 2014) said the OEB's consumer centric regulatory framework defines the utility's obligation for planning, obligations for customer engagement and its responsibilities for monitoring and measuring performance results.

EB-2010-0379 Report of the Board: Scorecard Approach (ROB-SA) (March 5, 2014)

Throughout this report are connections to the OEB's Report of the Board. Where possible we have addressed the specifics in the document and, the "spirit" of the Scorecard Approach.

We believe that the data from interviewing over 10,000 electric utility customers so far, in 2014, supports 3 main conclusions:

- 1- Customers, almost universally, are concerned about the cost of electricity
- 2- Customers are resilient and can adapt to adversity, in fact, they are very tolerant when a utility goes through a very difficult situation
- 3- In a utility world that is used to "pushing information out", it has to invest in and hone its competencies in having 2-way interactions with customers.



Reasonable costs

9,943 Ontario survey respondents were asked if they agree or disagree with the following statement *“The cost of electricity is reasonable when compared to other utilities”*. 50% agree in 2014, and 62% agreed in 2010. Satisfaction with the utility is about the same in those respective years.

We can also say that issues in the electricity industry, as a whole, show that satisfaction ratings and other important measures are lower in 2014 than they were in 2013. A customer may be upset with the amount that electricity costs, or what is going on in the industry, but that may not translate to being upset with their own local utility.

Data from the 2014 survey shows that respondents who give their utilities high marks for respect, trust, and social responsibility also give their utilities high marks for providing high quality services, and better marks for both cost efficiency and reasonableness of costs.

The attributes which help an LDC to be seen as trusted and highly credible are: knowledge, integrity, involvement and trust. On demonstrating Credibility and Trust, Grimsby Power has done well.

Overall, Grimsby Power 85% [Ontario 77%; National 80%].

EB-2010-0379 ROB-SA: Comparability

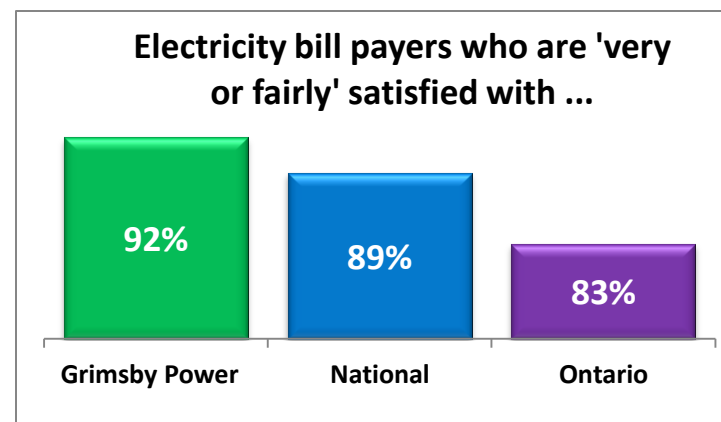
Your 2014 report contains data comparisons to:

- An Ontario-wide LDC benchmark
- A National LDC benchmark
- Previous year's ratings (where available)

- Ontario LDCs participating in the 2014 survey
- UtilityPULSE database

EB-2010-0379 ROB-SA: Customer Focus

There are 2 identified Performance Categories in the OEB Report, they are Customer Satisfaction & Service Quality. Performance measurements for these areas range from *'relatively easy to attain production statistics'* to *'harder to define and measure qualitative items'*. None-the-less this survey provides you with insights about how customers perceive performance of the utility.



Base: total respondents

EB-2010-0379 ROB-SA: Customer Focus - Customer Satisfaction - Satisfaction Survey Results

Customer satisfaction is one of the measures in the consumer centric regulatory framework. This rating is known as an effectiveness rating as it represents a sum total of perceptions and expectations that a customer has about their utility. Those expectations go far beyond “keeping the lights on”, “billing me properly”, and “restoring power quickly”.



Grimsby Power SATISFACTION SCORES – Electricity customers' satisfaction					
Top 2 Boxes: 'very + fairly satisfied'	2014	2013	2012	2011	2010
PRE: Initial Satisfaction Scores	92%	-	-	-	-
POST: End of Interview	96%	-	-	-	-

Base: total respondents / (-) not a participant of the survey year

Customer Affinity

Loyalty, for private industry, is a behavioural metric. Loyalty, for natural monopolies (like LDCs) is an attitudinal metric.

Customer Loyalty Groups				
	Secure	Favorable	Indifferent	At Risk
Grimsby Power				
2014	29%	14%	54%	3%

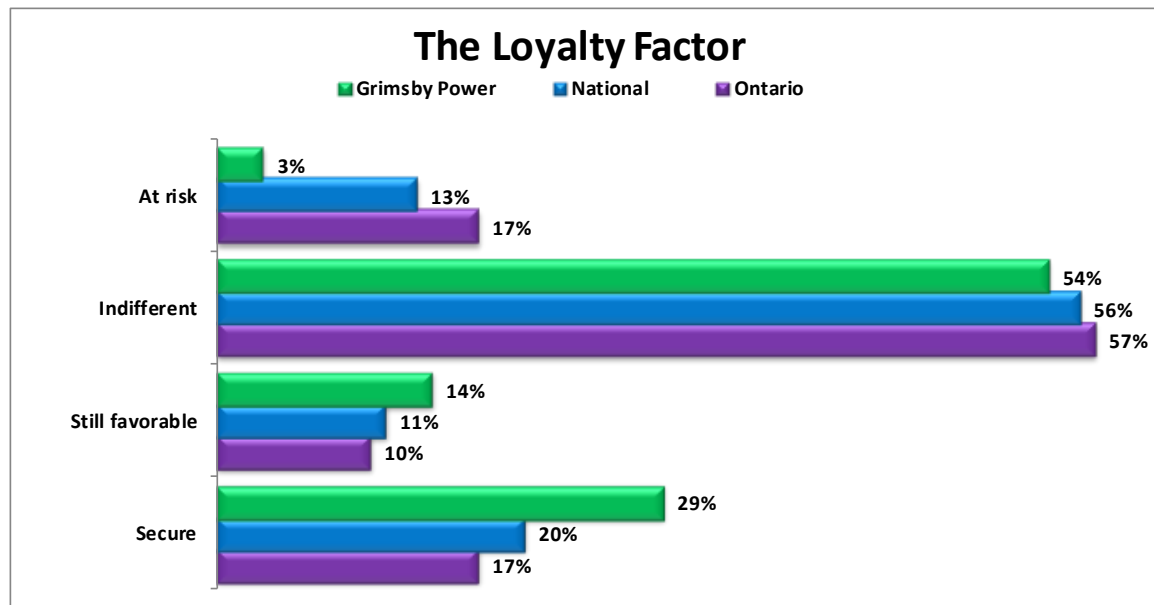
Base: total respondents

Even if customers can't defect, there is enormous value in making more of them loyal. Customers after all make the company's reputation. Reputation is ultimately what customers think – nothing else. To be successful and profitable, companies must take account of how they are perceived because companies do operate in a climate of opinion.

- **Satisfaction** happens when utility core services meet or exceed customer's needs, wants, or expectations.
- **Loyalty (Affinity)** occurs when a customer makes an emotional connection with their electric utility on a diverse range of expectations beyond core services.



Loyal customers are more likely to see the world the way hydro management sees it. Customers feel their interests and the hydro's are often in common. Our survey results do reveal, loyal customers enhance the value of the utility. One example, 97% of Secure customers agree that overall Grimsby Power 'provides excellent quality services' versus 46% of At Risk customers.



Base: total respondents

Utilities benefit from a trusted relationship with their empowered Customers. Higher levels of trust are the hallmarks of Secure customers. When people interact, either face-to-face, by telephone or on-line, if people do not trust each other, the interaction is not going to be efficient. Trust improves the speed at which the interaction can be accomplished. At Risk customers recall experiencing more

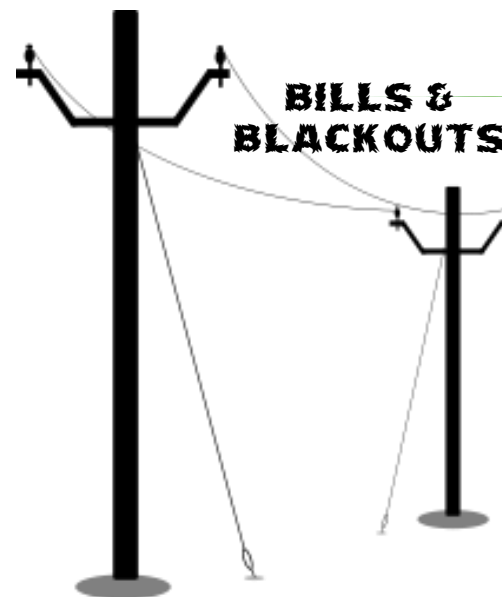
outages and more billing problems than Secure customers. What makes matters worse is, At Risk customers are about 2X more likely to contact the utility to deal with it. None-the-less problems will happen.

The Killer B's (Blackouts and Bills)

It is inevitable that there will be blackouts/power outages – the key is how a utility anticipates outages and more importantly, how it deals with them. It should also be noted that there is a disconnect between what a utility might call a “billing problem” and what a customer defines as a “billing problem”. Though both viewpoints are valid, employees need to be trained to answer those which cause the most concern with customers.

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months			
	Grimsby Power	National	Ontario
2014	53%	47%	49%
2013	-	41%	35%
2012	-	44%	46%
2011	-	43%	43%
2010	-	45%	41%

Base: total respondents / (-) not a participant of the survey year

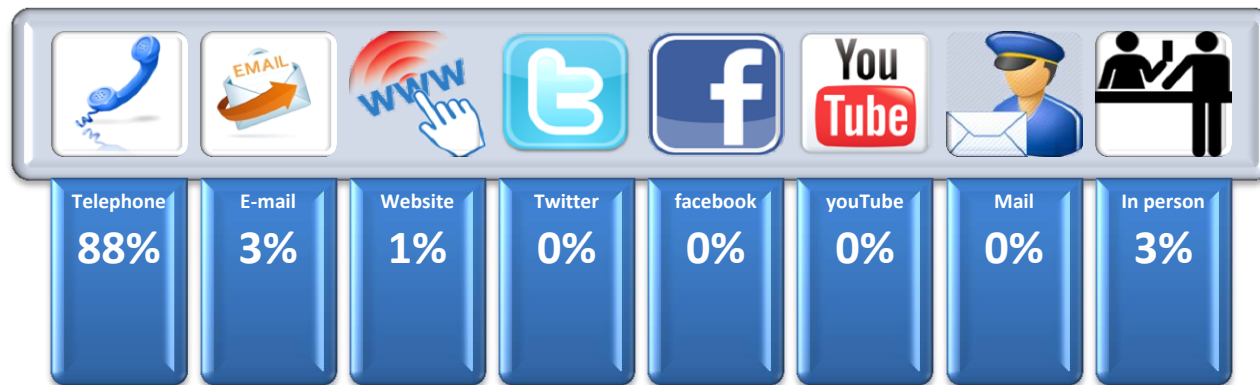


Percentage of Respondents indicating that they had a Billing problem in the last 12 months			
	Grimsby Power	National	Ontario
2014	12%	16%	25%
2013	-	8%	10%
2012	-	12%	13%
2011	-	10%	16%
2010	-	10%	12%

Base: total respondents / (-) not a participant of the survey year

What method did you use to contact your electric utility when you had a problem?

Base: data from the full 2014 database



Customers may prefer a particular communication channel today (i.e., 88% telephone), however, that does not mean the customer who prefers the telephone will not want, or eventually want another channel for communications. In addition, there could be variances in preferences based on the type of issue or transaction.

EB-2010-0379 ROB-SA: Customer Focus – Customer Satisfaction – Billing Accuracy

There is a difference between what a customer believes is a billing problem versus a technical or production level measurement. Without the benefit of production level numbers, 89% of respondents ‘agree strongly + somewhat’ that the utility has “accurate billing”. The Ontario benchmark rating is 77%.

EB-2010-0379 ROB-SA: Customer Focus – Customer Satisfaction – First Contact Resolution

This performance measure is not defined in the EB-2010-0379 ROB-SA March 5, 2014 document. First contact resolution is an outcome base measurement which is affected by: type of problem, competency levels of staff, empowerment levels of staff, and organization culture to name a few.

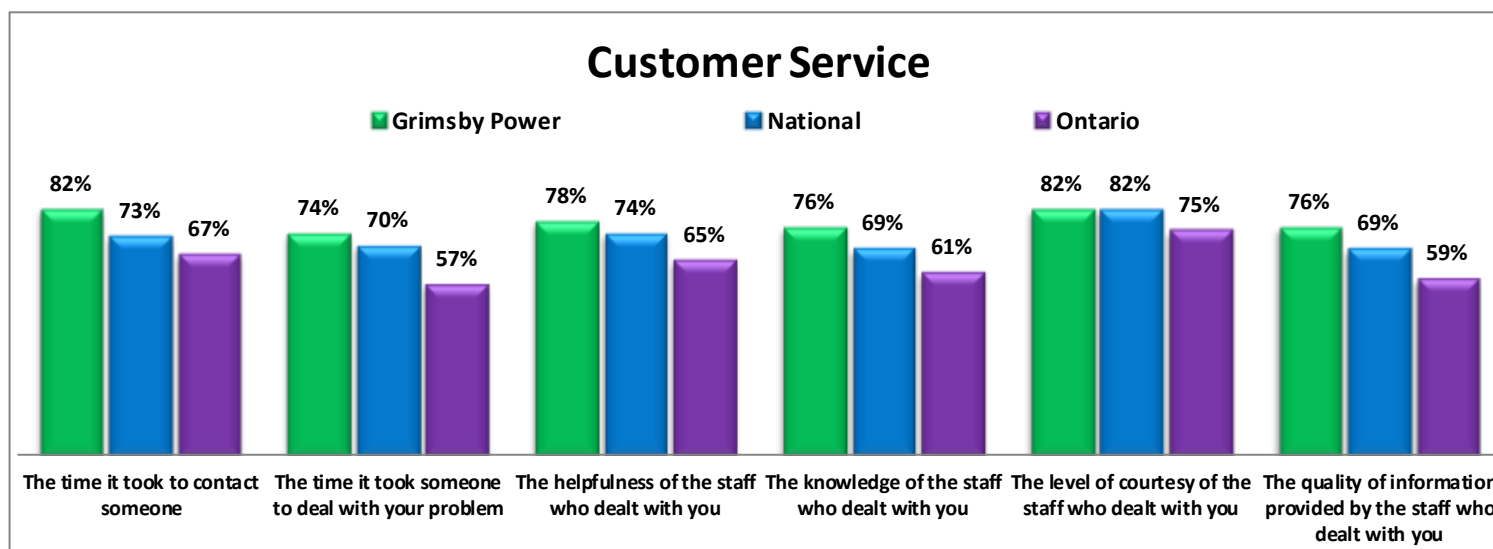
Your 2014 survey gives you the following information from respondents:

- 1- Satisfaction with the contact experience
- 2- A problem solved rating
- 3- A Customer Experience Performance rating (CEPr)



Satisfaction with the contact experience

When there are problems, how they are handled can validate or invalidate a customer's perception about the utility's competency in handling the problem, and in running the operation. Here is how Customers, who contacted your LDC, rated their one-on-one transaction.



Base: total respondents who contacted the utility

Customer expectations are on the rise and continue to change. Customers expect their utility to have customer care practices and services that are in-line with any other organization that is important to their everyday life. Setting realistic expectations and consistently delivering to those expectations are keys to higher levels of Customer satisfaction. The setting of customer expectations is tough, but the harder part is to deliver consistency.

Overall satisfaction with most recent experience			
	Grimsby Power	National	Ontario
Top 2 Boxes: 'very + fairly satisfied'	76%	75%	62%

Base: total respondents who contacted the utility

Problem solved rating

Respondents who said that they contacted the utility were also asked “Do you consider the problem solved or not solved?” 73% of your LDC’s respondents said the problem was solved. The Ontario benchmark rating is 61%.

Customer Experience Performance rating (CEPr)

What do customers anticipate contact will be with their local utility when they have a problem? Will it be adversarial, or cooperative, or pleasant, etc. High numbers in CEPr indicate that a large majority of customers would agree that their next contact will be a good or positive one.



Customer Experience Performance rating (CEPr)			
	Grimsby Power	National	Ontario
CEPr: all respondents	86%	82%	79%

Base: total respondents

EB-2010-0379 ROB-SA: Customer Focus – Service Quality

The three performance measures identified are all time based measures. They are: New Residential Services Connected on Time; Scheduled Appointments Met on Time; and, Telephone Calls Answered on Time. These are good examples of efficiency measures. In addition to time, there are other dimensions of Service Quality that Customers value.

Customer Service Quality			
Top 2 boxes, 'strongly + somewhat agree'	Grimsby Power	National	Ontario
Deals professionally with customers' problems	88%	82%	78%
Pro-active in communicating changes and issues affecting Customers	81%	74%	73%
Quickly deals with issues that affect customers	84%	79%	74%
Customer-focused and treats customers as if they're valued	83%	74%	72%
Is a company that is 'easy to do business with'	88%	79%	75%
Cost of electricity is reasonable when compared to other utilities	67%	60%	55%
Provides good value for money	75%	67%	63%
Delivers on its service commitments to customers	88%	84%	82%

Base: total respondents with an opinion

EB-2010-0379 ROB-SA: Operational Effectiveness

With the exception of the Public Safety measure, which is yet to be defined, performance measures would typically take the form of a monitoring and measuring (quantitative) rating. Though customers may not have the benefit of numbers, they do have a perception.

Management Operations			
Top 2 boxes, 'strongly + somewhat agree'	Grimsby Power	National	Ontario
Provides consistent, reliable electricity	91%	89%	86%
Quickly handles outages and restores power	89%	86%	83%
Makes electricity safety a top priority for employees and contractors	90%	89%	87%
Operates a cost effective electricity system	77%	69%	62%
Overall the utility provides excellent quality services	87%	83%	80%

Base: total respondents with an opinion

UtilityPULSE Report Card®

The purpose of the UtilityPULSE Report Card is to provide your utility with a snapshot of performance – it represents the sum total of respondents' ratings on 6 categories of attributes that research has shown are important to customers in influencing satisfaction and affinity levels with their utility.

Grimsby Power's UtilityPULSE Report Card[®]

Performance

	CATEGORY	Grimsby Power	National	Ontario
1	Customer Care	B+	B+	B
	Price and Value	B	B	C+
	Customer Service	A	B+	B
2	Company Image	A	B+	B+
	Company Leadership	A	B+	B+
	Corporate Stewardship	A	A	B+
3	Management Operations	A	A	A
	Operational Effectiveness	A	A	B+
	Power Quality and Reliability	A+	A	A
OVERALL		A	B+	B+

Base: total respondents



Corporate Image

Reputation, image, brand have to be actively managed. Positive impressions beget positive perceptions. Marketing communication includes positioning the utility in a way that makes customers want your utility and its services. Every utility has a brand, why not have the brand you want?

Attributes strongly linked to a hydro utility's image			
	Grimsby Power	National	Ontario
Is a respected company in the community	89%	81%	78%
A leader in promoting energy conservation	83%	78%	77%
Keeps its promises to customers and the community	87%	79%	76%
Is a socially responsible company	87%	78%	77%
Is a trusted and trustworthy company	87%	82%	77%
Adapts well to changes in customer expectations	80%	71%	68%
Is 'easy to do business with'	88%	79%	75%
Provides good value for your money	75%	67%	63%
Overall the utility provides excellent quality services	87%	83%	80%
Operates a cost effective hydro-electric system	77%	69%	62%

Base: total respondents with an opinion


Customers, as human beings, are both rational and emotional. The rational side of the customer holds the LDC accountable for doing its job (as contracted), thereby fulfilling the customer's basic needs. The emotional side of the customer is about fulfilling expectations. Meeting rational needs – at best – gets the customer to a neutral state and at worst creates dissatisfaction. Emotional needs, when met, assuming base level rational needs are met, can move a customer from neutral to higher levels of satisfaction. The

industry is obsessed with rational concerns about customer behaviour, but the real motivation for customer behaviour is emotional, not rational.

What do customers think about electricity costs?

Ask a utility customer – anywhere in the province of Ontario – what do they think about electricity, there is a very high probability they will say electricity costs are too high or too expensive. For customers who said that they had a billing problem in the last 12 months, and stated that the problem was “high bills” or “high rates or charges”, there was very little variability between customers who could be called Secure, Favourable, Indifferent or At Risk. There was also very little variability between age groupings or income groupings.

Our survey database shows 50% more customers in 2014 citing complaints with “high bills” or “high rates or charges” than in 2010. There is a growing concern over electricity costs, especially as it relates to its portion of a household budget. This means the industry needs to monitor “ability to pay”.



Is paying for electricity a worry or major problem ...			
	Grimsby Power	National	Ontario
Not really a worry	72%	69%	59%
Sometimes I worry	18%	20%	26%
Often it is a major problem	8%	7%	11%
Depends	1%	3%	2%

Base: total respondents

Supplemental Insights

Recognizing that customers' interests and needs continue to shift, we have provided data and insights, on a number of subjects such as e-care, e-billing, conservation and more.

Electric Industry Knowledge & SMART Grid

Beyond knowing that they need electricity to maintain their day to day activities, does the average person feel that they are actually knowledgeable about the electric utility industry?

Knowledge level about the electric utility industry	
	Ontario
Extremely knowledgeable	2%
Very knowledgeable	11%
Moderately knowledgeable	47%
Slightly knowledgeable	26%
Not very knowledgeable	14%
Don't know	1%

Base: total respondents in the Ontario Benchmark survey



Two-thirds (60%) of those polled in the Ontario Benchmark survey considered themselves moderately to extremely knowledgeable about the electric industry.

While it is evident that the SMART grid is still not a much talked about concept, only 34% have a basic or good understanding of what it is, oddly enough, 60% still think that it is important to pursue SMART grid implementation. It is also clear that the majority of respondents are very + somewhat supportive of the utility working with neighbouring utilities on SMART grid initiatives.

Level of knowledge about the SMART Grid	
	Ontario
I have a fairly good understanding of what it is and how it might benefit homes and businesses	9%
I have a basic understanding of what it is and how it might work	25%
I've heard of the term, but don't know much about it	36%
I have not heard of the term	29%
Don't know	1%

Base: total respondents in the Ontario Benchmark survey

Efforts to reduce energy consumption

Do customers believe there is a real pay-off for trying to reduce their energy consumption? Does this impact overall efforts to reduce consumption? Respondents were asked *"How active have you been in trying to reduce your electricity consumption?"* (Base: total respondents in the Ontario Benchmark survey)

- 94% feel they are "very + somewhat active" in trying to reduce electricity consumption, and
- 81% of those do believe their efforts have resulted in reduced energy consumption, of which
- 44% estimate that they were able to offset an energy consumption reduction of more than 10%, and
- 72% believe that these efforts translated to savings on their electricity bills.



Level of Activity in trying to reduce electricity consumption	
	Ontario
Very active	52%
Somewhat active	42%
Neither proactive or inactive	0%
Not active	2%
Not very active	3%

Base: total respondents in the Ontario Benchmark survey

Estimate of percentage reduction in consumption	
	Ontario
1 – 2 %	5%
3 – 5 %	10%
6 – 8 %	4%
9 – 10 %	15%
More than 10%	44%
Don't know	21%

Base: total respondents in the Ontario Benchmark survey whose active efforts have reduced consumption

Active efforts have reduced energy consumption



Base: total respondents in the Ontario Benchmark survey who have been active in trying to reduce energy consumption

Efforts to conserve have translated into savings on your electricity bill



Base: total respondents in the Ontario Benchmark survey whose active efforts have reduced consumption

Energy Conservation & Efficiency

Energy efficiency can be broken down into two areas: *better use of energy through improved energy-efficient technologies*; and *energy saving through changes in customer awareness and behaviour*.



Efforts to conserve energy				
Ontario LDCs	Yes	No	Already Done	Don't Know
Install energy-efficient light bulbs or lighting equipment	19%	9%	70%	1%
Install timers on lights or equipment	12%	50%	35%	2%
Shift use of electricity to lower cost periods	22%	17%	58%	3%
Install window blinds or awnings	12%	27%	60%	2%
Install a programmable thermostat	13%	25%	60%	2%
Have an energy expert conduct an energy audit	9%	71%	16%	4%
Removing old refrigerator or freezer for free	14%	44%	38%	4%
Join the peaksaverPLUS™ program	15%	49%	21%	16%
Replacing furnace with a high efficiency model	12%	33%	52%	4%
Replacing air-conditioner with a high efficiency model	14%	38%	44%	4%
Use a coupon to purchase qualified energy saving products	35%	39%	22%	5%

Base: An aggregate of respondents from 2014 participating LDCs

E-care and E-billing

Technology – specifically the internet—has allowed people access to far more information than ever before and the ability to do more than ever before.

Over the past six months have you accessed your local utility website?

29%

70%

Base: An aggregate of respondents from 2014 participating LDCs



Do you have access to the internet?

Ontario LDCs

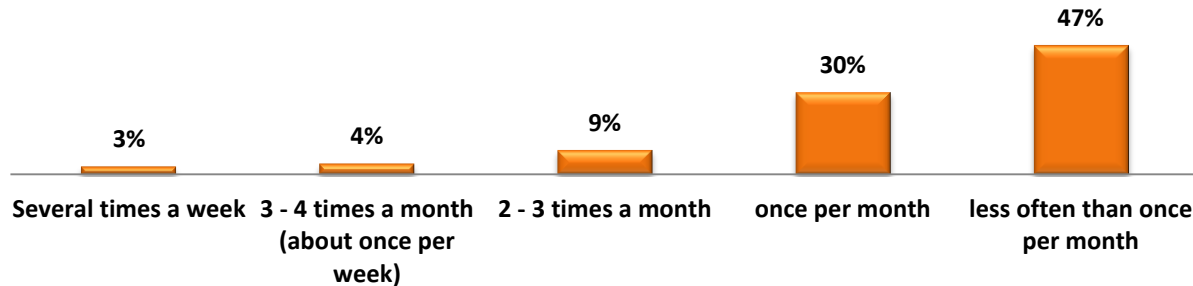
Yes 87%

No 13%

Base: An aggregate of respondents from 2014 participating LDCs

Frequency of accessing the utility's website

Ontario LDCs



Base: An aggregate of respondents from 2014 participating LDCs

Likelihood of using the internet for future customer care needs for things such as:	
Top 2 Boxes: 'very + somewhat likely'	Ontario LDCs
Setting up a new account	31%
Arranging a move	38%
Accessing information about your bill	55%
Accessing information about your electricity usage	54%
Accessing energy saving tips and advice	45%
Accessing information about Time Of Use rates	51%
Maintaining information about your account or preferences	51%
Paying your bill through the utility's website	32%
Getting information about power outages	47%
Arranging for service	40%

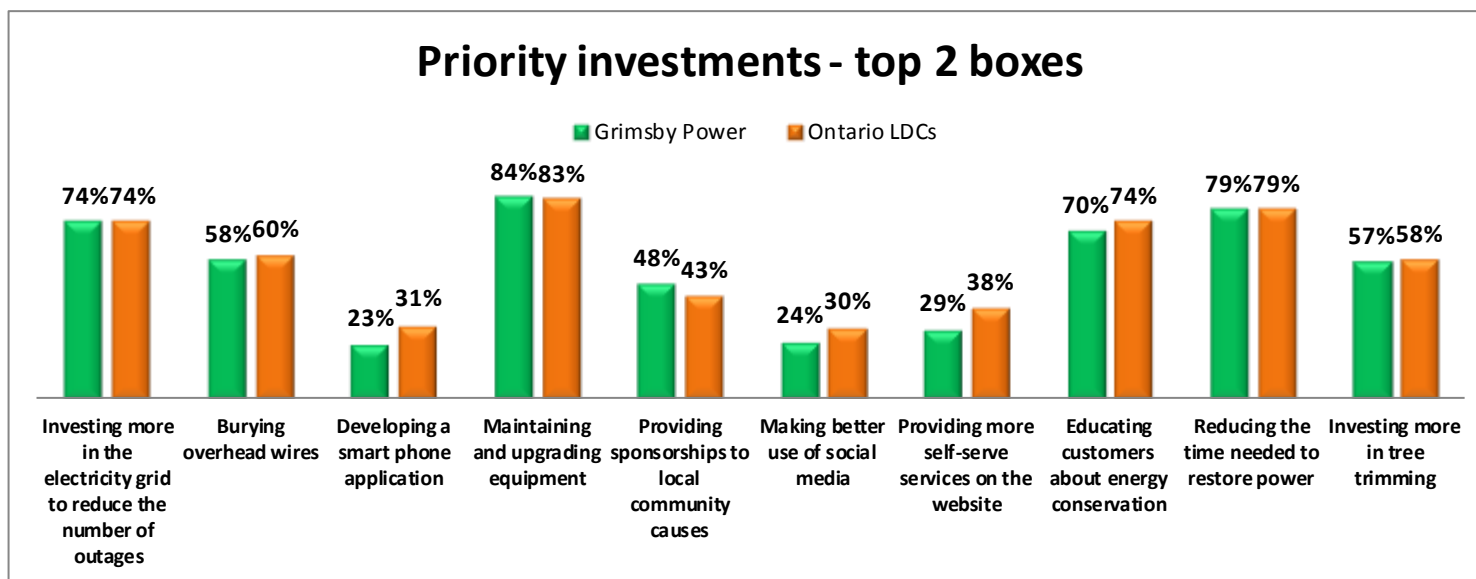
Base: An aggregate of respondents from 2014 participating LDCs

As society becomes increasingly more familiar with technology it will become a more popular medium for giving and receiving information. One could also say, demographics will also put more pressure on the technology channels. Unfortunately, customers adopt technology on their own timetable. This causes the utility to continue to improve existing channels while building the technological channels wanted by some today, but by the year 2020, demanded by many. Will your utility be ready?



Priority Investments

While regulation and reliability are top concerns in the utility industry, aging infrastructure is now a top operational concern. Customers agree with industry insiders that infrastructure renewal is a high priority. This year, respondents were asked for their views about prioritizing investments.



Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local

Some findings shown above correlate with some of the suggestions made by respondents on things the utility could do to improve. Percentage of comments received from all Ontario respondents were:

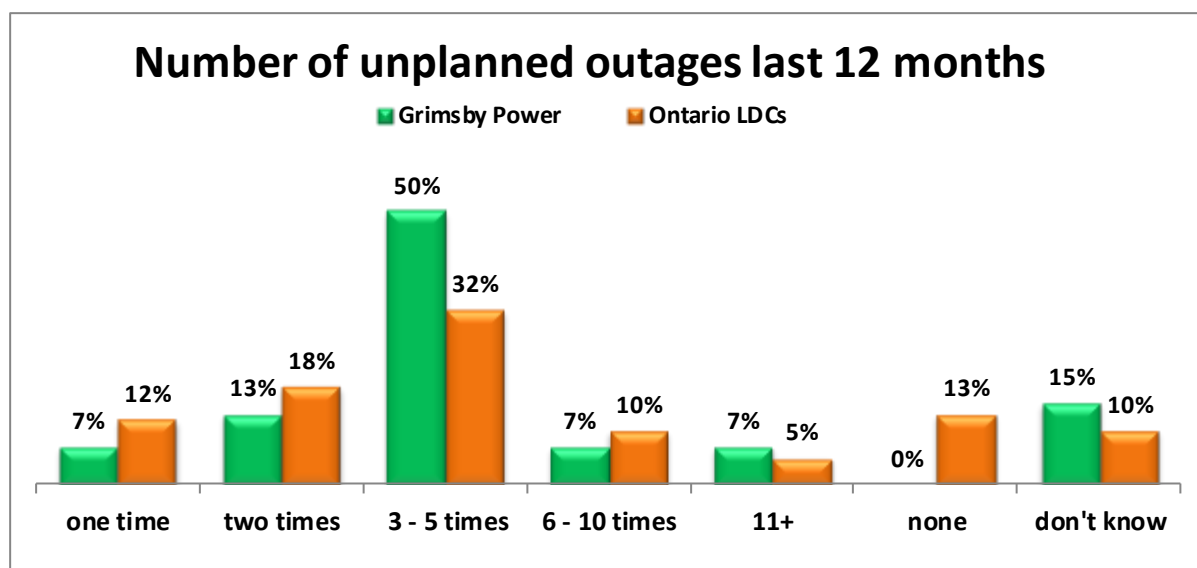
- 14% improve reliability (10% in 2010)
- 11% better maintenance (3% in 2010)

- 10% better communication (7% in 2010)

Outage Management

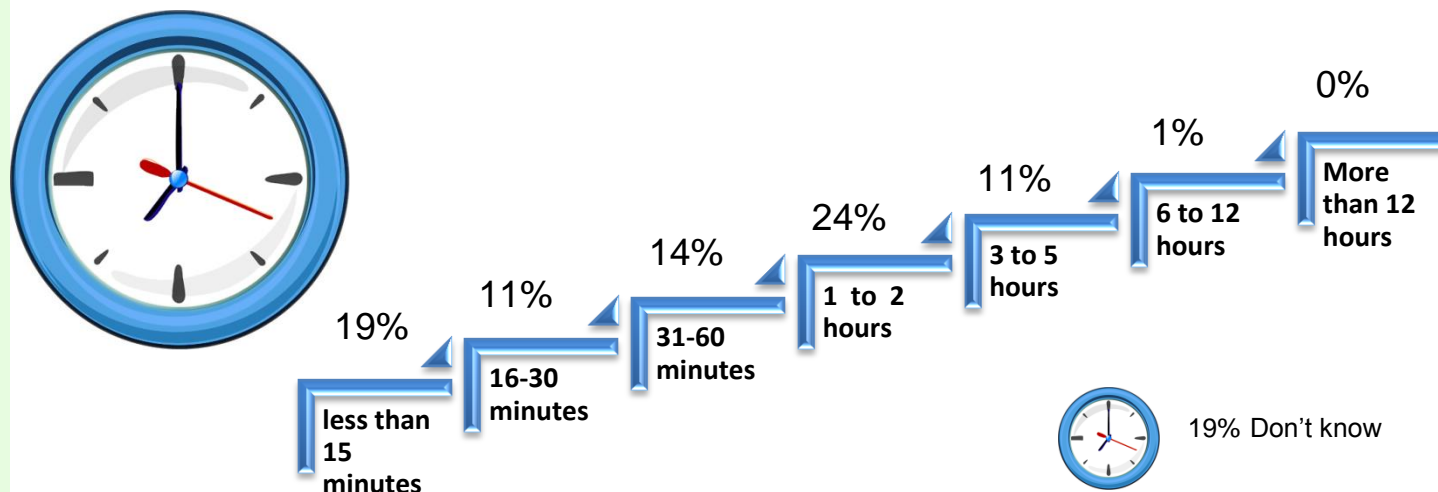
Whether an outage is planned or unplanned, the reality is that it is going to cause disruption and inconvenience under best case scenario and under worst case scenarios there could be safety and financial consequences.

However, one thing for certain, no matter what the scenario happens to be, customers are expecting their utility to keep them continually updated on the status of outages. Most importantly, and top priority, is to know the estimated restoration time. They also want to know the cause of the outage because they do not want to be a frequent outage customer.



Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local utility

When an unplanned outage occurs, how long, on average, is the outage?



Base: 90% of total respondents from the local utility

How a utility chooses to handle, manage and communicate with customers during an outage situation does affect customers' satisfaction with their utility. Customers want timely, accurate and relevant information about an outage and customers expect a utility to use various communication channels to ensure their message is getting out there. This means not only obtaining information via the call centre and IVR but customers have increasing expectations for proactive two-way communication through social media, utility websites and modern communication devices (e.g. tablets, smartphones) and apps.

Inability to provide the above information accurately and in a timely manner will result in customer complaints, increased call volumes to your call centres, create unwanted public and media attention, and negatively impact customer satisfaction.

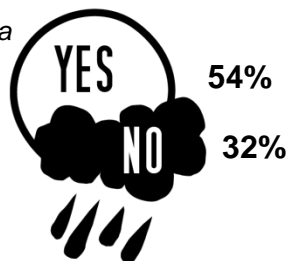
Utility's effectiveness during an unplanned outage		
Top 2 Boxes: 'very + somewhat effective'	Ontario LDCs	Grimsby Power
Responding to questions	61%	56%
Providing a reason for the outage	61%	50%
Providing an estimate when power will be restored	60%	48%
Responding to the power outage	81%	83%
Restoring power quickly	85%	88%
Communicating updates periodically	64%	56%
Posting information to the website	35%	26%
Using media channels for providing updates	53%	38%

Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local utility

On December 20, 2013, a severe ice storm struck the central and eastern portions of Canada and the northeastern United States. The storm's devastation caused major damage to utility distribution lines, towers, transformers, poles and entire substations and resulted in large scale outages and blackouts

for long periods of time. The data suggests that customers are both tolerant and understanding when major outages take place.

Did you have a power outage during the ice storm in December 2013?



Base: total respondents

Percentage of Respondents who contacted their utility about the ice storm power outage

Grimsby Power	
Yes	8%
No	91%

Base: total respondents affected by the ice storm



Grimsby Power Length of outage (during Ice Storm 2013)							
Less than 2 hours	2 – 4 hours	4+ hours or ½ day	12-18 hours or ½ - ¾ day	19-24 hours or 1 day	1 to 1.5 days	1.6 to 2 days	More than 2 days
37%	33%	9%	2%	1%	0%	0%	0%

Base: total respondents affected by the ice storm

Using social media and multi-channel communication modes still appear to be the exception when it comes to customers contacting their utilities. Results from this year's survey indicate that the telephone is still the most used and the preferred method of contact. Overall, 87% of all Ontario respondents affected by the ice storm who informed their local utility they were experiencing a power outage did so via telephone. Grimsby Power respondents: 94% telephone; 6% e-mail.



In your view, what is an acceptable period of time to go without electricity in situations like the ice storm?

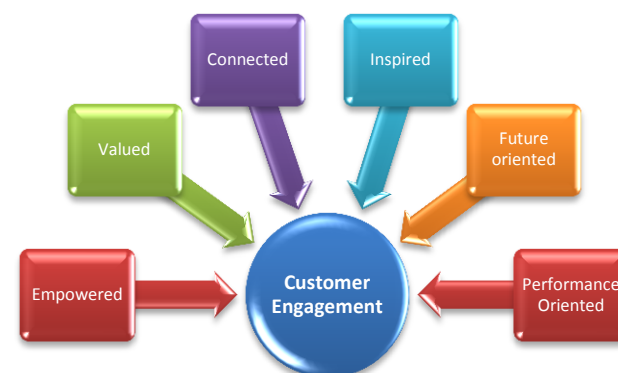


Base: total respondents affected by the ice storm

•None (the power shouldn't be going out)	9%
•Less than 2 hours	19%
•2 - 4 hours	29%
•4+ hours or 1/2 day	14%
•12 - 18 hours or 1/2 day to 3/4 day	6%
•19 - 24 hours or 1 day	4%
•1 to 1.5 days	2%
•1 .6 to 2 days	0%
•More than 2 days	0%

Customer Centric Engagement Index (CCEI)

The EB-2010-0379 ROB-SA report includes the following: “better engage with their customers to better understand and respond to their needs...” Conducting surveys (like this one), holding town hall meetings, focus groups, etc. are examples of engaging your customers. We call this an activity based definition of engagement. Asking 100 people to complete a survey is an engagement activity. This survey also provides you with an emotional look at engagement.



The CCEI index is a gauge of the amount of goodwill that has been generated. High numbers in CCEI suggests that there is a high level of goodwill amongst your customers – this is important for two reasons. First when something goes awry for the utility, goodwill helps the utility to be resilient. Second, goodwill encourages active participation in requests to participate in engagement activities or program offerings from the utility.

Utility Customer Centric Engagement Index (CCEI)			
	Grimsby Power	National	Ontario
CCEI	83%	79%	76%

Base: total respondents

In a world of chaos and confusion what will a customer do? Find someone to help. In the electricity industry, the vast majority of customers turn to, and rely on, their local utility. Knowing that customers will turn to their electric utility requires utilities to really know their customers. Not easy when customer expectations continue to shift.

The shift is on. 15 years ago a utility could think about their customers in terms of usage, now they have to think about them in terms of personas (i.e., customer type). Currently, customer segmentation, for most utilities, consists of a number of “personas”. While this may be adequate today, in order to achieve high customer participation in programs and to optimize business processes there will be a need for granular targeting of communications.

Most utilities are quite comfortable “pushing” out communications in a one-way world. However, the shift is on because the new channels are 2-way; even without the new channels customers are expecting 2-way dialogue. The impact on a utility’s marketing-communications is significant.

Value is what a customer perceives they get in exchange for what they give up. The real challenge is educating customers on the value they receive. In the absence of a value proposition the primary thing people will talk about is cost.

We recommend having meaningful two-way dialogue with employees (and others) to leverage the results from your 2014 customer satisfaction survey derived from speaking with 400 Grimsby Power customers [March 15 - March 24, 2014]. The electric utility business has demanding customers with high expectations.



UtilityPULSE

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Satisfaction (pre & post)

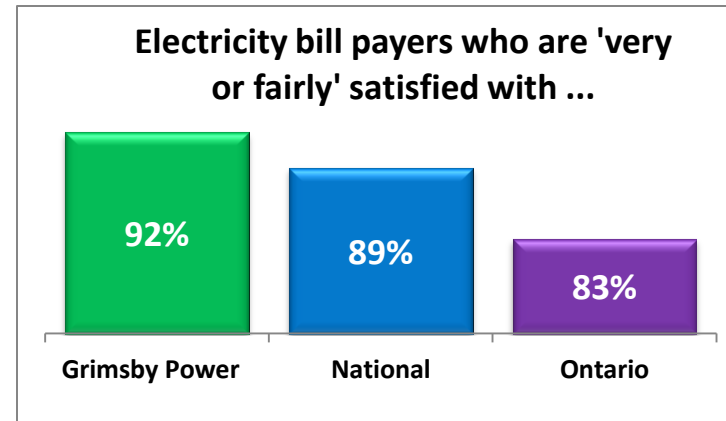
Customer Satisfaction is an intangible as it is the sum total of real experience, or perceptions of what an experience may be like when a customer is dealing with their LDC. Satisfaction is not a program, it is an outcome. Satisfaction, as a measurement, is a part of the Ontario Energy Board's Performance Measurement for Electricity Distributors: A Scorecard Approach (Ontario Energy Board, EB-2010-0379, March 5, 2014).

Satisfaction is an effectiveness rating of whether the objectives of process(s), service(s) or activities have been achieved. This makes Satisfaction, as a Scorecard measure, a rating that prompts discussion, planning, investing, and being connected to the Customer in order to effect an improved rating.

“Telephone calls answered on time” is an efficiency rating or a rating to assist in determining whether the right amount of resources have been used to deliver a process, service or activity. **Efficiency** is *about achieving objectives with the minimum amount of people, time, money and other resources*. For utilities reducing costs of delivering, supporting or maintaining a service is often the main driver for improving operational efficiency. While being obsessed with costs is important, the customer is also obsessed with quality. Finding the right balance between efficiency and effectiveness measures is difficult.

Effectiveness ratings are measures that keep the organization and its people more future focused than efficiency ratings. This is not to say that efficiency ratings are not important, they are. The customer does care that their problem was solved and that the telephone was answered in less than 30 seconds. After 16 years of continued research with electric utility customers, expectations of their electric utility go far beyond “keeping the lights on”, “billing me properly”, and “restoring power quickly”. However, acting quickly, yet not dealing with the customer concern, ultimately translates into a poor experience.

- **Satisfaction** happens when utility core services meet or exceed customer’s needs, wants, or expectations.
- **Loyalty** occurs when a customer makes an emotional connection with their electric utility on a diverse range of expectations beyond core services.



Base: total respondents

Satisfaction alone does not make a customer loyal; a willingness to commit and advocate for a company along with satisfaction identifies the three basic customer attitudes which underpin loyalty profiles. While satisfaction is an important component of loyalty, the loyalty definition needs to incorporate more attitudinal and emotive components.

Electricity bill payers who are 'very or fairly' satisfied with...					
	2014	2013	2012	2011	2010
Grimsby Power	92%	-	-	-	-
National	89%	90%	88%	89%	86%
Ontario	83%	90%	86%	84%	80%

Base: total respondents / (-) not a participant of the survey year

As noted in previous reports:

Our research has found that in the utility industry environment, especially in Ontario, where most utilities are municipally owned, satisfaction is a strong driver of customer trust which in turn can impact employee engagement. The satisfaction of public customers/citizens both improves employee engagement and is improved by it.



The synergy which exists between customer satisfaction and employee engagement has enormous implications for the performance of those who make up a utility's workforce. Many service personnel

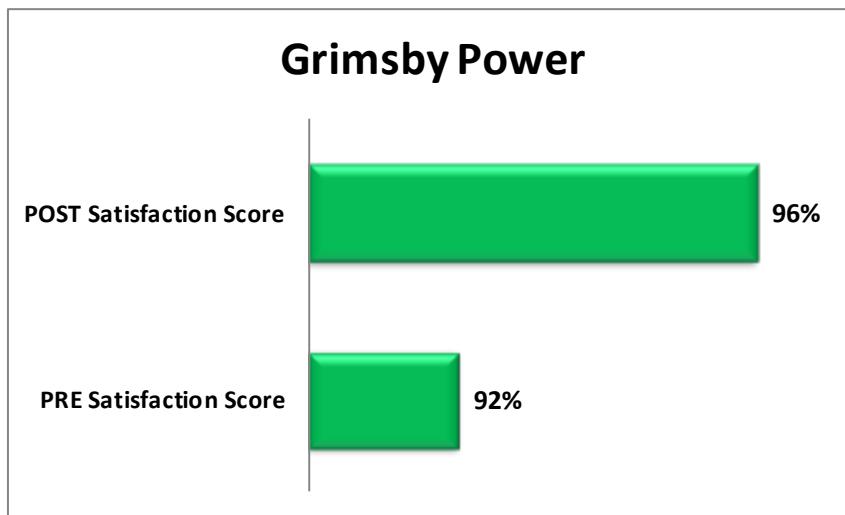
are motivated by their desire to help others; succeeding at this task (and having clear evidence that they have satisfied their “customers”) can help keep them motivated and engaged.

Satisfied employees, who are working in an organizational culture which promotes service excellence is critical, too. Many companies make the mistake of measuring only customer satisfaction. Measuring organizational culture is the key because employees play an integral role in the customer relationship. Employees do more than deliver customer service – they personalize the relationship between customer and the utility.

Creating loyal customers and loyal employees go hand in hand and it is the leaders of organizations that must create this alignment. Implementing service excellence works best when its principles are well understood and widespread collaboration is encouraged by management’s visible actions. In our experience, this is best achieved by driving change from the ‘top down’ at the same time as inspiring and fully engaging employees from the ‘bottom up’.

In the Simul/UtilityPULSE Customer Satisfaction survey, the overall satisfaction question is asked both at the beginning (PRE) and the end (POST).

Base: total respondents



Asking the general satisfaction question at the start of the survey avoids bias and we obtain a spontaneous rating. This allows measurement of customers' overall impressions of the utility prior to prompting them to think of specific aspects of the relationship. After we have asked about specific aspects of the customer experience, we gain a more *considered* (or conditioned) response.

SATISFACTION SCORES – Electricity customers' satisfaction			
Top 2 Boxes: 'very + fairly satisfied'	Grimsby Power	National	Ontario
PRE: Initial Satisfaction Scores	92%	89%	83%
POST: End of Interview	96%	87%	80%

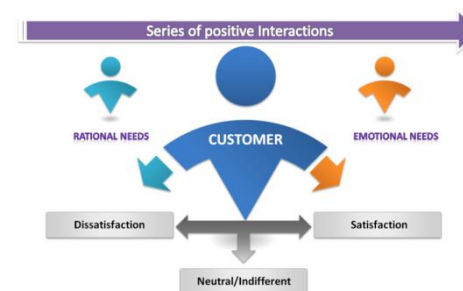
Base: total respondents

SATISFACTION SCORES – Electricity customers' satisfaction					
Top 2 Boxes: 'very + fairly satisfied'	2014	2013	2012	2011	2010
PRE: Initial Satisfaction Scores	92%	-	-	-	-
POST: End of Interview	96%	-	-	-	-

Base: total respondents / (-) not a participant of the survey year

Customers, as human beings, are both rational and emotional. The rational side of the customer holds the LDC accountable for doing its job (as contracted), thereby fulfilling the customer's basic needs. The emotional side of the customer is about fulfilling expectations. Meeting rational needs – at best –

gets the customer to a neutral state and at worst creates dissatisfaction. Emotional needs, when met, (assuming base level rational needs are met), can move a customer from neutral to higher levels of satisfaction.



Attributes strongly linked to a hydro utility's image			
	Grimsby Power	National	Ontario
RATIONAL NEEDS			
Provides consistent, reliable electricity	91%	89%	86%
Quickly handles outages	89%	86%	83%
Accurate billing	89%	83%	77%
Provides good value for money	75%	67%	63%
Is 'easy to do business' with	88%	79%	75%
Operates a cost effective hydro-electric system	77%	69%	62%
EMOTIONAL NEEDS			
Deals professionally with customers' problems	88%	82%	78%
Provides information to help customers reduce electricity costs	79%	77%	75%
Pro-active in communicating changes	81%	74%	73%
Quickly deals with issues that affect customers	84%	79%	74%
Adapts well to changes in customer expectations	80%	71%	68%
Overall the utility provides excellent quality services	87%	83%	80%

Base: total respondents with an opinion

Customer Service

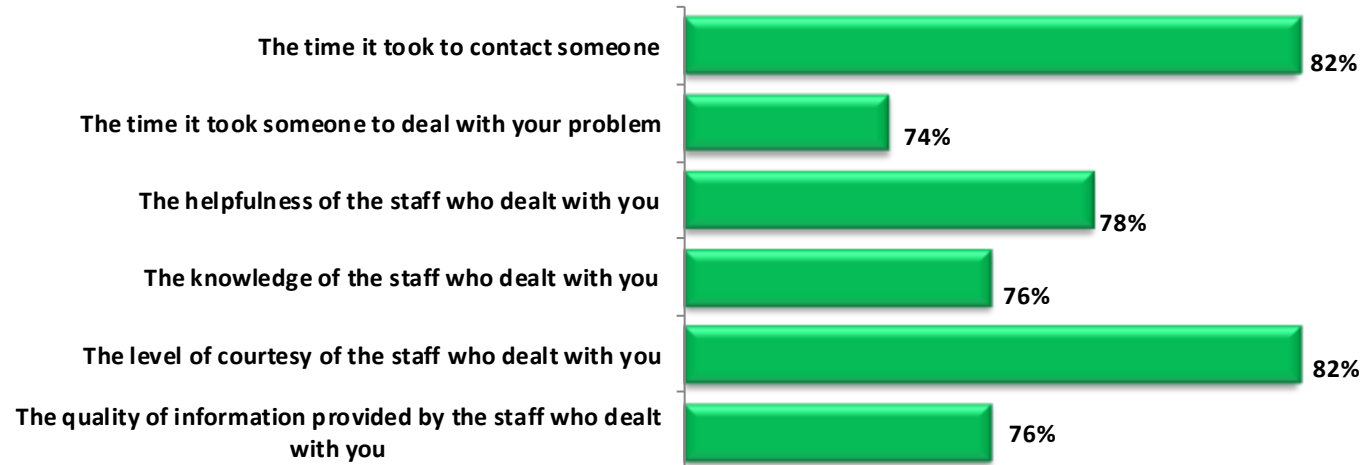
Customer service is a series of activities grouped in processes designed to provide customers and other stakeholders with information or assistance which address customers' needs. Those needs are far more diverse than they have ever been thereby, compelling customer service to change in response to increasing customer demands. Given the increase in fragmentation of customer type and customer problems, the need for building a customer-centric culture in line with customers' needs, preferences and expectations is important when customer satisfaction is important to the organization.

Customers don't want to be passed from CSR to CSR, unnecessary bureaucracy, to keep repeating why they are calling, to duplicate information already given, or to have to understand the inner workings of the utility organization. Customers are expecting an intelligent and personalized experience.

Respondents, who contacted their utility via the telephone or in-person, were asked about six aspects of their most recent experience with a representative from Grimsby Power.

- Information – quality of information provided
- Staff attitude – level of courtesy
- Professionalism – the knowledge of staff
- Delivery – helpfulness of staff
- Timeliness – the length of time it took to get what they needed
- Accessibility – how easy it was to contact someone

Customer Service



Base: total respondents who contacted the utility

Satisfaction with Customer Service			
Top 2 Boxes: 'very + fairly satisfied'	Grimsby Power	National	Ontario
The time it took to contact someone	82%	73%	67%
The time it took someone to deal with your problem	74%	70%	57%
The helpfulness of the staff who dealt with you	78%	74%	65%
The knowledge of the staff who dealt with you	76%	69%	61%
The level of courtesy of the staff who dealt with you	82%	82%	75%
The quality of information provided by the staff who dealt with you	76%	69%	59%

Base: total respondents who contacted the utility

Respondents, who contacted their utility via an electronic means, e.g., email, website, social media, were asked about four aspects of their most recent experience with a representative.

Satisfaction with Customer Service via electronic means	
Top 2 Boxes: 'very + fairly satisfied'	Overall
The timeliness of response	68%
The quality of information provided	65%
The helpfulness of the information	63%
The level of professionalism	72%

Base: data from the full 2014 database

The customer service representative's role is essential to effectively handling customer issues/incidents/problems/requests. Having a skilled, trained representative is vital for a positive customer experience when a customer decides to make contact. Respondents who did have contact with a utility representative within the last 12 months were asked about their overall satisfaction with *that* experience.

Overall satisfaction with most recent experience – Telephone & In-person			
	Grimsby Power	National	Ontario
Top 2 Boxes: 'very + fairly satisfied'	76%	75%	62%

Base: total respondents who contacted the utility

Overall satisfaction with most recent experience – Electronic means	
Overall	
Top 2 Boxes: 'very + fairly satisfied'	68%

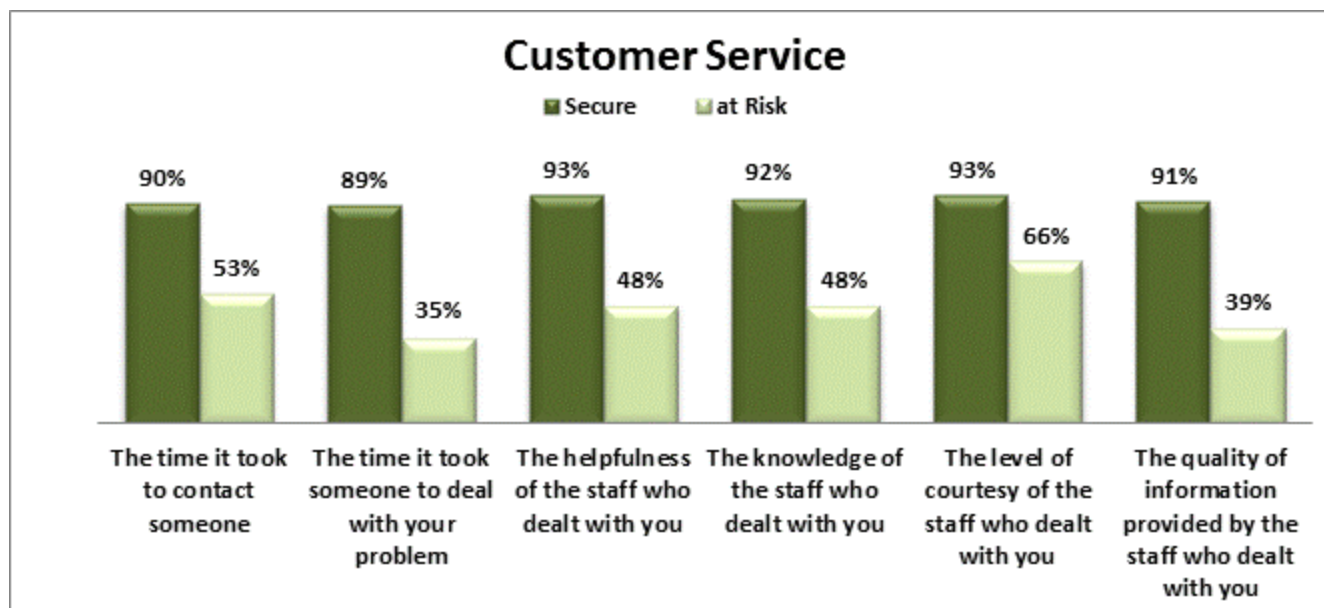
Base: data from the full 2014 database

Customers value speed and responsiveness especially as it relates to solving problems. The more flexibility you're able to offer and the more empowerment given to employees, the better able employees will be to meet those "speed" and "responsiveness" requirements. Customers benefit, too, when employees are able to resolve problem issues "on the spot" instead of having to "talk to my manager."

SATISFACTION SCORES – Electricity customers' satisfaction			
	Overall	Problems Solved	Problems Not Solved
Top 2 Boxes: 'very + fairly satisfied'	90%	90%	60%
Bottom 2 Boxes: 'fairly + very dissatisfied'	7%	7%	35%

Base: data from the full 2014 database

Empowerment is the backbone of the service recovery principle. In the face of error or problems, acting quickly and decisively, being empowered and turning a dissatisfied customer into a satisfied one tends to have a positive impact.



Base: data from the full 2014 database

Satisfaction with Customer Service			
Top 2 Boxes: 'very + fairly satisfied'	Overall	Recent Experience Satisfied	Recent Experience Dissatisfied
The time it took to contact someone	75%	86%	43%
The time it took someone to deal with your problem	68%	85%	19%
The helpfulness of the staff who dealt with you	76%	90%	33%
The knowledge of the staff who dealt with you	73%	88%	32%
The level of courtesy of the staff who dealt with you	82%	92%	56%
The quality of information provided by the staff who dealt with you	71%	88%	21%

Base: data from the full 2014 database

The service experience has a profound impact on customer service scores. The data shows a direct correlation between a satisfied customer experience and the ratings given across all six measures of person-to-person customer service. While there are a lot of things utilities cannot control, one thing they can control is the quality of service they provide.



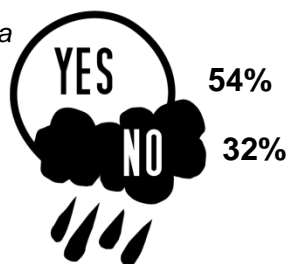
Important attributes which shape perceptions about service quality			
	Grimsby Power	National	Ontario
Deals professionally with customers' problems	88%	82%	78%
Is pro-active in communicating changes and issues which may affect customers	81%	74%	73%
Quickly deals with issues that affect customers	84%	79%	74%
Customer-focused and treats customers as if they're valued	83%	74%	72%
Is a company that is 'easy to do business with'	88%	79%	75%
Cost of electricity is reasonable when compared to other utilities	67%	60%	55%
Provides good value for money	75%	67%	63%
Delivers on its service commitments to customers	88%	84%	82%
Trusted and trustworthy company	87%	82%	77%
Respected company in the community	89%	81%	78%
Provides information and tools to help manage electricity consumption	81%	77%	75%
Adapts well to changes in customer expectations	80%	71%	68%

Base: total respondents with an opinion

ICE STORM 2013

On December 20, 2013, a severe ice storm struck the central and eastern portions of Canada and the northeastern United States. The storm's devastation caused major damage to utility distribution lines, towers, transformers, poles and entire substations and resulted in large scale outages and blackouts for long periods of time. The data suggests that customers are both tolerant and understanding when major outages take place.

Did you have a power outage during the ice storm in December 2013?



Base: total respondents

Days after the storm passed through, thousands were left without power as crews worked around the clock in the affected areas, but difficult weather conditions -- including more snow and continued freezing temperatures -- was making power restoration a challenge.

Grimsby Power Length of outage (during Ice Storm 2013)							
Less than 2 hours	2 – 4 hours	4+ hours or ½ day	12-18 hours or ½ - ¾ day	19-24 hours or 1 day	1 to 1.5 days	1.6 to 2 days	More than 2 days
37%	33%	9%	2%	1%	0%	0%	0%

Base: total respondents affected by the ice storm

A common communication channel used by customers is their website. Most utilities use their website to publish outage information to customers; timely information posted to your website could reduce the impact on other utility resources.

Percentage of Respondents who contacted their utility about the ice storm power outage	
Grimsby Power	
Yes	8%
No	91%

Base: total respondents affected by the ice storm who contacted the utility about the outage during the storm

Some utilities websites provide customers with the start time of the outage, the number of customers impacted by the outage, and an outage map. Storm Centre landing pages on the utilities’ websites have become a best practice where outage information is consolidated in one easy to access location. Social media will become increasingly important depending upon the severity of the outage. The reality is social media adoption rates are growing, which means, in time, these channels will become an additional means for providing information.



Using social media and multi-channel communication modes still appear to be the exception when it comes to customers contacting their utilities. Results from this year’s survey indicate that the telephone is still the most used and the preferred method of contact. Overall, 87% of all Ontario respondents affected by the ice storm who informed their local utility they were experiencing a power outage did so via telephone. Grimsby Power respondents: 94% telephone; 6% e-mail.

In your view, what is an acceptable period of time to go without electricity in situations like the ice storm?



Base: total respondents affected by the ice storm

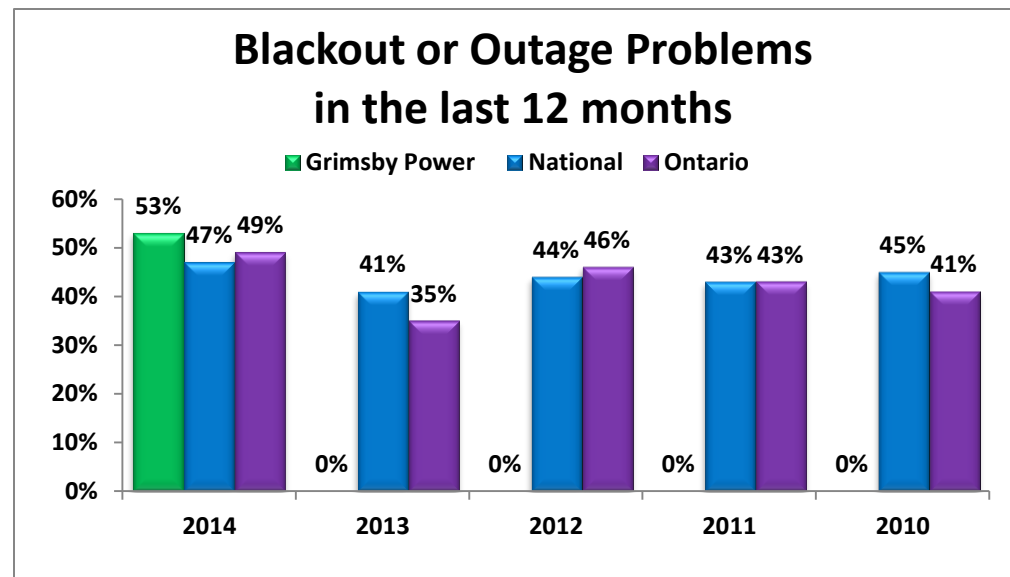
•None (the power shouldn't be going out)	9%
•Less than 2 hours	19%
•2 - 4 hours	29%
•4+ hours or 1/2 day	14%
•12 - 18 hours or 1/2 day to 3/4 day	6%
•19 - 24 hours or 1 day	4%
•1 to 1.5 days	2%
•1 .6 to 2 days	0%
•More than 2 days	0%

During any outage (planned or unplanned) restoring power quickly and safely is a top priority. Consistent and effective communication will drive the customer experience during an outage. If the customer starts to get mixed messages i.e. website versus radio and television news versus public service announcements are not in sync, then a customer could potentially perceive the situation as being not in order and therefore could also question safe and quick restoration. The more disarray the customer senses from mixed communication messages, the more intolerant they will become of the duration of the outage. Consistent updates across all channels will at least provide a sense of security – that the utility is on top of it and working to get things back up and running.

Bill payers' recent problems and problem resolution

Outages and billing problems, we call them the “Killer B’s”, the two issues that are most likely to cause grief to utility customers.

At one time, if the power went off for a few minutes, it was considered annoying and inconvenient. However, with so many devices hooked into the electricity system, even a small power outage can be truly aggravating. 89% of respondents with an opinion agree (top 2 boxes) Grimsby Power “quickly handles outages and restores power”.



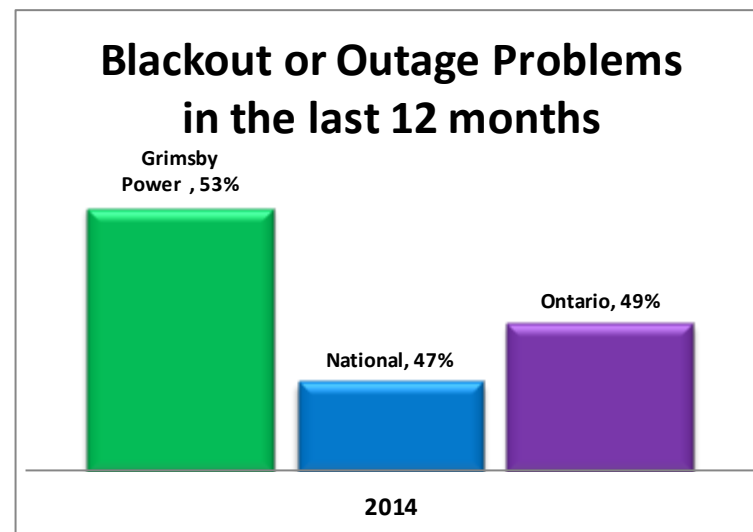
Base: total respondents / (-) not a participant of the survey year

Ideally, no one wants to go without electricity, however it is an inevitability that at some point the power will go out, especially during severe weather related events. During these instances, most customers will be somewhat flexible in their expectation for quick restoration. However, as an outage prolongs and impacts daily routines and when there is an uncertainty as to the expected restoration time, customers begin to become less understanding and more demanding.

Despite a utility's best efforts, there will be times when the power goes off.

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months			
	Grimsby Power	National	Ontario
2014	53%	47%	49%
2013	-	41%	35%
2012	-	44%	46%
2011	-	43%	43%
2010	-	45%	41%

Base: total respondents / (-) not a participant of the survey year

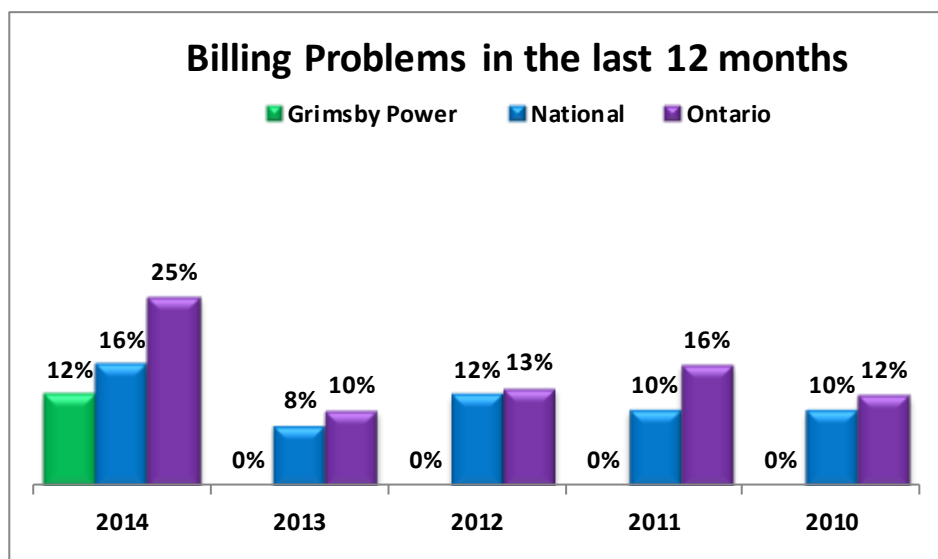


Base: total respondents

For most customers, their bill is the only thing they see (or pay attention to) from their utility provider. It not only tells them how much to pay, it documents their service usage, breaks down the various charges and provides

contact information for customer service. As the principal form of communication between a utility and its customers, utilities cannot underestimate the importance of billing.

When it comes to billing, customers expect zero-defect delivery. Customers expect timely and accurate billings which they understand. Incorrect information, miscalculated balances, bills that are too difficult to understand result in time logged by your CSR's as well as dissatisfied customers. Improving billing activities has an immediate impact on the revenue streams of a utility in terms of costs associated with managing call center applications.

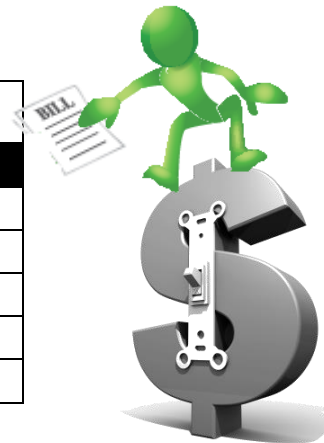


Base: total respondents / (-) not a participant of the survey year



Percentage of Respondents indicating that they had a Billing problem in the last 12 months			
	Grimsby Power	National	Ontario
2014	12%	16%	25%
2013	-	8%	10%
2012	-	12%	13%
2011	-	10%	16%
2010	-	10%	12%

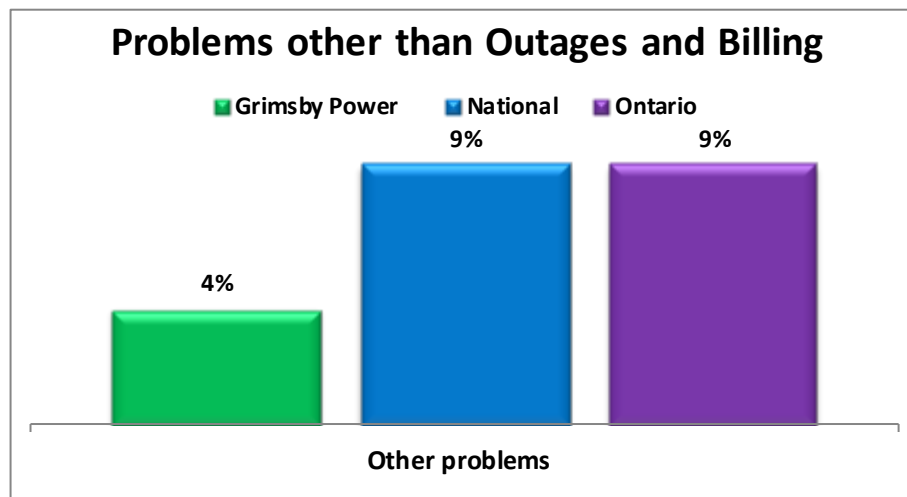
Base: total respondents / (-) not a participant of the survey year



Types of Billing Problems	
	Grimsby Power
The amount owed was too high	63%
The bill arrived late	19%
Complaint about rates or charges	10%
The bill was difficult to understand	2%
Pricing systems (tiers or flat)	2%
No bill/skipped bill	2%

Base: total respondents with billing problems

As it relates to problems, the Killer B's – Bills and Blackouts still occupy top ranking – while moving/setting up a new account, maintenance repairs, high bills, information on pricing, SMART meters and energy conservation are issues which also contribute to inbound call-centre calls.



Base: total respondents

Percentage of Respondents with problems other than billing or power outages in the last 12 months			
	Grimsby Power	National	Ontario
Yes	4%	9%	9%
No	96%	90%	90%

Base: total respondents

The reality is, there will be outages, there will be billing issues and there will be other problems. The key is how the customer is looked after when the problem(s) arises. By understanding the complaint process and customer complaint behaviour, a utility can learn how to reduce the impact of an unfavourable service experience or complaint.

What method did you use to contact your electric utility when you had a problem?

Base: data from the full 2014 database



Customers care more about getting their problem solved than they do about following or using the utilities processes. Solving the customer's problem with the first interaction (often called first call resolution) is a driver of perception. Customers want to deal with someone who understands what they are calling about, they want to have access to the correct person to talk to and they expect this person to have the ability to inform and or make decisions to work through the customer's concern. The reality is that customers know we do not live in a perfect world and problems will arise. What customers want however, is to ultimately have their problem solved. When the problem is solved the utility benefits.

Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months			
	Grimsby Power	National	Ontario
Yes	73%	69%	61%
No	25%	26%	36%

Base: total respondents

Attributes describing operational effectiveness			
	Overall Score	Problem Solved	Problem Not Solved
Provides consistent, reliable electricity	90%	88%	82%
Delivers on its service commitments to customers	86%	86%	71%
Accurate billing	85%	83%	66%
Quickly handles outages and restores power	87%	84%	80%
Makes electricity safety a top priority	88%	88%	86%
Uses responsible environmental practices when completing work	85%	85%	75%
Is efficient at managing the hydro-electric system	82%	80%	65%
Is a company that is 'easy to do business with'	85%	83%	64%
Operates a cost effective hydro-electric system	73%	72%	54%
Overall the utility provides excellent quality services	85%	84%	70%

Base: data from the full 2014 database from those respondents with an opinion

Technology is considered by many in the electricity utility industry to be both a blessing and a curse. On one hand, the LDC (and other service providers) can benefit from embracing technology to reduce costs and hopefully improve service thereby, putting control into the hands of the customer. However, technology can enable the customer's dissatisfaction to go viral.

Loyalty levels of customers (i.e., Secure, Favorable, Indifferent, At Risk) do have a different “recall” as it relates to problems encountered.

Bill payers recalling a power failure or outage				
	Secure	Favorable	Indifferent	At Risk
Yes	31%	35%	46%	48%
No	68%	64%	52%	51%

Base: data from the full 2014 database

Bill payers recalling a billing problem				
	Secure	Favorable	Indifferent	At Risk
Yes	4%	6%	15%	46%
No	95%	93%	83%	51%

Base: data from the full 2014 database

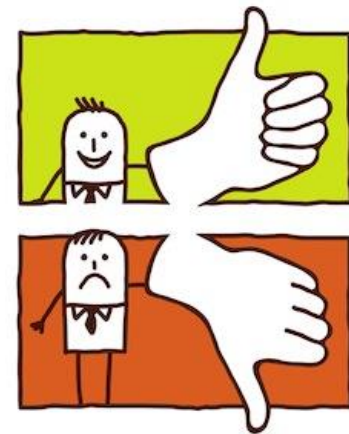
Bill payers who said their problem was solved				
	Secure	Favorable	Indifferent	At Risk
Yes	92%	79%	73%	35%
No	7%	17%	22%	59%

Base: data from the full 2014 database

Customer Experience Performance rating (CEPr)

Every touch point with customers on the phone, website or in-person influences what customers think and feel about the organization. The key is handling every individual element of an interaction with a customer so that he/she feels good at the end of the whole interaction and the utility achieves its business objectives.

Great experiences occur when all functions of the organization align with one another to achieve the outcomes your customers seek. A good customer experience starts with understanding what your customers care about most and understanding which promises are most important to your customers.

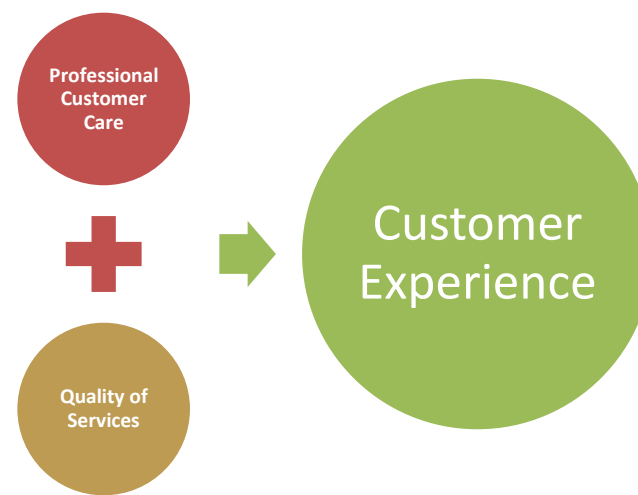


At the heart of the CEPr are 4 central questions:

- Are interactions with the organization professional and productive?
- Is the organization 'easy to deal with'?
- Does the organization effectively meet your needs?
- Does the organization provide high quality services?

Some of the factors which contribute to the overall Customer experience:

- Delivering accessible and consistent customer service
- Understanding customer expectations
- Maintaining timely resolution timelines
- Providing effective communication(s) according to customer needs
- Demonstrating responsiveness
- Speeding up problem resolution
- Conducting problem analysis to prevent recurring issues
- Easy to do business with
- Seeking customer feedback and following through on recommendations



Customer Experience Performance rating (CEPr)			
	Grimsby Power	National	Ontario
CEPr: all respondents	86%	82%	79%

Base: total respondents

The CEPr (all respondents) for Grimsby Power is 86%. This rating would suggest that a very large majority of customers have a belief that they will have a good to excellent experience dealing with a Grimsby Power professional. However, the balance of respondents is not anticipating a good to excellent experience, and as such could be more challenging to serve.

The CEPr score is what we refer to as an effectiveness rating and is affected by many dimensions of service. While an excellent transaction today creates a positive experience today, the perception created is that future transactions will be excellent too, which is how you want your customers to feel. Of course a negative transaction creates the perception that future transactions will be negative. The key then is to emphasize problem resolution with a “one call” mindset.

The impact of Satisfied or Dissatisfied experiences on some operational attributes			
	Grimsby Power	Recent Experience Satisfied	Recent Experience Dissatisfied
Provides consistent, reliable electricity	91%	87%	77%
Delivers on its service commitments to customers	88%	90%	73%
Accurate billing	89%	90%	63%
Quickly handles outages and restores power	89%	84%	78%
Makes electricity safety a top priority	90%	92%	94%
Uses responsible environmental practices when completing work	89%	94%	85%
Is efficient at managing the hydro-electric system	85%	84%	61%
Overall the utility provides excellent quality services	87%	82%	68%

Base: respondents who have contacted the utility

Customer Centric Engagement Index (CCEI)

The EB-2010-0379 ROB-SA report includes the following: “better engage with their customers to better understand and respond to their needs...” Conducting surveys (like this one), holding town hall meetings, focus groups, etc. are examples of engaging your customers. We call this an activity based definition of engagement. Asking 100 people to complete a survey is an engagement activity.

This survey also provides you with an emotional look at engagement. The CCEI index is a gauge of the amount of goodwill that has been generated. High numbers in CCEI suggests that there is a high level of goodwill amongst your customers – this is important for two reasons. First when something goes awry for the utility, goodwill helps the utility to be resilient. Second, goodwill encourages active participation in requests to participate in engagement activities or program offerings from the utility.

The UtilityPULSE Customer Engagement Index (CCEI) is a metric designed to get a more in-depth look at the attachment a customer has with your LDC and its brand.



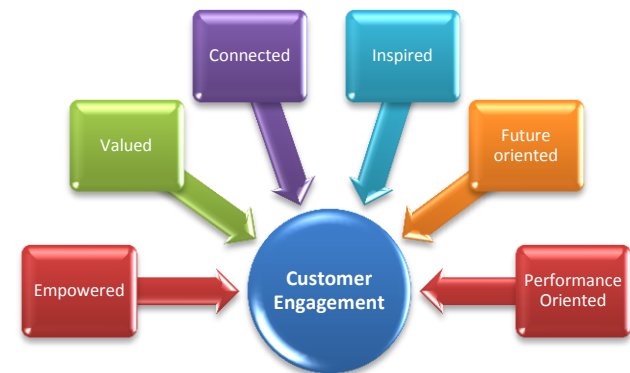
Your Annual UtilityPULSE survey tracks a customer's willingness to continue to do business, and willingness to recommend their local utility. Through a combination of calculations the end result is a Customer Loyalty index. That is, the number of customers that are: At risk, Indifferent, Favourable, Secure. The goal of every enterprise ought to be the creation of more Secure and Favourable customers. We believe that high levels of customer engagement correlate strongly to high levels of Secure and Favourable customer numbers.

We believe that a customer-centric definition of engagement is valuable to individuals, teams and executives in an LDC for determining what needs to be done to ensure that the organization is successful today and successful again tomorrow – in a changed world.

Engagement is how customers think, feel and act towards the organization. As such, ensuring that customers respond in a positive way requires that they are rationally satisfied with the services provided AND emotionally connected to your LDC and its brand. The more frequently and consistently an organization's products and services can connect with a customer, especially on an emotional level, the stronger and deeper the customer becomes engaged with the organization.

What does customer centric engagement look like?

UtilityPULSE has identified the six key dimensions of what defines customer engagement. They are: empowered, valued, connected, inspired, future oriented and performance oriented.



They include:

- Does the utility allow their customers to feel **empowered** about their interactions with the company and decisions affecting their electricity usage
- Does the utility give customers the sense of being **valued**
- Does the utility act in ways which allows customers to stay **connected**
- Do customers get **inspired** by the way the utility conducts business
- Is the utility forward thinking enabling customers to be **future oriented**
- Does the utility conduct operations in such a way that customers believe that they are truly **performance oriented** in achieving goals and results

Utility Customer Centric Engagement Index (CCEI)			
	Grimsby Power	National	Ontario
CCEI	83%	79%	76%

Base: total respondents



Customer centric engagement is a measure of “goodwill” towards the utility. Customers who are less engaged, as measured by the CCEI are more concerned about costs than customers who are highly engaged. Customers who are highly engaged are more inclined to look past costs and money issues and use thoughtful analysis to make values-based decisions.

UtilityPULSE Report Card®

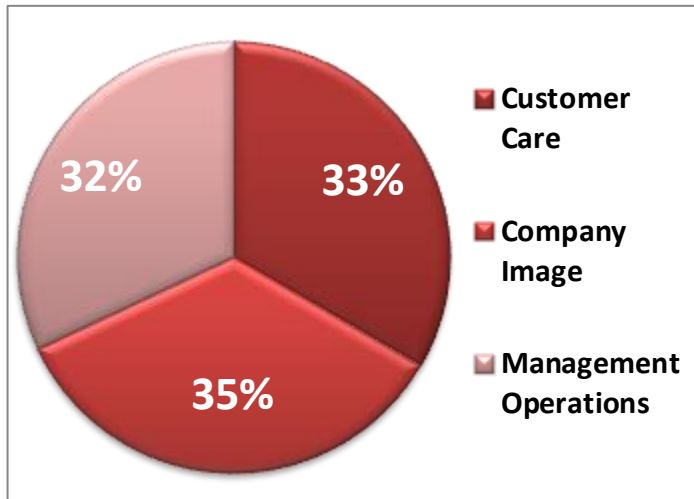
Simul's UtilityPULSE Report Card® is based on tens of thousands of customer interviews gathered over sixteen years. The purpose of the UtilityPULSE Report Card® is to provide electric utilities with a snapshot of performance – on the things that customers deem to be important. Research has identified over 20 attributes, sorted into six topic categories (we call these drivers), that customers have used to describe their utility when they have been satisfied or very satisfied with their utility. These attributes form the nucleus, or base, from which “scores” are assigned. Customer satisfaction and loyalty also play a major role in the calculations.

There are two main dimensions of the UtilityPULSE Report Card® the first is Customer psyche and the other is Customer perceptions about how the utility executes its business.

The Psyche of Customers

Every utility has virtually the same responsibility – provide safe and reliable electricity – yet not all customers are the same. The following chart shows the weight or significance of each category to the customer when forming their overall impression of the utility. Three major themes, each with two major categories make up the UtilityPULSE Report Card®. In effect the Report Card provides feedback about your customers' perception on the importance of each category and driver – as it relates to the benchmark.

UtilityPULSE Report Card® for Grimsby Power



Base: total respondents

The UtilityPULSE Report Card® also provides customer perceptions about how your utility executes or performs its responsibilities. This is different, very different, from what a customer might say about a major concern or worry that they have about electricity. As our survey has shown since its inception the primary suggestion for improvement is “reduce prices”, which is also a major concern which your customers have about municipal taxes, gas for the vehicle, and other utilities.

Readers of this report should note that the categories and drivers are interdependent. Which means that, for example, failure to provide high levels of power quality and reliability will have a negative impact on customer perceptions as it relates to customer service. Customer care, when it doesn't meet customer expectations has a negative impact on Company Image, etc.

Defining the categories and major drivers:

Category: Customer Care

Drivers: Price and Value; Customer Service

Just because everyone likes good customer care, that in and by itself, is not a reason to provide it – though it may be important to do so. In highly competitive industries good customer service may be a differentiating factor. The case for electric utilities is simple, high levels of customer care result in less work (hence cost) of responding to customer inquiries and higher levels of acceptance of the utility's actions.

Price and Value:

Customers have to purchase electricity because life and lifestyle depend on it. This driver measures customer perceptions as to whether the total costs of electricity represent good value and whether the utility is seen as working in the best interests of its customers as it relates to keeping costs affordable.

Customer Service:

Customers do have needs and every now and again have to interface with their utility. How the utility handles various customers' requests and concerns is what this driver is all about. Promptly answering inquiries, providing sound information, keeping customers informed and doing so in a professional manner are the major components of this driver.

Category: Company Image

Drivers: Company Leadership; Corporate Stewardship

Utilities have an image even if they do not undertake any activities to try to build it. A company's image is both a simple and complex concept. It is simple because companies do create images that are easily described and recognized by their target customers. It is complex because it takes many discrete elements to create an image which includes, but is not limited to: advertising, marketing communications, publicity, service offering and pricing.

An electric utility trying to manage its image has one more challenge to deal with, and that is the electric industry itself. There are so many players that residential customers (in particular) don't know who does what or who is responsible for what. So when there are political or regulatory announcements, the local utility is often swept up into the collective reaction of the population.

Company Leadership

This driver is comprised of customer perceptions as it relates to industry leadership, keeping promises and being a respected company in the community.

Corporate Stewardship

Customers rely on electricity and want to know that their utility is both a trusted and credible organization that is well managed, is accountable, is socially responsible and has its financial house in order.

Category: Management Operations

Drivers: Operational Effectiveness; Power Quality and Reliability

Electrical power is the primary product which utilities provide their customers and, they have very high expectations that the power will be there when they need it. Customers have little tolerance for outages. The reality is, every utility has to get this part right...no excuses. It is the utility's core business. This category and its drivers are clearly the most important for fulfilling the rational needs of a utility's customers.

Operational Effectiveness

This driver measures customers' perceptions as they relate to ensuring that their utility runs smoothly. Attributes such as: accurate billing and meter reading, completing service work in a professional and timely manner and maintaining equipment in good repair are deemed as important to customers.

Power Quality and Reliability

Power outages are a fact of life – and, customers know it. They expect their utility to provide consistent, reliable electricity, handle outages and restore power quickly and make using electricity safely an important priority.

Grimsby Power's UtilityPULSE Report Card [®]				
<i>Performance</i>				
	CATEGORY	Grimsby Power	National	Ontario
1	Customer Care	B+	B+	B
	Price and Value	B	B	C+
	Customer Service	A	B+	B
2	Company Image	A	B+	B+
	Company Leadership	A	B+	B+
	Corporate Stewardship	A	A	B+
3	Management Operations	A	A	A
	Operational Effectiveness	A	A	B+
	Power Quality and Reliability	A+	A	A
OVERALL		A	B+	B+

Base: total respondents

As the UtilityPULSE Report Card[®] shows, the total customer experience with an electric utility is defined as more than “keeping the lights on”. Customers deal with your utility every day for a variety of reasons, most likely

because they need someone to help them solve a problem, answer a question or take their order for service. All your employees, from customer service representatives to linemen, leave a lasting impression on the customers they interact with. In effect there are many moments of truth. Moments of truth are every customer touch point that a utility has with their customers. Therefore, managing these moments of truth creates higher levels of Secure customers while reducing the number of At Risk customers that exist.

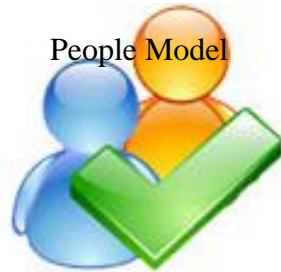
It's the small things done consistently that matter: Things like greeting every customer, whether on the phone or in person, in a friendly and helpful manner. Things like listening to the customer's needs, providing solutions to their problems and showing appreciation to the customer for their business.

Utilities now recognize customer communications as a valuable aspect of their business. The better a utility communicates with customers, in a manner that speaks to them, the more satisfied they are with their overall service. “Sending out information” is not the same as having a “conversation” with a customer. We believe that it is increasingly important to channel your communications to the various customer segments which exist.

Obviously employees – in every area – play a critical role in customer service success. Consequently how they feel about their job responsibilities and role in the company will be communicated indirectly through the level of service which they actually provide customers with whom they interact. The reality is engaged employees are the key to excellent customer care.

Our survey work with employees shows that there are many elements of an organizational culture to support the people model needed to achieve high levels of engagement.

Our research has identified 6 main drivers that promote and support people giving their best:



- **Empowered**
- **Valued**
- **Connected**
- **Inspired**
- **Growing**
- **Performance oriented**

There are 12 key processes from “attracting employees” to “saying goodbye to employees” that are part of your people model to get the best performance from every employee.

We believe that taking the time to understand the difference between employee satisfaction and organizational culture is worthwhile from a resourcing perspective and from a people development perspective. Every organization has a culture – we believe that it is a leadership imperative to install and maintain a culture that ensures that you attain the achievements and successes of your utility’s many investments in people, technology and equipment.

The Loyalty Factor

If a customer is satisfied, it doesn't necessarily mean he or she is loyal. Satisfaction is about fulfilling promises/expectations; loyalty goes way beyond that by creating exceptional experiences and long-lasting relationships. There is a reason why marketing campaigns strive to build brand loyalty, not brand satisfaction. Measuring customer loyalty in an industry where many customers don't have a choice of providers doesn't make sense. Or does it?

The answer depends on how you define "customer loyalty."

Private industry often equates customer loyalty with basic customer retention. If a customer continues to do business with a company, that customer is, by definition, considered to be loyal. If this definition were applied to many companies in the utility industry, all customers would automatically be considered loyal. As such, measuring customer loyalty would appear to be unnecessary.

Natural monopolies (like LDCs) are not really different in what they should measure except that trying to determine which customers are "loyal" or "at risk" is not about their future behaviour but more about their "attitudinal" loyalty (are they advocates?).



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Perhaps a better or more relevant way for utilities to approach the definition of customer loyalty is to further expand how they think about loyalty. Consider the following definition: Customer loyalty is an emotional disposition on the part of the customer that affects the way(s) in which the customer (consistently) interacts, responds or reacts towards the company – its products & services and its brand.

So what does it mean to respond favourably to a company? At a basic level, this can mean choosing to remain a customer. As previously mentioned however, this is essentially a non-issue for many utility companies. It then becomes necessary to think beyond just customer retention. One needs to consider other ways in which customers can respond favourably toward a company.

Other favourable responses or behaviours can be classified into one of three categories that reflect the concept of customer loyalty:

- Participation
- Compliance or Influence
- Advocacy

Specific examples of potential participatory behaviour in the electric utility industry include:

- Signing up for programs that help the customer reduce or manage their energy consumption
- Using the utility as a consultant when selecting energy products and services from a third party
- Participating in pilot programs or research studies

Specific examples of potential compliance or influence behaviours that utility customers might exhibit include:

- Seeking the utility's advice or expertise on an energy-related issue



- Voluntarily cutting back on electricity usage if the utility advised the customer to do so
- Accepting the utility's energy advice or referrals to energy contractors or equipment
- Being influenced by the utility's opinion regarding energy- management advice, equipment, or technologies
- Providing personal information that enables the utility to better serve the customer
- Paying bills online

Creating customer advocates can be especially important for a company in a regulated industry. In the absence of customer advocates, or worse, in a situation where customers speak unfavourably about a company or actively work to support issues that are counter to those the company supports, companies can suffer a variety of negative consequences like increased business costs, lawsuits, fines and construction delays. For an electric utility, specific examples of potential advocacy behaviour include:

- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

In sum, loyal behaviour in the utility industry may not be as evident as it is in a more competitive environment. Measuring customer loyalty in a generally non-competitive industry requires one to think about loyalty in non-traditional ways. Customer loyalty is an intangible asset that has positive consequences or outcomes associated with it no matter what the industry. Properly measuring loyalty among utility customers requires thoughtful probing to thoroughly identify the range of participation, compliance, and advocacy behaviours that will ultimately benefit the company in meaningful ways, and foster happier and more loyal customers.

The UtilityPULSE Customer Loyalty Performance Score segments customers into four groups: **Secure** – the most loyal - **Still Favorable**, **Indifferent**, and **At risk**.

Secure customers are “very satisfied” overall with their local electricity utility. They have a very high emotional connection with their utility and definitely would recommend their local utility.

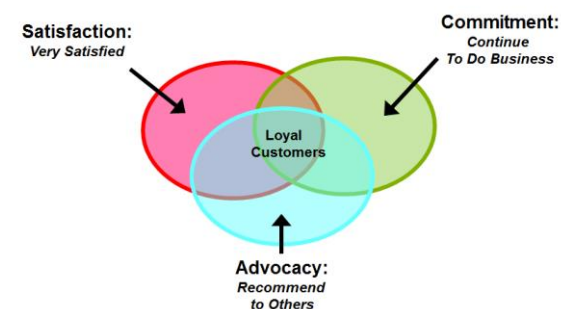
Still favorable customers are “very satisfied” overall, “definitely” or “probably” would recommend their local utility and not switch if they could.

Indifferent customers are less satisfied overall than secure and still-favorable customers and less inclined to recommend their local utility or say they would not switch.

At risk customers, who are “very dissatisfied” with their electricity utility, “definitely” would switch and “definitely” would not recommend it.

Loyalty is driven primarily by a company’s interaction with its customers and how well it delivers on their wants and needs.

Customer Loyalty Model

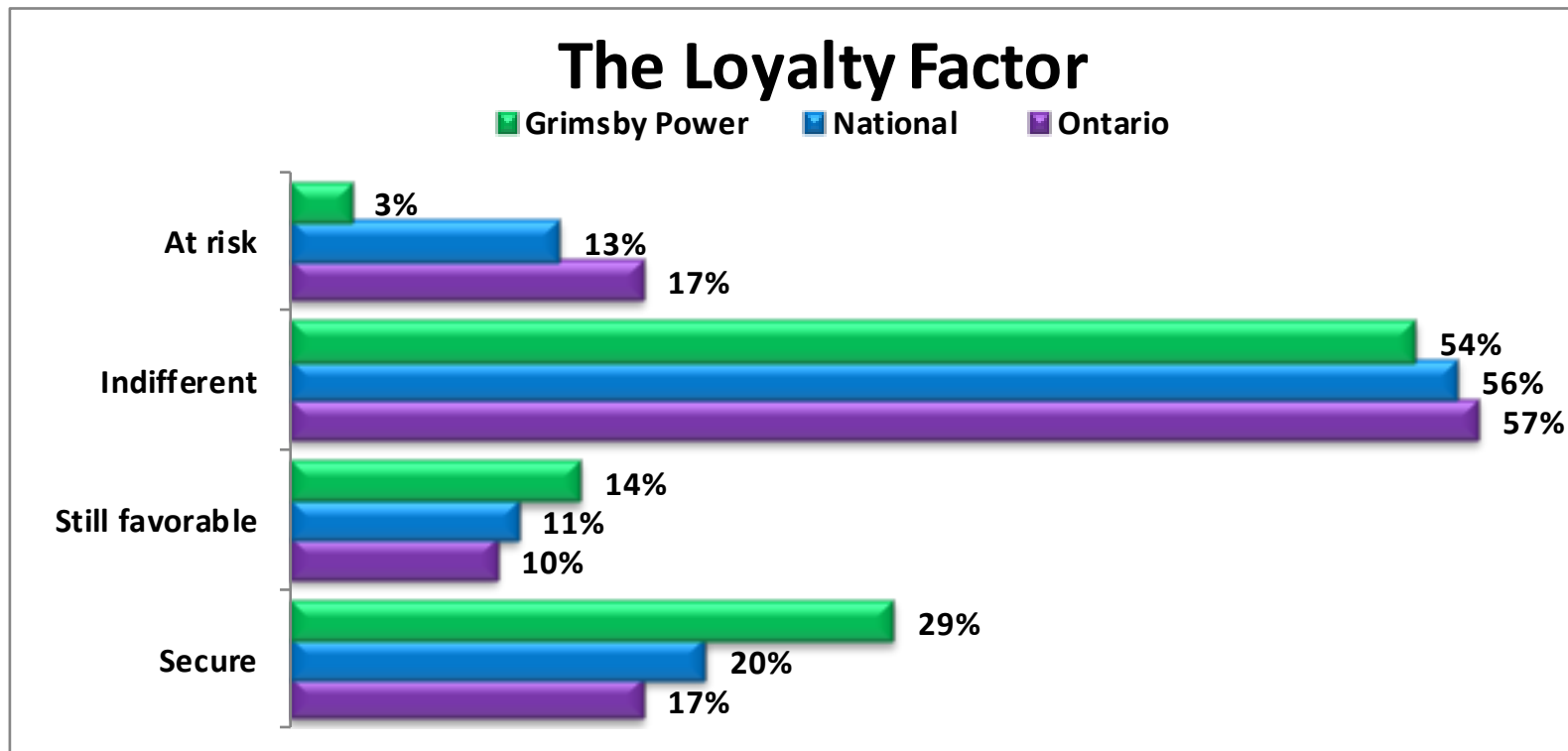


Loyalty is based on likelihood to:

- **Satisfaction:** overall satisfaction
- **Commitment:** continue as a customer
- **Advocacy:** willingness to recommend

Customer Loyalty Groups				
	Secure	Favorable	Indifferent	At Risk
Grimsby Power				
2014	29%	14%	54%	3%

Base: total respondents / (-) not a participant of the survey year



Base: total respondents

Customer Loyalty Groups				
	Secure	Favorable	Indifferent	At Risk
Ontario				
2014	17%	10%	57%	17%
2013	24%	15%	51%	11%
2012	20%	13%	53%	14%
2011	17%	13%	54%	16%
2010	21%	12%	52%	15%
National				
2014	20%	11%	56%	13%
2013	26%	17%	47%	10%
2012	30%	13%	46%	11%
2011	28%	14%	46%	12%
2010	17%	14%	60%	9%

Base: total respondents



Secure customers' experiences and perceptions are distinct from those of Indifferent customers. There is yet an even greater gap between those identified as Secure versus At Risk.

- Problems are experienced and remain unresolved far more often by the Indifferent or At Risk segments in comparison to others. This is not an unusual finding.
- Other areas of interaction also revealed considerable differences among the segments. Consistently, Secure customers' perceptions are most positive.

Important attributes which shape perceptions about customer affinity			
	Overall	Secure	At Risk
Customer focused and treats customers as if they're valued	80%	95%	49%
Is pro-active in communicating changes and issues which may affect customers	79%	93%	56%
Deals professionally with customers' problems	85%	96%	61%
Provides information to help customers reduce their electricity costs	79%	92%	55%
Quickly deals with issues that affect customers	82%	95%	56%
Delivers on its service commitments to customers	86%	97%	67%
Provides information and tools to help manage electricity consumption	79%	92%	56%
Is 'easy to do business with'	85%	98%	55%
Adapts well to changes in customer expectations	75%	90%	45%
The cost of electricity is reasonable when compared to other utilities	62%	79%	37%
Provides good value for your money	70%	89%	38%
Provides consistent reliable electricity	90%	99%	77%
Operates a cost effective hydro-electric system	73%	91%	41%
Overall the utility provides excellent quality services	85%	98%	62%

Base: data from the full 2014 database from those respondents with an opinion

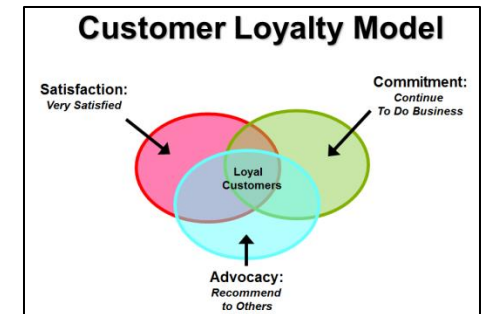
Customer commitment

Customer loyalty is a term that can be used to embrace a range of customer attitudes and behaviours. One of the metrics used to gauge loyalty is the measure of **retention**, or intention to buy again; this loyalty attitude is termed **commitment**.

Customer commitment to the local electricity supplier is a very important driver of customer loyalty in the electricity service industry. In a similar way to trust, commitment is considered an important ingredient in successful relationships. In simpler terms, commitment refers to the motivation to continue to do business with and maintain a relationship with a business partner i.e. the local utility.

For electric utilities, this measurement is about identifying the number of customers who feel that they “want to” vs “have to” do business with you. Potential benefits of commitment may include word of mouth communications - an important aspect of attitudinal loyalty. Committed customers have been known to demonstrate a number of beneficial behaviours, for example committed customers tend to:

- Come to you. One of the key benefits of establishing a good level of customer loyalty is that customers will come to you when they need a product or service.



- Validate information received from 3rd parties with information and expertise that you have.
- Try new products/initiatives.
- Perhaps they will even trust you when recommendations are made.
- Be more price tolerant.
- More receptivity of utility viewpoints on various issues.
- More tolerance of errors or issues that inevitably take a swipe at the utility.
- Stronger levels of perception regarding how the utility is managed.

Though customers can not physically leave you, they can emotionally leave you and when they do, it becomes an extreme challenge to garner their participation or support for utility initiatives.

Electricity customers' loyalty – ... Is a company that you would like to continue to do business with			
	Grimsby Power	National	Ontario
Top 2 Boxes: 'Definitely + Probably' would continue	85%	74%	72%
Definitely would continue	58%	41%	35%
Probably would continue	27%	32%	37%
Might or might not continue	5%	8%	7%
Probably would not continue	2%	4%	5%
Definitely would not continue	2%	8%	10%

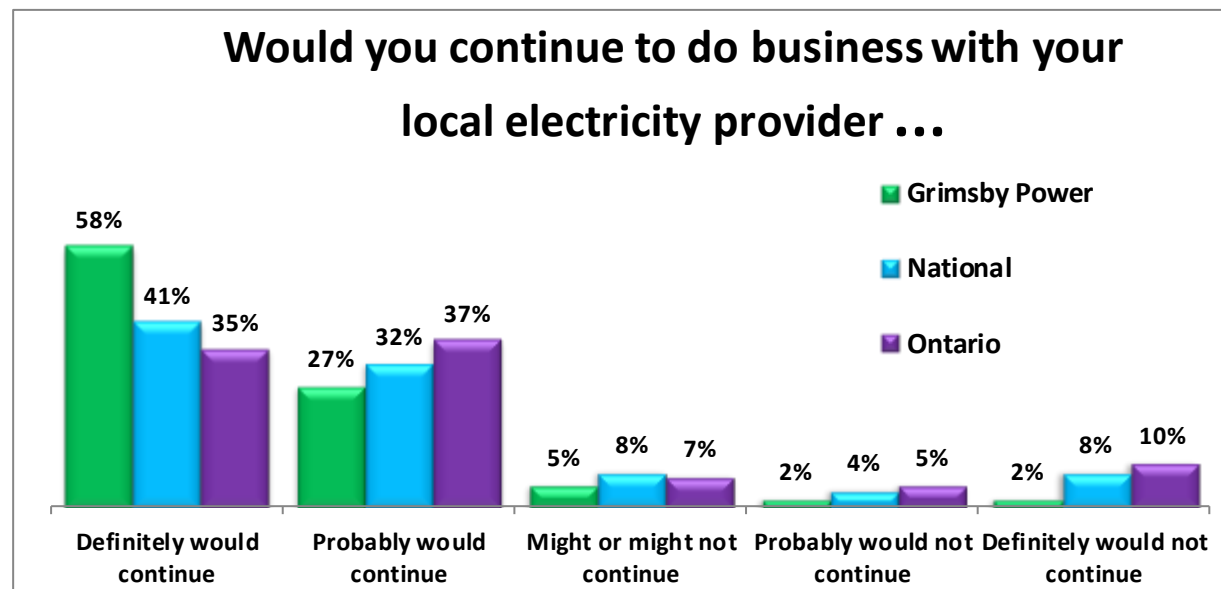
Base: total respondents

Electricity customers' loyalty – ... Is a company that you would like to continue to do business with				
Grimsby Power	<\$40K	\$70K+	18-34	55+
Top 2 Boxes: 'Definitely + Probably' would continue	84%	83%	88%	84%

Base: total respondents

Electricity customers' loyalty – Is a company that you would like to continue to do business with					
Grimsby Power	2014	2013	2012	2011	2010
Top 2 boxes: 'Definitely + Probably' would continue	85%	-	-	-	-

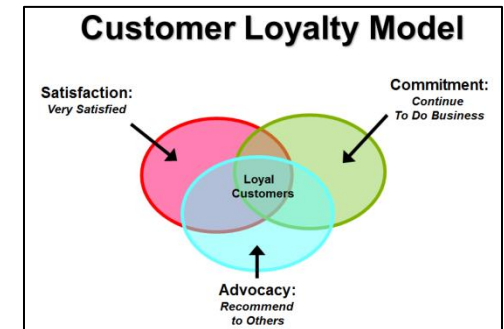
Base: total respondents / (-) not a participant of the survey year



Base: total respondents

Word of mouth

Advocacy is one of the metrics measured in determining customer loyalty. Essentially, companies believe that a loyal customer is one that is spreading the value of the business to others, leading new people to the business and helping the company grow. Customer referrals, endorsements and spreading the word are extremely important forms of customer behaviour. For LDCs this is about generating positive referants about the LDC as a relevant and valuable enterprise.



When customers are loyal to a company, product or service, they not only are more likely to purchase from that company again, but they are more likely to recommend it to others – to openly share their positive feelings and experiences with others. In today's world, thanks to the Internet, they can tell and influence millions of people. That equates to new customers and revenue. The same holds true, if not more, when customers are disloyal. Disgruntled customers could share their negative experiences with an ever-widening audience, jeopardizing a company's reputation and resulting in fewer engaged customers and/or customers who are Favourable or Secure. Secure customers, typically are advocates and they are deeply connected and brand-involved.



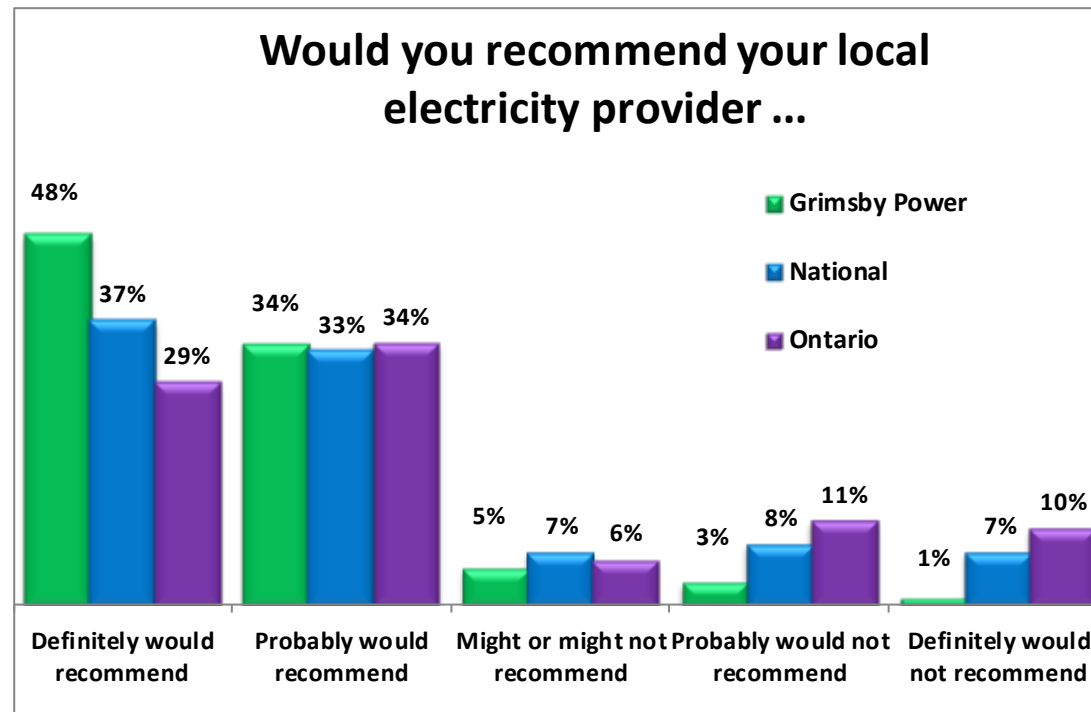
There are two forms of word of mouth which utilities need to understand. The first is *Experience-based word of mouth* which is the most common and most powerful form. It results from a customer's direct experience with the utility or the re-statement of a direct experience from a trusted source.

The second is *Relay-based word of mouth*. This is when customers pass along important messages to others based on what they have learned through the more traditional forms of communications. For example, if the utility was communicating an offer for "free LED lights" chances are high that the offer will be "relayed" to others through word of mouth.

For an electric utility, specific examples of potential positive advocacy behaviour include:

- *Recommending that other customers specifically locate in the geographic area that is serviced by that utility*
- *Supporting the utility's positions or actions on energy-related public issues, including the environment*
- *Supporting the utility's position on the location and construction of facilities*
- *Providing testimonials about positive experiences with the utility*

Would you tell me if you agree or disagree with the following statement? Grimsby Power is a company that you would recommend to a friend or colleague ...



Base: total respondents

Word of mouth communication is a very powerful form of communication and influence. When customers are speaking to other customers (or their peers) it is more credible, goes through less perceptual filters and can enhance the view of services or products better than marketing communication.

Electricity customers' loyalty – ... is a company that you would recommend to a friend or colleague			
	Grimsby Power	National	Ontario
Top 2 boxes: 'Definitely + Probably' would recommend	81%	69%	63%
Definitely would recommend	48%	37%	29%
Probably would recommend	34%	33%	34%
Might or might not recommend	5%	7%	6%
Probably would not recommend	3%	8%	11%
Definitely would not recommend	1%	7%	10%

Base: total respondents

Electricity customers' loyalty – is a company that you would recommend to a friend or colleague				
Grimsby Power	<\$40K	\$70K+	18-34	55+
Top 2 boxes: 'Definitely + Probably' would recommend	88%	82%	96%	80%

Base: total respondents

Electricity customers' loyalty – is a company that you would recommend to a friend or colleague					
Grimsby Power	2014	2013	2012	2011	2010
Top 2 boxes: 'Definitely + Probably' would recommend	81%	-	-	-	-

Base: total respondents / (-) not a participant of the survey year

Corporate image

Customers may dislike what is going on in the electricity industry and they may have an intense dislike for the amount that they have to pay – but they may not dislike their local utility. We hear comments in the interviews such as: *“I hate how much electricity costs, but my utility does a good job.”*; *“Electricity is so expensive these days and it keeps going up and up, but thank goodness for XYZ hydro.”* Customers who are connected to the brand, respect the brand, are more likely to look favourably on their utility. The opposite is also true, customers who do not connect or respect the brand and who are upset with the industry produce very challenging customers when things go wrong.

Corporate Image/Brand, as a factor for influencing a customer’s perception about their utility has grown significantly in importance to customers. In 2006, Corporate Image/Brand had about an 18% weighting, Customer care had about a 26% weighting and Management operations had about a 56% weighting as it relates to affecting customer’s perceptions. Today, in 2014 all three areas are about equal in weighting.

Data from the 2014 survey show that respondents who give their utilities high marks for respect, trust, and social responsibility also give their utilities high marks for providing high quality services, and better marks for both cost efficiency and reasonableness of costs.



Reputation, image, brand has to be actively managed. Nothing is private anymore. Positive impressions beget positive perceptions. Below are some of the attributes measured in the annual UtilityPULSE survey which are strongly linked to a utility's image.

Attributes strongly linked to a hydro utility's image			
	Grimsby Power	National	Ontario
Is a respected company in the community	89%	81%	78%
A leader in promoting energy conservation	83%	78%	77%
Keeps its promises to customers and the community	87%	79%	76%
Is a socially responsible company	87%	78%	77%
Is a trusted and trustworthy company	87%	82%	77%
Adapts well to changes in customer expectations	80%	71%	68%
Is 'easy to do business with'	88%	79%	75%
Provides good value for your money	75%	67%	63%
Overall the utility provides excellent quality services	87%	83%	80%
Operates a cost effective hydro-electric system	77%	69%	62%

Base: total respondents with an opinion

Every LDC has a brand and a brand image, while that image can be affected by events in the industry beyond the control of the LDC, the reality is there is a cost benefit to improving the customer experience, generating higher levels of customer engagement and growing the numbers of Favourable and Secure customers. Providing consistent reliable electricity while being seen as 'easy to do business with', along with providing

information and support for customers to use electricity more efficiently are core components of a successful relationship with customers. The reality is, every utility has an image – why not have the image you want? While keeping the lights on builds a customer’s belief that their utility is competent at what it does, image is about building a customer’s belief that they can be confident that their utility is successful today and will be successful again tomorrow.

Marketing – Communications			
	Grimsby Power	National	Ontario
Topics that require more pro-active communication			
Cost of electricity is reasonable when compared to other utilities	67%	60%	55%
Provides information to help customers reduce electricity costs	79%	77%	75%
Adapts well to changes in customer expectations	80%	71%	68%
Operates a cost effective hydro-electric system	77%	69%	62%
Provides good value for money	75%	67%	63%
Topics that your utility scores very well on			
Is a trusted and trustworthy company	87%	82%	77%
Respected company in the community	89%	81%	78%
Accurate billing	89%	83%	77%
Overall the utility provides excellent quality services	87%	83%	80%
Provides consistent, reliable energy	91%	89%	86%

Base: total respondents with an opinion

Corporate Credibility & Trust

The foundation of every relationship is trust. Without it, engaging customers becomes a large challenge and when trust is low, or non-existent, feedback may not be truthful. Recognizing the myriad of events that have taken place in the industry, it has become increasingly important for a utility to be credible and trusted.

Establishing trust and credibility, whether with business partners, customers or regulators, is not achieved overnight. Creating credibility is a process, which advances only through honest, continuous communication between the utility, its regulators, and the public at large. Pro-active and credible communications from an LDC should do three things for its customers: 1- demonstrate competency 2- build confidence and 3- show a future orientation.

Attributes strongly linked to Credibility & Trust			
	Grimsby Power	National	Ontario
Overall the utility provides excellent quality services	87%	83%	80%
Keeps its promises to customers and the community	87%	79%	76%
Customer-focused and treats customers as if they're valued	83%	74%	72%
Is a trusted and trustworthy company	87%	82%	77%

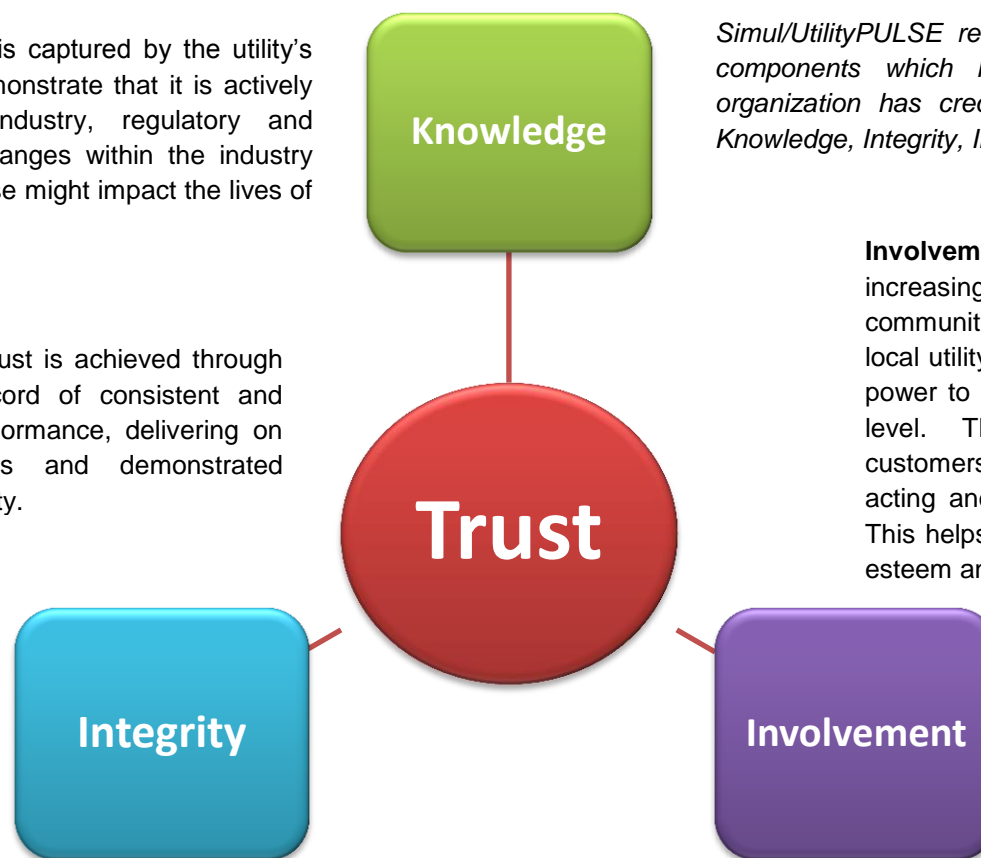
Base: total respondents with an opinion

Public trust in their local utility is the degree to which the public believes that the utility will act in a particular manner because the utility has incorporated the public's interest into its own. Utilities benefit from a trusted relationship with their empowered Customers. Trust and credibility can be thought of as indicators of the degree of confidence stakeholders have in your organization's ability to deliver on its commitments. Trust and credibility are outcomes based on what your utility actually does, not what it might be doing.

Knowledge is captured by the utility's ability to demonstrate that it is actively aware of industry, regulatory and economic changes within the industry and how these might impact the lives of customers.

Trust — Trust is achieved through a track record of consistent and reliable performance, delivering on commitments and demonstrated accountability.

Integrity is established by demonstrating adherence to a code of conduct. It requires consistently acting in accordance with the values and goals that have been communicated to customers.



Simul/UtilityPULSE research shows the under-pinning components which lead customers to believe an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust.

Involvement — Corporate Involvement is increasingly important to Canadian communities as it is an opportunity for their local utility to use their resources and manpower to benefit people at the community level. This helps to build credibility as customers see that the organization is acting and delivering on its commitments. This helps customers regard the utility with esteem and respect.

Using the four components of demonstrating Credibility and Trust, the resultant index shows that LDCs enjoy a high level of credibility and trust. “It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.” [Warren Buffet]

<i>Credibility and Trust Index</i>	
Knowledge	The utility is seen as being knowledgeable about the services it provides, about what is happening in the industry, and how customers can reduce costs or create more value.
Integrity	The utility is seen as an organization that will act in the best interests of its customers and can be counted on to provide services and resolve problems in a professional manner.
Involvement	The utility is actively involved in the industry, in the community and in things that affect the customer.
Trust	The utility is an organization that can be trusted and is worthy of respect.
Overall Grimsby Power 85% [Ontario 77%; National 80%]	



How can service to customers be improved?

Every business, even natural monopolies, need to keep a focus on its customers, its standards of operations and being responsive to problems. Insights into what isn't working or what can be done to improve often come from customers. Continuous improvement is the new normal.

Customers are more informed, more aware, more conscious of what's going on around big issues in the world around them and in this age of internet and social media, they are better equipped to influence service quality and outcomes. They have learned to compare products and services, to document and monitor customer service and satisfaction, and to request or demand higher quality. And, when things go wrong, customers also know that they are "one click" away from the world knowing about it.

As a further way to identify pressure points and areas of concern, respondents were asked to give their top two priorities for improvement to their local utility's service.

For 2014 there is heightened awareness for the need to maintain equipment, keep things up to date, improve reliability, and communicate effectively.

And we are interested in knowing what you think are the one or two most important things Grimsby Power could do to improve service to their customers?

One or two most important things 'your local utility' could do to improve service	
Grimsby Power	% of all suggestions
Better prices/lower rates	43%
Improve reliability of power	20%
Better maintenance	18%
Eliminate SMART meters	8%
Better communication with customers	8%
Information & incentives on energy conservation	8%
Be more efficient	6%
Improve/simplify/clarify billing	4%
Better online presence	4%
Remove hidden costs on bills	3%
Extend service hours/availability of hydro representative	3%
Don't charge for previous debt	2%
Staff related concerns	1%

Base: total respondents with suggestions

What do customers think about electricity costs?

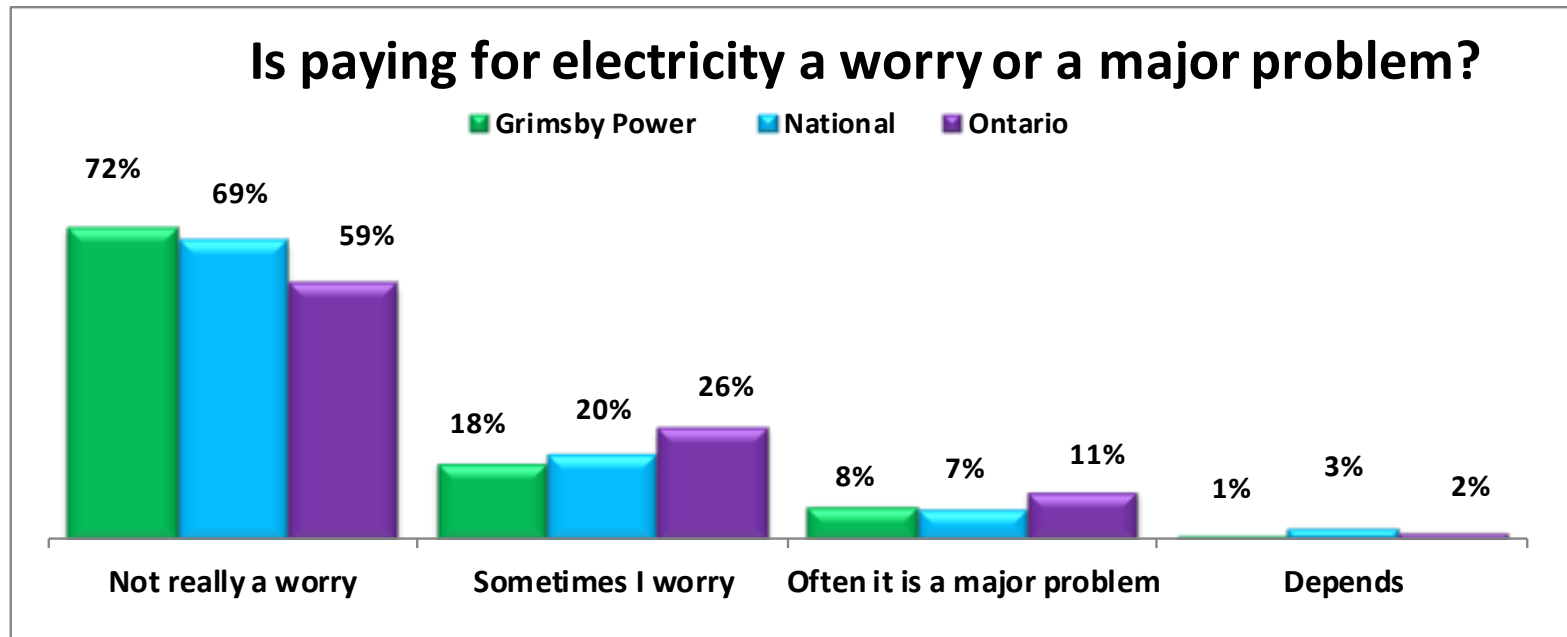
Ask a utility customer – anywhere in the province of Ontario – what do they think about electricity, there is a very high probability that they will say that electricity costs are too high or too expensive. For customers who said that they had a billing problem in the last 12 months, and stated that the problem was “high bills” or “high rates or charges”, there was very little variability between customers who could be called Secure, Favourable, Indifferent or At Risk. There was also very little variability between age groupings or income groupings.

In 2010, 44% of customers who said they had a billing problem cited “high bills” or “high rates or charges” as being the culprit. Our survey database for 2014 tells us the comparable number is 68%. In 5 years there has been much shift towards the issue being high bills and/or high rates. There is a growing concern over costs, which means that the industry needs to monitor “ability to pay”.

Next I am going to read a number of statements people might use about paying for their electricity. Which one comes closest to your own feelings, even if none is exactly right? Paying for electricity is not really a worry, Sometimes I worry about finding the money to pay for electricity, or Paying for electricity is often a major problem?

Is paying for electricity a worry or a major problem?				
	Not a worry	Sometimes	Often	Depends
Grimsby Power				
2014	72%	18%	8%	1%

Base: total respondents



Base: total respondents

Is paying for electricity a worry or a major problem?				
	Not a worry	Sometimes	Often	Depends
Grimsby Power				
<\$40,000	61%	22%	10%	2%
\$40<\$70,000	68%	26%	6%	0%
\$70,000+	75%	16%	8%	1%

Base: total respondents

The UtilityPULSE database for 2014 shows respondents who have an income less than \$40,000 have almost 2X more billing problems than those who have income in excess of \$70K per year. 20% of customers <40K said they had a billing problem compared to 11% of respondents who had income over \$70K. However respondents in the lower income bracket are more likely to shift use of their electricity to lower cost periods.

Our data also shows that lower income customers are less likely to utilize energy conservations methods that cost money. More important however is the difference the <\$40K respondents vs the >\$70K as it relates to taking action or who have “already done” a conservation action. Installed a programmable thermostat? 44% “Done” <\$40K, 70% “Done” >\$70K. Installed timers: 26% vs 38% “Done”. Replaced Furnace: 43% vs 57% “Done”. Replaced air-conditioner: 35% vs 49%.

Ability to pay then has an impact on conservation.

Is paying for electricity a worry or a major problem?				
	Not a worry	Sometimes	Often	Depends
Ontario				
2014	59%	26%	11%	2%
2013	66%	21%	11%	1%
2012	59%	27%	11%	2%
2011	52%	31%	13%	3%
2010	67%	23%	8%	2%
National				
2013	69%	20%	7%	3%
2013	70%	18%	8%	2%
2012	67%	22%	8%	2%
2011	63%	25%	8%	2%
2010	71%	20%	6%	1%

Base: 2014 Ontario and National benchmark surveys

What do small commercial customers think?

Residential and small business customers create the bulk of a utility's service transactions every day—and account for more than half of the energy consumed — understanding their needs and expectations is becoming more important than ever before.

Interestingly the definition for small commercial customers is defined based on usage. While this definition is used for regulatory purposes, the reality is small commercial customers have many “personas”. Unfortunately customer information on small commercial customers rarely contains enough data to truly develop targeted communications.

Small Commercial Customer (General Service < 50kW Demand)

A small commercial customer is defined by the OEB as a non-residential customer in a less than 50 kW demand rate class. These customers are similar to the residential customer in that their bill does not have a demand component to it and their charges are based upon KWH of consumption. Most of these customers would occupy small storefront locations or offices

Data from the 2014 full database shows small commercial customers with higher satisfaction and having less outages than residential customers. However commercial customers are 2X more likely to contact their utility when the power goes off or when there is a billing problem.



Deposit requirements, monthly energy bills (and, therefore, energy usage), power quality, and reliability all directly impact a small business's financial situation. Unlike residential customers who tend to describe the cost of power interruptions in terms of a "inconvenience", commercial (and industrial) customers associate power interruptions with the cost of lost business, i.e., a loss in production is a loss in profits.

Likewise, based on the requirement of electricity to sustain business operations, there exists a difference in actual levels of demand response. For instance, small business and commercial users are unlikely to choose to decrease their electricity consumption if it is incompatible with efficient management of their business processes or threatens contracted deliveries to their primary product markets. In some cases, electricity consumption is a relatively small proportion of total input and operating costs, which substantially reduces the financial incentive for shutting down production during off peak pricing.

The tables associated with this report will contain Ontario LDC specific information as it relates to residential and commercial customers. Recognizing that smaller data samples are susceptible to greater data swings, for most LDCs there would be 60 or 90 responses from small commercial customers. We have compiled the following based on a group composite of all of our 2014 discussions with small commercial and residential customers.

Satisfaction: Pre & Post		
Satisfaction (Top 2 Boxes: 'very + somewhat satisfied')	Residential	Commercial
Initially	89%	91%
End of Interview	90%	93%

Base: total respondents from the full 2014 database

As it relates to the six attributes associated with customer service:

Very or fairly satisfied with...	Residential	Commercial
The time it took to contact someone	73%	78%
The time it took someone to deal with your problem	66%	76%
The helpfulness of the staff who dealt with your problem	74%	83%
The knowledge of the staff who dealt with your problem	71%	82%
The level of courtesy of the staff who dealt with your problem	81%	89%
The quality of information provided by the staff member	70%	79%

Base: total respondents from the full 2014 database



Commercial respondents had higher satisfaction levels with customer service versus Residential respondents.

Overall satisfaction with most recent experience		
	Residential	Commercial
Top 2 Boxes: 'very + somewhat satisfied'	73%	79%
Bottom 2 Boxes: 'somewhat + very dissatisfied'	24%	19%

Base: total respondents from the full 2014 database

Comparisons between Residential and Commercial		
Loyalty Groups	Residential	Commercial
Secure	22%	26%
Still Favourable	10%	12%
Indifferent	60%	55%
At risk	7%	7%

Base: total respondents from the full 2014 database

Loyalty Model Factors	Residential	Commercial
Very/somewhat satisfied	89%	91%
Definitely/probably would continue	82%	84%
Definitely/probably would recommend	75%	77%

Base: total respondents from the full 2014 database

Outages & Bill problems	Residential	Commercial
Respondents with outage problems	43%	28%
Respondents with billing problems	14%	13%

Base: total respondents from the full 2014 database

Attempts to contact local utility...	Residential	Commercial
Respondents with outage problems	18%	33%
Respondents with billing problems	31%	63%

Base: total respondents from the full 2014 database

Residential respondents reported a considerably higher incidence of outages.



Commercial respondents were more likely to call in about billing and outage problems.

Important attributes which describe operational effectiveness		
	Residential	Commercial
Provides consistent, reliable electricity	90%	91%
Delivers on its service commitments to customers	86%	87%
Accurate billing	85%	86%
Quickly handles outages and restores power	87%	88%
Makes electrical safety a top priority	88%	90%
Uses responsible environmental practices when completing work	85%	88%
Is efficient at managing the hydro-electric system	81%	83%
Is a company that is 'easy to do business with'	84%	85%
Operates a cost effective hydro-electric system	73%	74%

Base: total respondents with an opinion from the full 2014 database

Important attributes which shape perceptions about corporate image		
	Residential	Commercial
Is a respected company in the community	86%	87%
Maintains high standards of business ethics	84%	85%
A leader in promoting energy conservation	81%	83%
Keeps its promises to customers and the community	83%	84%
Is a socially responsible company	84%	85%
Is a trusted and trustworthy company	85%	86%
Adapts well to changes in customer expectations	75%	77%
Overall the utility provides excellent quality services	85%	86%

Base: total respondents with an opinion from the full 2014 database

Important attributes which shape perceptions about service quality and value		
	Residential	Commercial
Is pro-active in communicating changes and issues which may affect customers	79%	83%
Provides good value for money	70%	71%
Customer-focused and treats customers as if they're valued	79%	81%
Deals professionally with customers' problems	85%	86%
Quickly deals with issues that affect customers	82%	84%
Provides information and tools to help manage electricity consumption	80%	79%
Provides information to help customers reduce their electricity costs	79%	71%
The cost of electricity is reasonable when compared to other utilities	62%	64%

Base: total respondents with an opinion from the full 2014 database

Is paying for electricity a worry or a major problem?		
	Residential	Commercial
Not really a worry	66%	67%
Sometimes I worry	22%	21%
Often it is a major problem	7%	8%
Depends	2%	2%

Base: total respondents from the full 2014 database



When a weather related event occurs there is no distinction as to whom it will target – basically all those in its path will be affected. As it relates to the Ice Storm of 2013, the following are responses taken from all residential and commercial respondents who said they were affected by the storm.

Percentage of Respondents who contacted their utility about the ice storm power outage		
	Residential	Commercial
Yes	17%	22%
No	82%	75%

Base: total respondents from the full 2014 database who were affected by the ice storm



Length of outage (during Ice Storm 2013)								
	Less than 2 hours	2 – 4 hours	4+ hours or ½ day	12-18 hours or ½ - ¾ day	19-24 hours or 1 day	1 to 1.5 days	1.6 to 2 days	More than 2 days
Residential	21%	19%	21%	8%	5%	5%	4%	7%
Commercial	17%	20%	15%	7%	6%	4%	4%	9%

Base: total respondents from the full 2014 database who were affected by the ice storm

While technology has provided various channels for communications, the telephone remains the predominant means of communication at this point in time.

What method did you use to contact your electric utility about the outage during Ice Storm 2013?		
	Residential	Commercial
Telephone	86%	94%
E-mail	1%	1%
Social media - Twitter	1%	0%
In person	1%	0%
Other	2%	2%
Don't know	3%	2%

Base: total respondents from the full 2014 database who were affected by the ice storm



While there is no doubt a power outage will cause disruption in day to day events, the tolerance level in the wake of an outage is related to the amount of dependency on electricity in day to day workings. Regardless, respondents in this year's survey be they residential or commercial shared a common tolerance level for the length of time to go without electricity during an extreme event or situation.

In your view, what is an acceptable period of time to go without electricity in situations like Ice Storm 2013?		
	Residential	Commercial
None (the power shouldn't be going out)	7%	8%
Less than 2 hours	11%	12%
2-4 hours	17%	17%
4+ hours or ½ day	16%	14%
12 – 18 hours or ½ day to ¾ day	8%	6%
19 – 24 hours or 1 day	10%	10%
1 to 1.5 days	5%	4%
1.6 to 2 days	5%	7%
More than 2 days	4%	4%
Other	2%	1%
Don't know	14%	17%

Base: total respondents from the full 2014 database who were affected by the ice storm

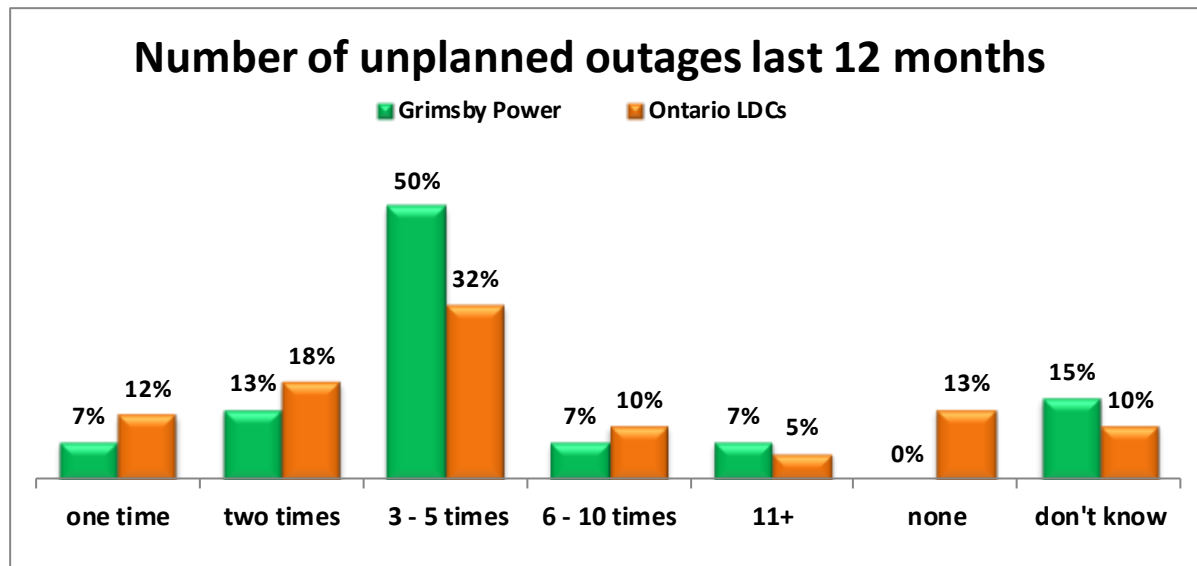


SUPPLEMENTAL QUESTIONS



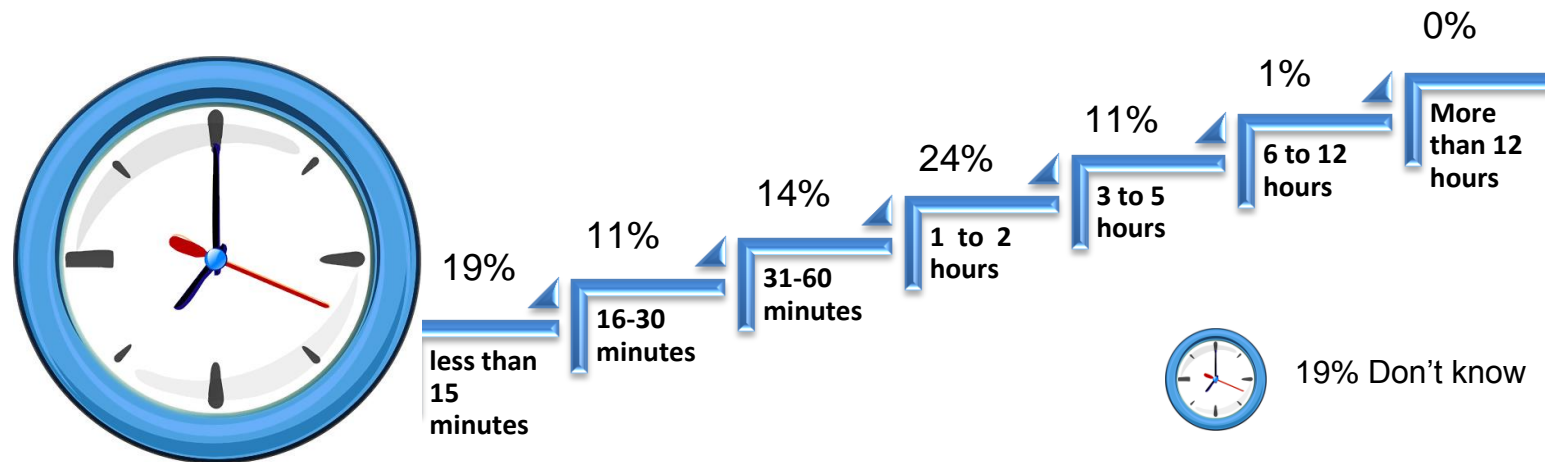
Outage Communications

Whether an outage is planned or unplanned, the reality is that it is going to cause disruption and inconvenience under best case scenarios and under worst case scenarios there could be safety and financial consequences. The impact of severe weather such as storms and other outage events are causing longer duration and more frequent outages.



Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local utility

When an unplanned outage occurs, how long, on average, is the outage?



Base: 90% of total respondents from the local utility

However, one thing for certain, no matter what the scenario happens to be, customers are expecting their utility to keep them continually updated on the status of outages. Most importantly, and top priority, is to know the estimated restoration time. They also want to know the cause of the outage because they do not want to be a frequent outage customer.

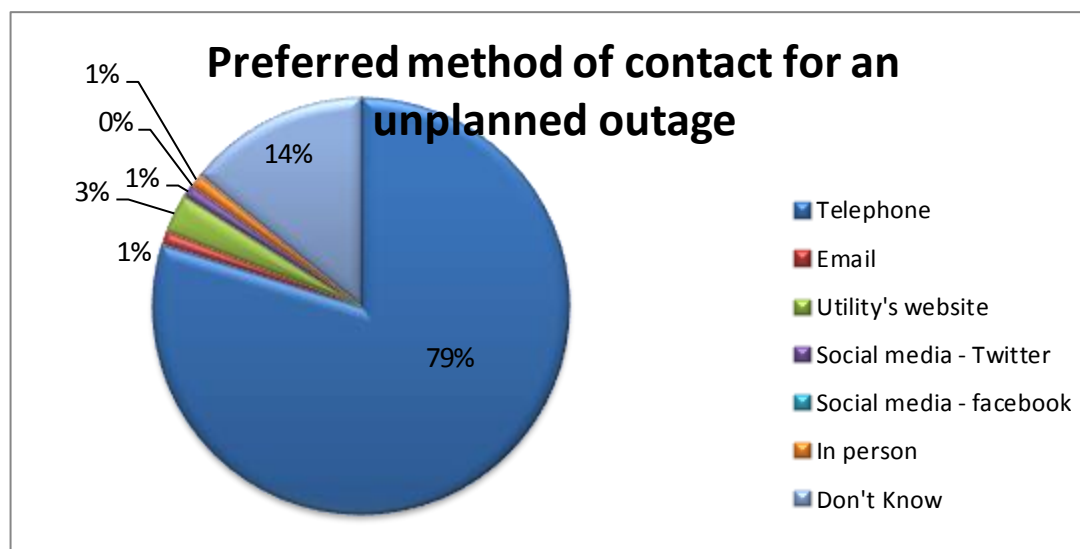
How a utility chooses to handle, manage and communicate with customers during an outage situation does affect customers' satisfaction with their utility. Customers want timely, accurate and relevant information about an outage and customers expect a utility various communication channels to ensure their message is getting out there. This means not only obtaining information via the call centre and IVR but customers have increasing

expectations for proactive two-way communication through social media, utility websites and modern communication devices (e.g. tablets, smartphones) and apps.

The types of information that customers require during an outage include:

- When will their power be restored?
- What areas are affected?
- How many customers are impacted?
- Have work crews been dispatched to the affected area and is the utility working to restore power?
- What was the cause of the power outage?
- What can customers do to cope during the outage?

Inability to provide the above information accurately and in a timely manner will result in customer complaints, increased call volumes to your call centres, create unwanted public and media attention, and negatively impact customer satisfaction.



Base: 90% of total respondents from the local utility

Utility's effectiveness during an unplanned outage		
Top 2 Boxes: 'very + somewhat effective'	Ontario LDCs	Grimsby Power
Responding to questions	61%	56%
Providing a reason for the outage	61%	50%
Providing an estimate when power will be restored	60%	48%
Responding to the power outage	81%	83%
Restoring power quickly	85%	88%
Communicating updates periodically	64%	56%
Posting information to the website	35%	26%
Using media channels for providing updates	53%	38%

Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local utility

Customer expectations during an unplanned (and even planned) outage event:

- Communication about when they can expect their power to be restored
- Detailed information about what is happening in their community or service area
- Easy access to information – ideally from a familiar source

Keeping customers in the loop will help ease tensions during an outage event. An informed customer will be a less angry customer.

Priority Investments

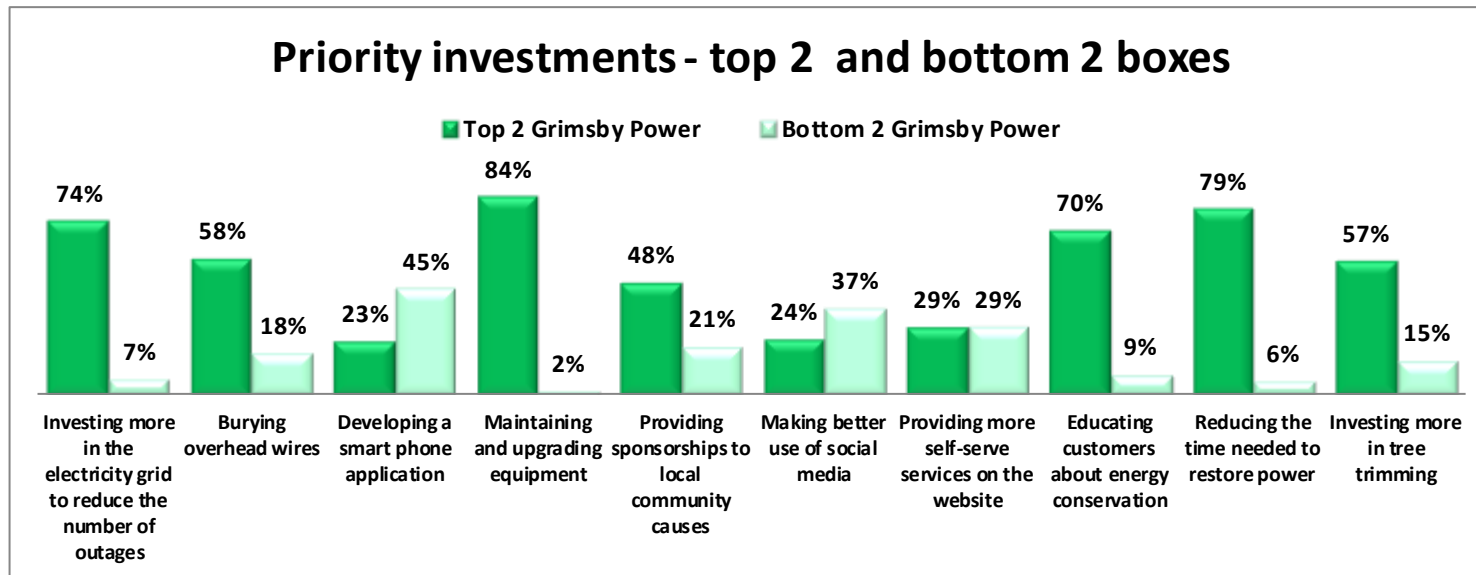
While regulation and reliability are top concerns in the utility industry, aging infrastructure is now a top operational concern. Major issues around electricity are that generation investment has been deferred and major improvements are needed in distribution and transmission. Customers agree with industry insiders that infrastructure renewal is a high priority.

When most people turn on a light, they rarely give much thought to the vast networks and complex systems behind them. Electricity networks are aging. A significant rise in the level of upgrades and renewals of network infrastructure is needed so that the infrastructure will be fit for its current and future purposes. The costs of the components of providing electricity – generation, transmission, distribution and retail – are all increasing, adding upward pressure on utility rates. Canadians are noticing infrastructure more than usual, and at least some are trying to think about it—because when it fails, it has disturbing consequences.

This year, respondents were asked for their views about prioritizing investments and activities since ensuring sustainability of infrastructure and maintaining affordable electricity costs is becoming more of a challenge.

Priority Investments		
Top 2 Boxes: 'Very high priority + High priority'	Ontario LDCs	Grimsby Power
Investing more in the electricity grid to reduce the number of outages	74%	74%
Burying overhead wires	60%	58%
Developing a smart phone application	31%	23%
Maintaining and upgrading equipment	83%	84%
Providing sponsorships to local community causes	43%	48%
Making better use of social media	30%	24%
Providing more self-serve services on the website	38%	29%
Educating customers about energy conservation	74%	70%
Reducing the time needed to restore power	79%	79%
Investing more in tree trimming	58%	57%

Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local utility



Energy Conservation & Efficiency

Addressing homeowner and small business energy conservation behaviours is a vital part of the success or failure of this country's energy future. Local utilities play an important role for shaping energy efficiency and energy conservation behaviours.

Attributes linked to energy conservation		
Top 2 Boxes: 'agree + strongly agree'	Ontario LDCs	Grimsby Power
Provides information to help customers reduce electricity costs	79%	79%
Provides information and tools to help manage electricity consumption	79%	81%
A leader in promoting energy conservation	81%	83%

Base: total respondents with an opinion

With arguably more responsibility for energy use and energy conservation falling to consumers, two questions arise: (1) What factors affect whether individuals decide to conserve energy? (2) How might the knowledge of these factors be used to impact energy conservation decision-making processes to convince consumers to adopt energy conservation behaviours?



Individual choices to conserve are constrained by individual factors including technological availability, financial resources, and individual knowledge and abilities. The critical factor in the creation of comprehensive energy conservation education programs is the recognition that the consumer's culture, attitudes, and household demographics are driving forces behind consumer actions.

Efforts to conserve energy				
Ontario LDCs	Yes	No	Already Done	Don't Know
Install energy-efficient light bulbs or lighting equipment	19%	9%	70%	1%
Install timers on lights or equipment	12%	50%	35%	2%
Shift use of electricity to lower cost periods	22%	17%	58%	3%
Install window blinds or awnings	12%	27%	60%	2%
Install a programmable thermostat	13%	25%	60%	2%
Have an energy expert conduct an energy audit	9%	71%	16%	4%
Removing old refrigerator or freezer for free	14%	44%	38%	4%
Join the peaksaverPLUS™ program	15%	49%	21%	16%
Replacing furnace with a high efficiency model	12%	33%	52%	4%
Replacing air-conditioner with a high efficiency model	14%	38%	44%	4%
Use a coupon to purchase qualified energy saving products	35%	39%	22%	5%

Base: An aggregate of respondents from 2014 participating LDCs

Since conservation usually implies inconvenience or sacrifice ie. an individual must use less energy, change a pattern of the time certain chores are done, a motivational factor needs to exist to really incite a change in behaviour i.e. a self-interest or social responsibility or monetary gain.

But focusing on the “vital few” changes you’re asking for has to be coupled with immediate and obvious feedback on the effects of change – especially at the start. If neither the dollar impact nor the environmental impact is significant at the level of individual change *and* the behaviour requires inconvenience or loss—it is unlikely that people will make the change.

As Rosemarie LeClaire stated in a presentation to the Ontario Energy Network (April 28, 2014), the industry has changed from a static energy system with largely passive and powerless consumers to one where customers want to be, expected to be, and should be more active in their energy use. Control has shifted from the utility to the customer. Like any major change there are early adopters, i.e., people who want to be proactive in the managing and monitoring of electricity use, and very late adopters i.e., people who resist having to actively manage their electricity use.

However there is a growing skepticism amongst customers who have made some energy conservation changes because they haven’t seen a decline in their utility bills. The danger of encouraging someone to make a behaviour change with no real resultant reward for the change, the unintended consequence is what is called “learned helplessness”. In other words, when people take action to solve a problem that fails, they almost always end up concluding that they have no control.

What is important then is to:

- Communicate effectively and realistically (it isn't all about saving money)
- Demonstrate the ease by which individuals can participate in various energy efficiency or energy conservation activities
- Provide testimonials from real people who have made changes
- Educate, educate, educate
- Address the biggest barrier to energy conservation efforts i.e., the costs involved in making a change, with financial incentives.



E-care

As customers pursue new, technology-enabled experiences with other service providers in the retail, telecommunications, and banking industries, they will expect the same from their utility.

Technology – specifically the internet—has allowed people access to far more information than ever before and the ability to do more than ever before: receive and pay bills on the internet, sign up for and change their services using the internet, find answers to their questions online about their accounts, i.e. statements, payments, balances and learn about products, services and topics, i.e., green energy, electricity pricing, etc.



Do you have access to the internet?	
Ontario LDCs	
Yes	87%
No	13%

Base: An aggregate of respondents from 2014 participating LDCs

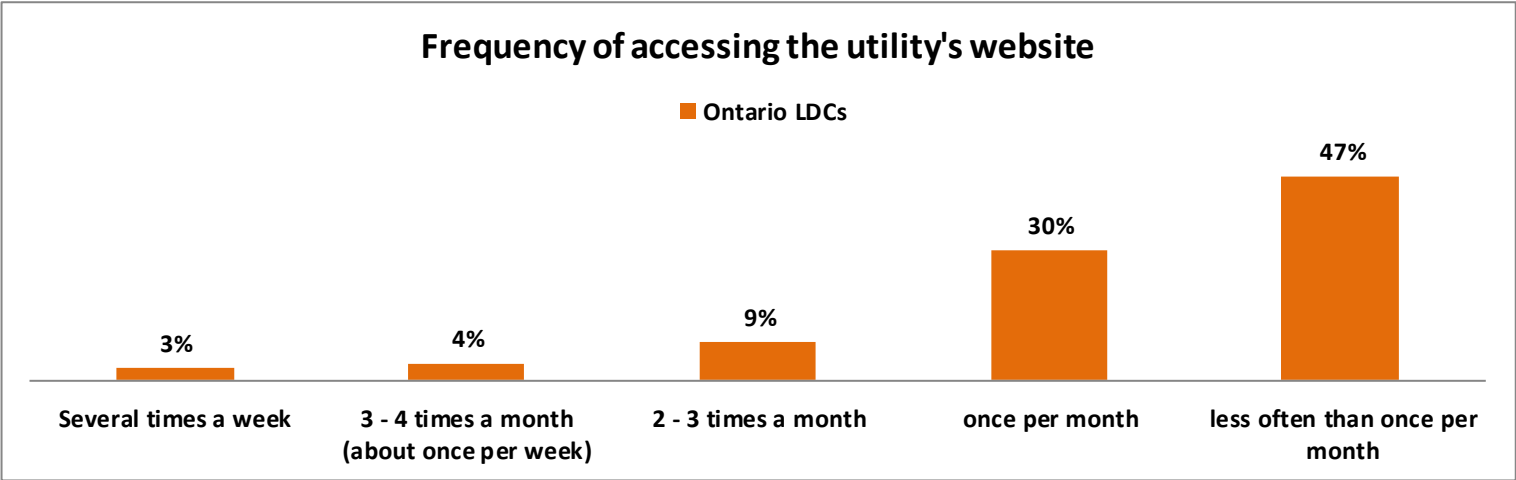
Utilities that provide their customers with access to information and empowerment tools will likely be better positioned to remain relevant and in touch with their customers. A challenge facing utilities right now is determining which tools and information delivery capabilities to build, and how to do so in a cost effective manner.

We asked respondents who were currently connected or had access to the internet if they in fact visited their local utility website.

Over the past six months have you accessed your local utility website?



Base: An aggregate of respondents from 2014 participating LDCs



Base: An aggregate of respondents from 2014 participating LDCs

The convenience and capability brought on by the internet allows customers to be empowered. Customers have the tools and knowledge to manage energy usage at their disposal. Empowerment also implies self-service and instant access to information.

Likelihood of using the internet for future customer care needs for things such as:	
Top 2 Boxes: 'very + somewhat likely'	Ontario LDCs
Setting up a new account	31%
Arranging a move	38%
Accessing information about your bill	55%
Accessing information about your electricity usage	54%
Accessing energy saving tips and advice	45%
Accessing information about Time Of Use rates	51%
Maintaining information about your account or preferences	51%
Paying your bill through the utility's website	32%
Getting information about power outages	47%
Arranging for service	40%

Base: An aggregate of respondents from 2014 participating LDCs

To keep up, utilities should develop a better understanding of their future customer, focus on the overall customer, stay current with the latest trends and technologies, and use information to create a more personalized, one-to-one experience.

Electric Utility Industry Knowledge & SMART Grid

Beyond knowing that electricity is needed to maintain their day to day activities, does the average person feel that they are actually knowledgeable about the electric utility industry?

Knowledge level about the electric utility industry	
	Ontario
Extremely knowledgeable	2%
Very knowledgeable	11%
Moderately knowledgeable	47%
Slightly knowledgeable	26%
Not very knowledgeable	14%
Don't know	1%

Base: total respondents in the Ontario Benchmark survey



Two-thirds (60%) of those polled considered themselves moderately to extremely knowledgeable about the electric industry.

In recent years, the concept of the “SMART Grid” has emerged—first using information technology as a means of improving electricity reliability—and then more recently—to improve efficiency, reduce pollution, and to incorporate more renewable and sustainable sources of generation. A smarter grid will become the SMART Grid over time, as new technologies bring us more benefits. However, what is the “SMART Grid” knowledge level held by consumers currently?

Once again, this year’s survey probed around the concept of SMART Grid. While it is evident that the SMART Grid is still not a much talked about concept, only 34% have a basic or good understanding of what it is, oddly enough, 60% still think that it is important to pursue SMART Grid implementation. It is also clear that the majority of respondents (78%) are ‘very + somewhat supportive’ of the utility working with neighbouring utilities on SMART Grid initiatives.

Level of knowledge about the SMART Grid	
	Ontario
I have a fairly good understanding of what it is and how it might benefit homes and businesses	9%
I have a basic understanding of what it is and how it might work	25%
I’ve heard of the term, but don’t know much about it	36%
I have not heard of the term	29%
Don’t know	1%

Base: total respondents in the Ontario Benchmark survey

Importance of pursuing implementation of the SMART Grid	
Ontario	
Very important	26%
Somewhat important	34%
Neither important or unimportant	6%
Somewhat unimportant	5%
Unimportant	8%
Don't know	21%

Base: total respondents in the Ontario Benchmark survey



Support towards working with neighbouring utilities on SMART Grid initiatives	
Ontario	
Very supportive	41%
Somewhat supportive	37%
Neither supportive or unsupportive	4%
Somewhat unsupportive	4%
Unsupportive	4%
Don't know	10%

Base: total respondents in the Ontario Benchmark survey

Consumer Energy Use Behaviour

Canadian consumers, like people throughout the rest of the world, have faced rapidly rising energy prices during the past decade, and they have had to become more focused on energy conservation and efficiency. The cost of heating and cooling homes, along with negative fallout from an economic recession, has forced individuals to focus on their energy use and expenditures.

Do customers believe there is a real pay-off for trying to reduce their energy consumption? Does this impact overall efforts to reduce consumption? Respondents were asked *“How active have you been in trying to reduce your electricity consumption?”*

- 94% feel they are “very + somewhat active” in trying to reduce electricity consumption, and
- 81% of those do believe their efforts have resulted in reduced energy consumption, of which
- 44% estimate that they were able to offset an energy consumption reduction of more than 10%, and
- 72% believe that these efforts translated to saving on their electricity bills.

Of course, there are a number of factors (external environment, individual attitudes, household demographics, and consumer choice) which contribute to consumer energy use behaviours and consequences. Identifying these factors which contribute to consumer energy conservation practices and using these factors to tailor energy conservation education programs to change consumer energy use attitudes and behaviours is one essential step to reduce overall energy use and expenditures.

Level of Activity in trying to reduce electricity consumption	
	Ontario
Very active	52%
Somewhat active	42%
Neither proactive or inactive	0%
Not active	2%
Not very active	3%

Base: total respondents in the Ontario Benchmark survey

Estimate of percentage reduction in consumption	
	Ontario
1 – 2 %	5%
3 – 5 %	10%
6 – 8 %	4%
9 – 10 %	15%
More than 10%	44%
Don't know	21%

Base: total respondents in the Ontario Benchmark survey whose active efforts have reduced consumption

Active efforts have reduced energy consumption



Base: total respondents in the Ontario Benchmark survey who have been active in trying to reduce energy consumption

Efforts to conserve have translated into savings on your electricity bill



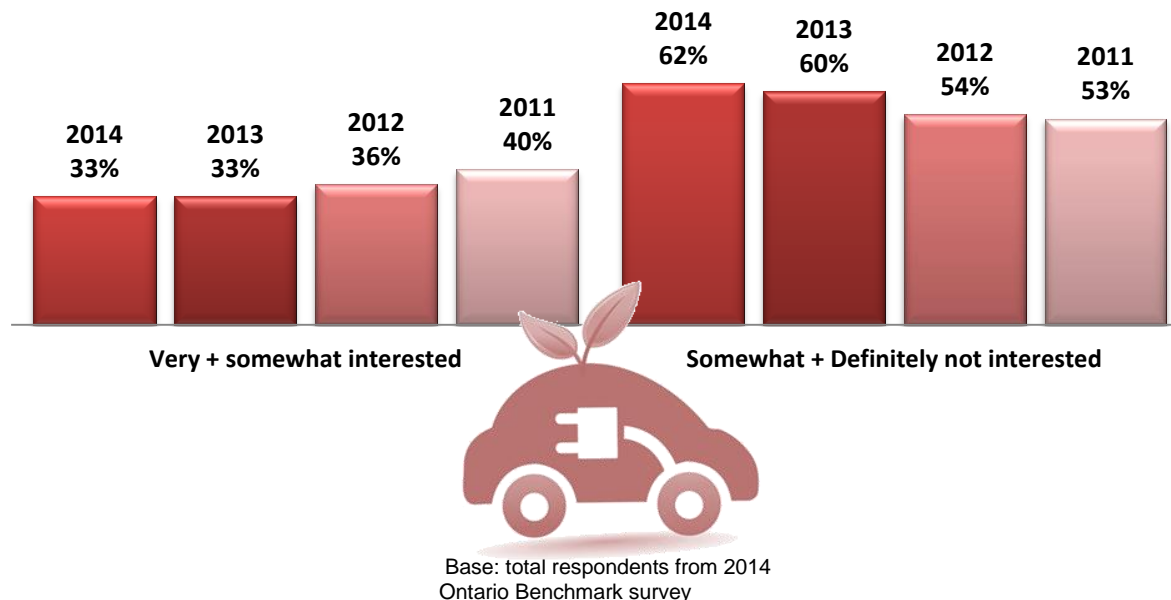
Base: total respondents in the Ontario Benchmark survey whose active efforts have reduced consumption

Purchasing an Electric Vehicle

There is enormous uncertainty about just how quickly the number of EVs on the road is set to grow over the long term. Mass commercialization of EVs has still not taken hold in today's public mindset. 33% of respondents indicated interest in purchasing a fully electric vehicle, consistent with 2013 findings of 34% but a drop since 2011 where 41% expressed interest in replacing conventional vehicles with EVs. 61% expressed little or no interest in EVs, virtually no change since last year, at 60%, however an since 2011, where 53% claimed disinterest in the electric vehicle.

A breakdown of gender support shows that 38% of men vs 27% of women are interested in the EV. There has been a drop in the "positive support" from respondents in the \$40k-\$70k income range from 45% interested in 2013 to just 28% in 2014.

Interest in purchasing a fully electric vehicle



Looking at age demographics, again, shows a shift in thinking about wanting to purchase an electric vehicle. 22% of older respondents (55+) versus 47% of respondents aged 35-54 are in favour of EVs replacing conventional cars. 43% of those aged 18-34 are receptive to the idea of purchasing an electric vehicle. When asked how long it would be before they would consider an EV as an option for their next car purchase, only 1 in 10 (11%) would consider an EV within the next 24 months.

Interest in purchasing a fully electric vehicle						
	Income <\$40K	Income \$40K<\$70K	Income \$70K +	Age 18-34	Age 35-54	Age 55+
Top 2 Boxes: 2014 'very + somewhat interested'	30%	28%	42%	27%	39%	28%
Top 2 Boxes: 2013 'very + somewhat interested'	22%	45%	43%	43%	47%	22%

Base: total respondents from 2014 Ontario Benchmark survey

Length of time before purchasing a fully electric vehicle	
Ontario	
Immediately to next 6 months	2%
7 to 12 months	2%
13 to 24 months	9%
Over 24 months	79%
Depends	5%
Don't know	3%

Base: total respondents from 2014 Ontario Benchmark survey



Method

The findings in this report are based on telephone interviews conducted for Simul Corp. by Greenwich Associates between March 15 - March 24, 2014, with 400 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by Grimsby Power.

The sample of phone numbers chosen was drawn randomly to insure that each business or residential phone number on the list had an equal chance of being included in the poll.

The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers.

In sampling theory, in 19 cases out of 20 (95% of polls in other words), the results based on a random sample of 400 residential and commercial customers will differ by no more than ± 4.90 percentage points where opinion is evenly split.

This means you can be 95% certain that the survey results do not vary by more than 4.90 percentage points in either direction from results that would have been obtained by interviewing all Grimsby Power residential and small and

medium-sized commercial customers if the ratio of residential to commercial customers is 85%:15%.

The margin of error for the sub samples is larger. To see the error margin for subgroups use the calculator at <http://www.surveysystem.com/sscalc.htm>.

Interviewers reached 1,180 households and businesses from the customer list supplied by Grimsby Power. The 400 who completed the interview represent a 34% response rate.

The findings for the Simul/UtilityPULSE National Benchmark of Electric Utility Customers are based on telephone interviews conducted March 3 through March 21, 2014, with adults throughout the country who are responsible for paying electric utility bills. The ratio of 85% residential customers and 15% small and medium-sized business customers in the National study reflects the ratios used in the local community surveys. The margin of error in the National poll is ± 2.7 percentage points at the 95% confidence level.

For the National study, the sample of phone numbers chosen was drawn by recognized probability sampling methods to insure that each region of the country was represented in proportion to its population and by a method

that gave all residential telephone numbers, both listed and unlisted, an equal chance of being included in the poll.

The data were weighted in each region of the country to match the regional shares of the population.

The margin of error refers only to sampling error; other non-random forms of error may be present. Even in true random samples, precision can be compromised by other factors, such as the wording of questions or the order in which questions were asked.

Random samples of any size have some degree of precision. A larger sample is not always better than a smaller sample. The important rule in sampling is not how many respondents are selected but how they are selected. A reliable sample selects poll respondents randomly or in a manner that insures that everyone in the population being surveyed has an equal chance of being selected.

How can a sample of only several hundred truly reflect the opinions of thousands or millions of electricity customers within a few percentage points?

Measures of sample reliability are derived from the science of statistics. At the root of statistical reliability is probability, the odds of obtaining a particular outcome by chance alone. For example, the chances of having a coin come up heads

in a single toss are 50%. A head is one of only two possible outcomes.

The chance of getting two heads in two coin tosses is less because two heads are only one of four possible outcomes: a head/head, head/tail, tail/head and tail/tail.

But as the number of coin tosses increases, it becomes increasingly more likely to get outcomes that are either close to or exactly half heads and half tails because there are more ways to get such outcomes. Sample survey reliability works the same way but on a much larger scale.

As in coin tosses, the most likely sample outcome is the true percentage of whatever we are measuring across the total customer base or population surveyed. Next most likely are outcomes very close to this true percentage. A statement of potential margin of error or sample precision reflects this.

Some pages in the computer tables also show the standard deviation (S.D.) and the standard error of the estimate (S.E.) for the findings. The standard deviation embraces the range where 68% (or approximately two-thirds) of the respondents would fall if the distribution of answers were a normal bell-shaped curve. The spread of responses is a way of showing how much the result deviates from the "standard mean" or average. In the Grimsby Power data on corporate image,

Simul converted the answers to a point scale with 4 meaning agree strongly, 3 meaning agree somewhat and so on (see in the computer tables).

For example, the mean score is 3.63 for providing consistent, reliable electricity. The average is 3.15 for providing information to help customers reduce their energy costs.

For reliable electricity the standard deviation is 0.53. For affordable energy the S.D. is 0.85. These findings mean there is a wider range of opinion – meaning less consensus – about whether Grimsby Power provides information to help customers to reduce their energy costs than about whether Grimsby Power energy supplies are reliable.

Beneath the S.D. in the tables is the standard error of the estimate. The S.E. is a measure of confidence or reliability, roughly equivalent to the error margin cited for sample sizes. The S.E. measures how far off the sample's results are from the standard deviation. The smaller the S.E., the greater the reliability of the data.

In other words, a low S.E. indicates that the answers given by respondents in a certain group (such as residential bill payers or women) do not differ much from the probable

spread of the answers "predicted" in sampling and probability theory.

Certain questions pertaining to conservation and conservation efforts used an aggregate data approach whereby similar data sets were accumulated to form a larger sample size establishing a higher confidence interval, forecasting value and modeling data.

In these instances, all of the sub-datasets from the entire UtilityPULSE database for 2014 were concatenated in order to use the average of all the control samples for comparison. The cumulated population base for these questions was in excess of 6,500.

At a 95% confidence level the margin of error is ± 1.22 and at a 99% confidence level the margin of error would be ± 1.6 . So the aggregate strategy has given a very good population sample size which better, or more accurately, reflects the true feelings and beliefs of the population as a whole.

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Effectiveness, Managerial Competencies

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Your personal contact is:

Sid Ridgley, CSP, MBA

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APPENDIX 1-E – CGC DSP CUSTOMER SURVEY

Grimsby Power DSP Customer Engagement Survey

Presented by Burman Energy

October 17, 2014



CGC Educational Communications

Methodology

- * 370 surveys completed - 56 business and 314 residential customers
- * telephone interviews conducted
- * 95 confidence level +/- 5%
- * customers phoned randomly



Summary Findings: Top 3 Priorities

- * Improve long term reliability and reduce time needed to restore power
- * Communicate better during outages
- * Provide energy conservation education



Grimsby Power DSP Survey Detailed Findings

Ownership and Trust



1. Were you aware that Grimsby Power is owned by the town?

Yes 65% No 35%

- * Most assumed by the name that it was
- * Some knew through direct connection
- * Others read about the “sale” in the local newspaper
- * 35% had no idea



2. How long have you been a customer of Grimsby Power?

Less than a year:	13 %
1 – 3 years:	13%
3- 5 years:	6%
5 – 10 years:	1%
More than 10 years:	67%

1/3 newer customers indicates community transition with younger demographic driving more modern needs.



Changes in service reliability. Fewer outages. Outages shorter duration.

a. Same or better over the past 2 years.

89%

b. Same or better over the past 10 years.

89%

Results reflect customer
satisfaction rankings.



Community Engagement



5. How important is it to you that Grimsby Power supports the following:

- * Energy conservation education

High interest - 77% Extremely-Important

- * Local renewable energy

Lower interest - 80% Important-Not at all

- * Electric vehicle charging stations

Lower interest - 83% Important

Not at all



5. How important is it to you that Grimsby Power supports the following:

- * New energy management technology

Ambivalent response - 52% Extremely- Important

- * New communications - unplanned power outage

High interest - 77% Extremely-Important

- * New communications -
planned power outage

High interest - 80% Extremely-
Important



6. In an emergency situation, when there is a power outage, how would you like to be informed?

42% Radio announcement

33% Voice message on a cell phone

3% Twitter

74% Text on a cell phone

20% Through a TV banner news flash

30% Through our web site (cell)

3% Don't care to be informed

3% Didn't know that I could
contact GPI during an emergency



7. Have you visited our website in the past year?

17% Yes 83% No

a. If yes, what information were you looking for?

80% Contact Information

40% Energy Conservation Tips

Recommended enhancements:
energy conservation tips



8. Have you contacted Grimsby Power in any other way over the past year?

19% Yes

81% No

If yes, how did you contact Grimsby Power?

66% Telephone

33% In person

(Multiple choice responses)

The reason for the contact?

55% Billing issue (including bill payments) 22% Moving/relocation 32% Unplanned outage

What improvements could Grimsby Power make?

55% Improved phone services



Unplanned Outages



9. Have you personally experienced an unplanned power outage over the past year?

57% Yes

43% No

If yes, did you contact Grimsby Power?

18% Yes

82% No

If no, why not?

10% Wanted to but didn't feel that I should bother GP

90% Had faith that GP had it
under control



Personal experience: how did you receive information about the power outage while it was occurring?

- 13% Went to my neighbours or relatives who had power, to get information
- 12% Used my cellphone to call Grimsby Power Emergency Line
- 6% Used a phone that does not require power to call GPI
- 69% Did not reach out, just waited for it to come back on



Personal experience unplanned outage - satisfaction rankings:

- * quick response, quality of service, general response
89% ranked GPI 8 – 10 (satisfied)
- * how well we communicated, directly, how representatives dealt with questions
46% ranked GPI 8 – 10 (satisfied)



Personal experience: how did the outage affect your sense of trust in Grimsby Power?

- 94% No affect; still trust them
- 4% Caused me to question their reliability
- 2% Caused me to complain or take other action



No personal unplanned outage experience: satisfaction rankings:

- * quick response, quality of service, general response
95% ranked GPI 8 – 10 (satisfied)
- * how well we communicated, directly, how
representatives dealt with questions
74% ranked GPI
8 – 10 (satisfied)



No personal unplanned outage experience: how did the outage affect your sense of trust in Grimsby Power?

95% No affect; still trust them



DSP Investments



10. \$5 more on your monthly bill so Grimsby Power could invest in systems/equipment that would:

Improving long-term reliability	93% Yes
Reduce the time to restore power	87% Yes
Better information on outages	83% Yes
Energy conservation education	70% Yes
Renewable energy infrastructure.	37% Yes

Huge price sensitivity – fixed incomes
Conservation = lower costs
Real distrust of wind power
Feeling renewables raises costs



Would you be interested if GPI were to offer:

Water heaters purchase or rentals	23% Yes
Electric panel replacements/upgrades	27% Yes
Solar installations	27% Yes
Back up generator installations	19% Yes

Would you call GPI for a quote?
73% not at all likely

GPI regulator not contractor
Like to stay with known contractor
Little need for the service but would
choose GPI if there was.



11. Do you think Grimsby Power should invest in burying lines?

55% Yes

45% No

Would you be willing to pay more for it?

28% Yes

72% No

Why: safety, beauty, outage prevention

Why not: cost, bills too high



Smart Meters



12. Are you aware that you have a smart meter?

97% Yes

Helps you learn more about how you use electricity.

97% high awareness (8-10)

13. Aware that using energy at different times affects your total cost of electricity?

97% Yes



14. Look up your energy use data on the GPI web site?

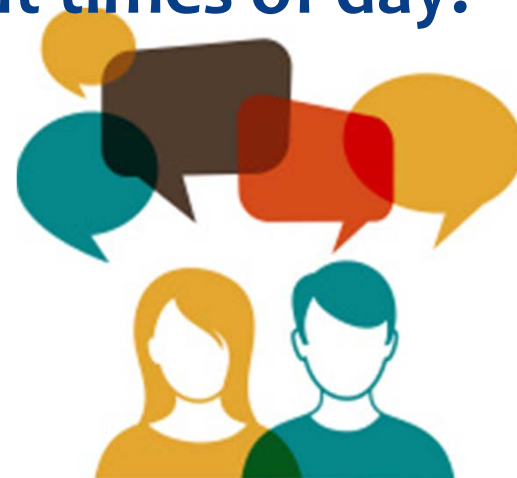
97% No

15. When you pay your bill, do you look at how you are using energy?

55% Yes

16. Changed your energy-use behaviour knowing energy costs change at different times of day?

52% Yes



17. An easy one-step button approach to to learn more about your energy use?

52% Yes

18. Power bill sent to you online as an e-bill?

38% Yes

19. 62% prefer the reassurance of seeing a paper bill.



20. Concerns about smart meters: (comments)

It is costing me more: should be reducing bill but isn't.

Not notified of installation.

Don't like the program: marketed as conservation but bumped up rates.

I didn't ask for it.

Didn't have a say in it.



DSP Planning Support



21. How important is it that you have continuous reliable power?

80% Extremely - Very Important

22. Do you have special reasons for needing continuous reliable power?

22% Work at home

12% Medical condition

15% Business



23. How could Grimsby Power help you prepare for an unplanned outage?

56% Real time news flashes

73% Prediction about duration of outages

24. What signs of unplanned outage preparedness have you seen from Grimsby Power?

51% Linesman in the area

29% Fast response to emergencies



25. Importance of investment in an outage management system which could:

1. Offer real time estimates of power restoration - 82%
2. Enhanced phone services with real time info - 81%
3. An enhanced web site with real time data – 62%
4. Pinpoint where the power is out – 48%
5. A mobile text service – 47%
6. A mobile phone app – 46%
7. GPS location of outage – 26%
8. Twitter – 11%
9. Facebook – 2%



26. Importance of reducing greenhouse gases.

65% extremely - important

27. Do you plan to invest in an electric vehicle in the next five years? 8% Yes

28. Do you plan to invest in renewable energy in the next five years? 25% Yes



Recommendations



Communications

- * Communications is the number one issue, especially during power outages.
- * Customers want real people answering telephones, not a machine.
- * Customers want GPI service people to be knowledgeable about outages, etc.
- * People expressed a wish for more transparency in GPI's directions: need for a public town hall.

Energy Conservation

- * Smart meters have created an impression of limited personal control and have increased their costs.
- * There's a need for conservation strategies that result in real savings.
- * Need for creative solutions targeted specifically at business vs. home that reward efforts with reduced costs.
- * Customers believe that youth need conservation education.

Renewables

- * There is a need for a community energy plan that demonstrates the economic benefits of renewables and EV charging stations.
- * This should tie in with making Grimsby a destination for tourism and improving its image as a green community.
- * Businesses, residents and the municipality need to be consulted to develop a strategy for GPI's future direction.

Summary

- * Grimsby Power's customers are very satisfied with its services; the hardening of the system is bearing fruit with fewer outages and those of shorter duration.
- * The town is seeing a demographic shift and GPI needs to stay current within a cost effective framework.
- * The number of customers on fixed incomes restrain spending, however businesses need more predictive tools to help manage and grow the local economy.

APPENDIX 1-F – APPENDIX 2-AC - CUSTOMER ENGAGEMENT ACTIVITIES SUMMARY

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
Customer Satisfaction Survey	An independent Customer Service Survey was completed in 2014 and it identified the top recommendation being to improve on customer communication	In 2016 GPI will have a full time IT employee and enhance our Website, Texts, Facebook, Twitter etc. GPI will also be purchasing an OMS (outage management system) software the will give us real time outages and maps to share with our customers.
DSP Customer Engagement Survey	Top three priorities: Improve long term reliability and reduce time needed to restore power; Communicate better during outages; Provide energy conservation education.	Continue to invest in infrastructure renewal and upgrades. Build "smart grid", invest in an outage management system, continue with school education program, enhance website for outage communication.
GPI Website	Customers have access to everything GPI has to offer and contact information if they have any additional questions.	Website is updated as new information is available. Customers can learn all about electrical safety, conservation and our regulation. In 2016 the new IT employee will enhance the website with more information for customers.
Customer Service Phone calls	Customer questions and concerns regarding outages, accounts and payments.	Customer Service answers all calls and helps customers get the information they need.
Customer Walk Ins	Help customers pay bills, arrange payment terms, account set up, general inquiries, new service	Ensured all staff was trained to answer all questions and take information and complete transactions while the customer is present
Customer Drop off box	Customers want to drop off their payments at the LDC headquarters	GPI keeps a drive thru drop off box for customer convenience and safety so they do not have to come in the building in harsh weather.
Customer E mails	Customers ask about an outages or have questions about their service	E mailed responses are answered by GPI by all employees as needed
Customer contact after outage (during regular business hours)	Customers usually have questions after the power outages as to why etc.	Customer Service calls the customers affected by the outage and ensures that the power has been restored and answers any questions they may have.
Grimsby Christmas parade	Supported community parade by participating with a truck in the parade	GPI staff attend and handouts were handed out promoting energy savings and a number to call for questions
Grimsby Home show	Community event that promoted home improvements and GPI answered questions about conservation	GPI provided information about billing, E billing, MyHydroEye and promoted conservation programs in partnership with Burman Energy
Seniors center Account set up information	Provided information and answered questions on how to set up a new account. Lineman were also present to answer any technical questions.	Staff answered questions and handed out information to answer questions
Grimsby Safety FunFest	Community event that promoted and answered any safety concerns	Staff answered questions and handed out information to answer questions
Large Commercial Customer meetings	GPI took the initiative to engage large customers to answer questions about billing increase and understanding their costs.	GPI staff explained and answered questions as to how the increases would effect their businesses and the Global Adjustment affect.
Large Commercial Customer rate increase notices	Large customers need to have costs for the next fiscal year in advance in order to budget properly.	GPI provides the this outlook and sends our large customers a letter in August of the prior year to assist in budgets .
Town Hall Meetings	1. The CEO of GPI speaks at the Town Hall Council meetings providing the town council and observers with updates from the OEB and our local LDC performance metrics and conservation 2. Town council and residents ask questions	The CEO of GPI is invited quarterly to update town council as to the direction of the utility and what the government is
Happening at the Forty	Community event in the downtown core that	GPI provided information about billing, E billing, MyHydroEye and promoted conservation programs in partnership with Burman Energy
Grimsby Fifty Plus Friends Community Event	Residents asked questions about billing and rates.	GPI provided information about billing, E billing, MyHydroEye and promoted conservation programs in partnership with Burman Energy
E Billing- PAP - MyHydroEye contests	GPI new customers that sign up for E billing are automatically entered in a contest to win prizes.	GPI has placed newspaper ads and bill inserts to promote our E billing, PAP and MyHydroEye contest. This contest has ran for the past 2 years with quarterly prizes of gift certificates and electronics. The contest promotes E-billing as a more clean and cost effective way to provide bills to customers which also reduces impact on customer rates. PAP offers customers a way to pay their invoices easily and on time avoiding any late fees. MyHydroEye is offered to increase customer's awareness about their energy use.
LEAP - Low income service rules	Low income customers receive information about the LEAP program through handouts and on the phone with customer service.	The "Take Charge" LEAP brochure is included with every hand delivered disconnection notice promoting the LEAP funding and Low Income Service Rules to increase awareness of the programs for those customers in need.
Phone Scam Media Release	Customers notified GPI about receiving calls about their outstanding accounts. They were asked to make a payment over the phone to ensure that their power would remain on.	GPI updated their website and phone system immediately and we contacted the Niagara Regional Police to send out a media release which was done numerous times.
Shareholder/Town Council Engagement	The Shareholders/Town Council requires regular business updates including reasons for power outages, energy consumption data and reasons for price increases.	GPI has quarterly Board meetings to discuss the state of the business and GPI receives feedback on our progress and decisions.
Grimsby Benevolent Fund		For the past several years GPI employees have purchased and donated ginger bread houses at Christmas time to our LEAP service partner, Grimsby Benevolent Fund. The gingerbread houses are then donated to residents of our community

1 APPENDIX 1-G – 2012 AUDITED FINANCIAL STATEMENTS

GRIMSBY POWER INCORPORATED

FINANCIAL STATEMENTS

For the year ended December 31, 2012



Millard, Rouse & Rosebrugh LLP
Chartered Accountants

GRIMSBY POWER INCORPORATED

For the year ended December 31, 2012

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Millard, Rouse & Rosebrugh LLP

Chartered Accountants
P.O. Box 367, 96 Nelson Street
Brantford, Ontario N3T 5N3
Telephone: (519) 759-3511
Facsimile: (519) 759-7961

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Grimsby Power Incorporated

We have audited the accompanying financial statements of Grimsby Power Incorporated, which comprise the statement of financial position as at December 31, 2012, and the statements of retained earnings, income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grimsby Power Incorporated as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

March 27, 2013

CHARTERED ACCOUNTANTS
Licensed Public Accountants

GRIMSBY POWER INCORPORATED

STATEMENT OF FINANCIAL POSITION

As at December 31	2012	2011 (restated Note 3)
ASSETS		
Current Assets		
Cash and bank	1,013,700	622,471
Accounts receivable (Note 6)	1,211,434	1,003,680
Due from related parties	19,853	11,729
Payment in lieu of corporate income taxes receivable	10,000	30,000
Unbilled revenue	1,840,881	1,499,005
Inventory	229,905	232,815
Prepaid expenses	102,831	275,039
	4,428,604	3,674,739
Regulatory assets (Note 9)	149,514	1,254,859
Property, plant and equipment (Note 7)	15,485,508	12,593,631
Deposit on long-term asset	-	94,500
	20,063,626	17,617,729
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,167,751	2,641,722
Future payments in lieu of taxes	352,812	8,992
Current portion of deposits	88,728	130,201
Current portion of long term liabilities	1,302,561	106,667
	3,911,852	2,887,582
Long-term Liabilities		
Customers' and developers' deposits (Note 8)	788,990	634,828
Long-term liabilities (Note 10)	1,637,479	1,422,222
Promissory note (Note 11)	5,782,746	5,782,746
Deferred revenue - contributed capital	980,622	700,124
	9,189,837	8,539,920
SHAREHOLDER'S EQUITY		
Capital Stock (Note 12)	5,782,747	5,782,747
Contributed Capital	70,721	70,721
Retained Earnings	1,108,469	336,759
	6,961,937	6,190,227
	20,063,626	17,617,729

Approved on behalf of the Board of Directors:

GRIMSBY POWER INCORPORATED

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2012	2011
Retained Earnings - Beginning of Year	336,759	309,149
Income	853,380	163,340
Dividends	(81,670)	(135,730)
Retained Earnings - End of Year	1,108,469	336,759

GRIMSBY POWER INCORPORATED

STATEMENT OF INCOME

For the year ended December 31	2012	2011
Sales	20,887,907	19,049,438
Cost of power supply	16,695,325	15,625,944
Gross Margin	4,192,582	3,423,494
Other Income		
Interest income	54,709	66,361
Miscellaneous	251,990	271,884
	306,699	338,245
	4,499,281	3,761,739
Expenses		
Amortization	446,339	952,669
General administration expense	1,279,082	901,926
Billing and collecting	522,998	485,289
Interest	378,097	502,962
Maintenance	570,520	379,842
Operations	396,997	306,908
Other	28,123	4,224
Property taxes	24,915	24,402
Marketing	246	9,053
	3,647,317	3,567,275
Income Before Payments in Lieu of Taxes and Regulatory Adjustments	851,964	194,464
Payments in lieu of taxes (Note 14)		
Current	-	(18,310)
Future	343,820	49,434
	343,820	31,124
Income Before Regulatory Adjustments	508,144	163,340
Regulatory adjustments - payment in lieu of taxes	263,520	-
- smart meters	81,716	-
Net regulatory adjustments	345,236	-
Net Income	853,380	163,340

GRIMSBY POWER INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended December 31	2012	2011 <i>(restated Note 3)</i>
Cash Flows From Operating Activities		
Net Income	853,380	163,340
Charges (credits) to income not involving cash:		
Amortization (including amounts charged to operating accounts)	691,820	449,021
Amortization of deferred revenue - capital contribution	(22,468)	(9,205)
(Gain)/Loss on disposal of property, plant and equipment	5,633	(331)
Loss on disposal of stranded meters	-	7,889
Future payments in lieu of taxes	343,820	49,434
Change in non-cash working capital	(836,606)	17,313
Increase in customer and developer deposits	112,689	(16,754)
Change in regulatory assets/liabilities	1,105,345	(400,732)
	2,253,613	259,975
Cash Flows From Financing Activities		
Deferred revenue - capital contributions	302,965	709,329
Long term debt	1,411,151	(71,111)
Dividends	(81,670)	(135,730)
	1,632,446	502,488
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(3,610,307)	(1,744,145)
Deposit on long term asset	94,500	-
Proceeds on disposal of property, plant and equipment	20,977	1,230
	(3,494,830)	(1,742,915)
Net Change in Cash and Cash Equivalents	391,229	(980,452)
Opening Cash and Cash Equivalents	622,471	1,602,923
Closing Cash and Cash Equivalents	1,013,700	622,471
Supplemental Disclosures		
Interest paid	54,737	53,572
Receipts in lieu of taxes	30,000	80,713

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

1. NATURE OF ACTIVITIES

Grimsby Power Incorporated ("the Company"), is incorporated under the laws of Ontario and its principal business activity is to distribute power to consumers within the town of Grimsby.

The Company is a regulated electricity distribution Company that owns and operates the electricity infrastructure, distributing a safe, reliable delivery of electricity to homes and businesses in the Town of Grimsby. The Company is regulated by the Ontario Energy Board ("OEB") under the authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, and for ensuring that distribution companies fulfill their obligations to connect service customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the OEB under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the OEB Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant accounting policies are summarized below:

(a) Regulation

The Company is regulated by the OEB and any power rates adjustments require OEB approval. The following accounting policies under the regulated environment differ from GAAP for companies operating under an unregulated environment.

Regulatory Assets and Liabilities

Regulatory assets and liabilities represent differences between amounts collected through rates (OEB approved) and actual costs incurred by the distributor. Regulatory assets and liabilities on the balance sheet at year-end consist of settlement variances on the cost of power, deferred charges and the associated regulated interest. Account balances and current year activities are detailed in Note 9.

Smart Meter Initiative

The Province of Ontario committed to having "Smart Meter" electricity meters installed in certain homes and small businesses throughout Ontario by the end of 2010. Smart Meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals.

The smart meter initiative was completed at the end of 2011 and meter costs were included in approved rates for 2012.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Measurement

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates recorded in preparing these financial statements. These have been made using careful judgment.

Accounts receivable, unbilled revenue and regulatory assets are stated after evaluation of amounts expected to be collected and an appropriate valuation allowance. Inventory is recorded net of provisions for obsolescence. Amounts recorded for depreciation and amortization of equipment are based on estimates of useful service life.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with the bank.

(d) Unbilled Revenue

Unbilled revenue is accrued from the last meter reading date to the end of the period.

(e) Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined by using the first-in first-out method.

(f) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost. The cost and related accumulated amortization of the capital assets are removed from the accounts at the end of their estimated service lives, except in those instances where specific identification permits their removal at retirement or disposition. Gains and losses at retirement or disposition are credited or charged to income. Contributions in aid of capital assets and intangibles are recorded as deferred credits and amortized to income over the life of the related assets. Amortization is provided for in the accounts as follows:

Buildings	25-50	years straight line
Distribution plant	15-60	years straight line
General equipment	5-15	years straight line
Computer software	5	years straight line

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Payments in Lieu of Corporate Income Taxes (PILs)

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

The Company accounts for payments in lieu of corporate taxes using the liability method. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

(h) Customer and Developer Deposits

Customer and developer deposits are recorded when received or paid. Deposits earn interest at a rate of prime less 2%.

(i) Deferred Revenue - Contributed Capital

Contributed capital is capitalized and amortized to income at a rate consistent with the corresponding asset that the funds were used to acquire.

(j) Revenue Recognition

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue. Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading to the end of the year. The related cost of power is recorded on the basis of power used. Any discrepancies in the revenue collected and the associated cost of power to distribute are charged to regulatory assets.

(k) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value. Subsequent measurement is based on the classification of the financial instrument as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

The company has classified its financial instruments are follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Unbilled revenue	Loans and receivables
Bank loan	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Promissory note	Other liabilities
Customers' and developers' deposits	Other liabilities

The Company has adopted the disclosure and presentation requirements of Canadian Institute of Chartered Accountants Handbook Section 3861 rather than Handbook Sections 3862 and 3863.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Regulatory Policies

The Company has adopted the following policies, as prescribed by the OEB for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian GAAP for enterprises operating in a non-rate-regulated environment:

1. Various regulatory costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures Handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures Handbook.

3. ADOPTION OF OEB POLICIES

During the year, the Company adopted certain of the OEB policies related the OEB's plan to move all electricity distribution companies to a Modified International Financial Reporting Standard. The Company changed its accounting policy regarding the costing of plant assets and the life of certain assets. The new standard required that the accumulated amortization up to January 1, 2011 be netted against the newly adjusted cost. Therefore, the total accumulated amortization for 2012 represents the amortization for only 2011 and 2012. The Company also changed how contributed capital is recorded. Contributed capital is now recorded as deferred revenue and amortized to income on similar basis as the corresponding asset. OEB policy requires that the impact of the changes in accounting policies also be recorded as a regulatory liability and therefore the changes did not affect income or retained earnings for the Company in the prior year.

4. EMERGING ACCOUNTING CHANGES

The Accounting Standards Board ("AcSB") confirmed that rate-regulated enterprises will be required to adopt International Financial Reporting Standards ("IFRS") by January 1, 2011. The Public Sector Accounting Board released a decision summary confirming that government organizations following commercial practices adhere to standards for publicly accountable entities after January 1, 2011. The AcSB granted a deferral of the adoption of IFRS for rate-regulated entities and such IFRS may be adopted for financial statements ending December 31, 2015.

The Company has elected to defer its adoption of IFRS. Accordingly, the Company has prepared its financial statements in accordance with Part V of the CICA Handbook "Pre-Changeover Accounting Standards" for 2012.

The Company continues to assess the impact of conversion of IFRS on its results of operations. The Company will continue to monitor accounting developments with respect to the adoption of IFRS and how any changes will impact the Company's reporting under IFRS.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

5. RATE REGULATION

The rates of the Company's electricity distribution business are subject to regulation by the OEB.

With the commencement of the open market, the Company purchases electricity from the Independent Electricity System Operator ("IESO"), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and connection charges and debt retirement payments are collected by the Company and remitted to the IESO and the OEFC respectively. The Company retains the distribution charge on the customer hydro invoices.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated Company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the Company been unregulated. Specific regulatory assets and liabilities are disclosed in Note 9.

The Company's approved rate for distribution includes components for the recovery (refund) of regulatory assets (liabilities). The approved rates, effective January 1, 2012, were calculated on a 2010 rate base and includes a rate of return on equity.

6. ACCOUNTS RECEIVABLE	2012	2011
Service revenue	1,148,114	888,632
Other	69,820	121,548
	1,217,934	1,010,180
Allowance for doubtful accounts	(6,500)	(6,500)
	1,211,434	1,003,680

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

7.	PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2012	2011
					(restated Note 3)
	Land	111,556	-	111,556	111,556
	Buildings	541,613	40,566	501,047	495,838
	Distribution plant	14,856,146	843,506	14,012,640	11,700,462
	General equipment	657,668	100,621	557,047	141,708
	Computer software	458,376	155,158	303,218	144,067
		16,625,359	1,139,851	15,485,508	12,593,631
8.	CUSTOMER AND DEVELOPER DEPOSITS			2012	2011
	Customer deposits			194,010	237,242
	Developer deposits and payables			683,708	527,787
				877,718	765,029
	Less: Current portion			88,728	130,201
				788,990	634,828

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

9. REGULATORY ASSETS/LIABILITIES	2012	2011
Retail settlement variance accounts	176,782	(529,943)
Smart meters and stranded meters	891	1,784,937
Regulatory asset recovery amount	-	(361)
Regulatory PILs	(28,159)	226
	149,514	1,254,859

Net regulatory assets (liabilities) represent amounts recovered from customers in excess of costs incurred by OEB approved rates less recoveries. These amounts have been accumulated pursuant to the Electricity Act and deferred in anticipation of their future settlement in electricity distribution rates. Management assesses the future uncertainty with respect to the recovery of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities. Upon rendering of the final regulatory decision concerning adjusting distribution rates, the provisions are adjusted to reflect the final impact of that decision, and such adjustment is reflected in net earnings for the period.

Regulatory assets (liabilities) incur interest at prescribed rates. In 2012 rates were 1.47% (2011 - 1.47%).

Settlement variances represent amounts that have accumulated since Market Opening and comprise:

(a) Variances between amounts charged by the Independent Electricity System Operator (IESO) for the operation of the wholesale electricity market and grid, various wholesale market settlement charged and transmission charges, and the amounts billed to customers by the Company based on the OEB approved wholesale market service rate; and,

(b) Variances between the amounts charged by IESO for energy commodity costs and the amounts billed to customers by the Company based on OEB approved rates.

Smart meters - Smart meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals. Bill 21, Energy Conservation and Responsibility Act, proved the legislative framework and regulations to support this initiative.

Regulatory assets recovery amount - represents costs incurred by the Company as of December 31, 2004 which have been approved for recovery through rates net of amounts recovered from customers.

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between OEB and interested stakeholders, may affect the distribution rates that the Company may charge and the costs that the Company may recover, including the balance of its regulatory assets.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

10. LONG TERM LIABILITIES	2012	2011
TD term loan with monthly principal instalments of \$8,889 plus interest at a rate of TD prime plus 0.50%, due May 2026	-	1,528,889
TD term loan with blended monthly instalments of \$11,097, at a fixed rate of 3.33%, due April 2017	1,434,614	-
TD term loan with blended monthly instalments of \$2,193 at a fixed rate 3.50%, due December 2016	305,426	-
TD term loan, interest only at a fixed rate of 2.5%, due December 2013	1,200,000	-
	2,940,040	1,528,889
Less: Current portion	1,302,561	106,667
	1,637,479	1,422,222

As security for the TD term loans, the Company has provided a general security agreement, assignment of fire insurance on inventory and equipment, assignment of liability insurance, and Postponement Agreement executed by the bank, the Company and the Town of Grimsby.

Based upon current repayment terms, the estimated annual principal repayments are as follows:

2013	-	1,302,561
2014	-	105,966
2015	-	109,578
2016	-	113,180
2017	-	1,308,755

11. PROMISSORY NOTE

The promissory note matures on February 1, 2020 and is payable to the Town of Grimsby. The note bears interest at the rate of 5.01% (2011 - 7.25%) per annum.

12. CAPITAL STOCK	2012	2011
Authorized an unlimited number of common shares		
Issued 1,001 common shares	5,782,747	5,782,747

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

13. RELATED PARTY TRANSACTIONS

During the year, the Company had the following transactions with the parent company, shareholder of the parent company and a subsidiary of the parent company:

	2012	2011
Revenue		
Service revenue	486,068	408,855
Other	27,061	70,170
Expenses		
Interest charges	289,716	419,249
Other expenses	47,970	62,193
Connection fees	452,853	415,076
IT services	107,064	42,000
Fibre optic internet services	8,340	-
Fieldworker consulting expense	70,197	-
Capital paid for smart meters	-	101,389

These transactions have taken place in the ordinary course of business and are recorded at a fair market exchange amount.

Accounts receivable include \$19,848 (2011 - \$11,848) due from related parties and accounts payable include 37,435 (2011 - \$455,617) due to related parties. These balances are non-interest bearing with no fixed terms of repayment.

In 2009, the Company migrated its billing system to a SAP platform. The Company has a contractual commitment to pay \$5,569 per month for system administration and non-system related support to a related party.

14. PAYMENT-IN-LIEU OF CORPORATE INCOME TAXES

The impact of differences between the Company's reported payments in lieu of corporate income taxes and the expense that would otherwise result from the application of the combined statutory income tax rate of 26.5% (2011 - 28.65%) is as follows:

	2012	2011
Basic taxes applied to income before PILs	317,258	51,144
Increase (decrease) in PILs resulting from:		
Change in regulatory assets	26,562	(1,710)
Prior year adjustments	-	(18,310)
Other	-	-
	343,820	31,124

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

15. PENSION AGREEMENTS

The company makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of its full-time staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by an employee based on the length of services and rate of pay.

16. FINANCIAL INSTRUMENTS

The Company's management and the Board of Directors monitor and respond as necessary to any risks arising from financial instruments.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations to meet its requirements.

Credit Risk

The Company's exposure to credit risk relates to its accounts receivable and unbilled revenue. The Company collects security deposits from customers in accordance with direction provided by the OEB.

Fair Value

The carrying values of cash, accounts receivable, due to/from related parties, bank loan, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Customer and developer deposits have a fair value that approximated carrying value. Interest is paid on deposits on a monthly basis at prime less 2%; as directed by the OEB.

The promissory note payable to the Town of Grimsby is valued at its face value. It is not practicable within constraints of timeliness or cost to reliably measure its fair value.

17. GENERAL LIABILITY INSURANCE

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which is a pooling of general liability insurance risks. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE, for the years in which the company and its predecessor company was a member.

To December 31, 2012, the Company has not been made aware of any additional assessments. Participation in MEARIE covers a one year underwriting period which expires January 1, 2013. Notice to withdraw from MEARIE must be given six months prior to the commencement of the next underwriting term.

18. COMMITMENTS AND CONTINGENCIES

A letter of credit in the amount of \$964,845 (2011 - \$964,845) has been issued in favour of the Independent Electricity System Operator ("IESO") as security for the Company's purchase of electricity through the IESO. No amounts were drawn down on the letter of guarantee at year end.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

19. COMPARATIVE FIGURES

Certain of the prior year's figures, provided for purposes of comparison, have been reclassified to conform with the current year's presentation.

1 APPENDIX 1-H – 2013 AUDITED FINANCIAL STATEMENTS

GRIMSBY POWER INCORPORATED

FINANCIAL STATEMENTS

For the year ended December 31, 2013

GRIMSBY POWER INCORPORATED

For the year ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Grimsby Power Incorporated

We have audited the accompanying financial statements of Grimsby Power Incorporated, which comprise the statement of financial position as at December 31, 2013, and the statements of retained earnings, income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grimsby Power Incorporated as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



April 3, 2014

CHARTERED ACCOUNTANTS
Licensed Public Accountants

GRIMSBY POWER INCORPORATED

STATEMENT OF FINANCIAL POSITION

As at December 31	2013	2012 (Restated Note 3)
ASSETS		
Current Assets		
Cash and bank	762,577	1,013,700
Accounts receivable (Note 6)	1,492,815	1,211,434
Due from related parties	17,310	19,853
Payment in lieu of corporate income taxes receivable	-	10,000
Future payments in lieu of taxes	198,187	-
Unbilled revenue	2,346,708	1,840,881
Inventory	524,346	229,905
Prepaid expenses	104,315	102,831
	5,446,258	4,428,604
Regulatory assets (Note 9)	-	149,514
Property, plant and equipment (Note 7)	16,346,672	15,485,508
Future payments in lieu of taxes	397,990	1,088,764
	22,190,920	21,152,390
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,511,279	2,167,751
Payment in lieu of corporate income taxes payable	66,926	-
Future payments in lieu of taxes	-	244,862
Current portion of deposits	86,190	88,728
Current portion of long term liabilities	1,305,966	1,302,561
	3,970,361	3,803,902
Long-term Liabilities		
Customers' and developers' deposits (Note 8)	1,107,563	788,990
Long-term liabilities (Note 10)	1,531,513	1,637,479
Promissory note (Note 11)	5,782,746	5,782,746
Regulatory liabilities (Note 9)	348,147	-
Deferred revenue - contributed capital	1,316,309	980,622
Future payments in lieu of taxes	87,567	248,811
	10,173,845	9,438,648
SHAREHOLDER'S EQUITY		
Capital Stock (Note 12)	5,782,747	5,782,747
Contributed Capital	70,721	70,721
Retained Earnings	2,193,246	2,056,372
	8,046,714	7,909,840
	22,190,920	21,152,390

See accompanying notes

GRIMSBY POWER INCORPORATED

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2013	2012 <i>(Restated Note 3)</i>
Retained Earnings - Beginning of Year	2,056,372	1,284,662
Income	563,564	853,380
Dividends	(426,690)	(81,670)
Retained Earnings - End of Year	2,193,246	2,056,372

Approved on behalf of the Board of Directors:

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GRIMSBY POWER INCORPORATED

STATEMENT OF INCOME

For the year ended December 31	2013	2012
Revenue		
Distribution	4,085,137	4,187,041
Power, connection and transmission	17,966,029	16,700,865
	22,051,166	20,887,906
Less: Cost of power supply	17,966,029	16,700,865
Gross Margin	4,085,137	4,187,041
Other Income		
Interest income	37,549	54,709
Miscellaneous	419,046	251,990
	456,595	306,699
	4,541,732	4,493,740
Expenses		
Amortization	585,912	446,339
General administration expense	1,119,954	1,279,082
Billing and collecting	512,576	517,457
Interest	397,143	378,097
Maintenance	519,679	570,520
Operations	522,827	396,997
Other	10,912	28,123
Property taxes	25,586	24,915
Marketing	-	246
	3,694,589	3,641,776
Income Before Payments in Lieu of Taxes and Regulatory Adjustments	847,143	851,964
Payments in lieu of taxes (Note 14)		
Current	197,098	-
Future	86,481	343,820
	283,579	343,820
Income Before Regulatory Adjustments	563,564	508,144
Regulatory adjustments - payment in lieu of taxes	-	263,520
- smart meters	-	81,716
Net regulatory adjustments	-	345,236
Net Income	563,564	853,380

See accompanying notes

GRIMSBY POWER INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended December 31	2013	2012
Cash Flows From Operating Activities		
Net Income	563,564	853,380
Charges (credits) to income not involving cash:		
Amortization (including amounts charged to operating accounts)	701,801	691,820
Amortization of deferred revenue - capital contribution	(32,235)	(22,468)
(Gain)/Loss on disposal of property, plant and equipment	743	5,633
Future payments in lieu of taxes	86,481	343,820
Change in non-cash working capital	(660,136)	(836,606)
Increase in customer and developer deposits	316,035	112,689
Change in regulatory assets/liabilities	497,661	1,105,345
	1,473,914	2,253,613
Cash Flows From Financing Activities		
Deferred revenue - capital contributions	367,922	302,965
Long term debt	(102,561)	1,411,151
Dividends	(426,690)	(81,670)
	(161,329)	1,632,446
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(1,563,708)	(3,610,307)
Deposit on long term asset	-	94,500
Proceeds on disposal of property, plant and equipment	-	20,977
	(1,563,708)	(3,494,830)
Net Change in Cash and Cash Equivalents	(251,123)	391,229
Opening Cash and Cash Equivalents	1,013,700	622,471
Closing Cash and Cash Equivalents	762,577	1,013,700
Supplemental Disclosures		
Interest paid	86,402	54,737
Receipts in lieu of taxes	10,000	30,000

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

1. NATURE OF ACTIVITIES

Grimsby Power Incorporated ("the Company"), is incorporated under the laws of Ontario and its principal business activity is to distribute power to consumers within the town of Grimsby.

The Company is a regulated electricity distribution company that owns and operates the electricity infrastructure, distributing a safe, reliable delivery of electricity to homes and businesses in the Town of Grimsby. The Company is regulated by the Ontario Energy Board ("OEB") under the authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, and for ensuring that distribution companies fulfill their obligations to connect service customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the OEB under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the OEB Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant accounting policies are summarized below:

(a) Regulation

The Company is regulated by the OEB and any power rates adjustments require OEB approval. The following accounting policies under the regulated environment differ from GAAP for companies operating under an unregulated environment.

Regulatory Assets and Liabilities

Regulatory assets and liabilities represent differences between amounts collected through rates (OEB approved) and actual costs incurred by the distributor. Regulatory assets and liabilities on the balance sheet at year-end consist of settlement variances on the cost of power, deferred charges and the associated regulated interest. Account balances and current year activities are detailed in Note 9.

Smart Meter Initiative

The Province of Ontario committed to having "Smart Meter" electricity meters installed in certain homes and small businesses throughout Ontario by the end of 2010. Smart Meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals.

The smart meter initiative was completed at the end of 2011 and meter costs were included in approved rates for 2012.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Measurement

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates recorded in preparing these financial statements. These have been made using careful judgment.

Accounts receivable, unbilled revenue and regulatory assets are stated after evaluation of amounts expected to be collected and an appropriate valuation allowance. Inventory is recorded net of provisions for obsolescence. Amounts recorded for depreciation and amortization of equipment are based on estimates of useful service life.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with the bank.

(d) Unbilled Revenue

Unbilled revenue is accrued from the last meter reading date to the end of the period.

(e) Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined by using the first-in first-out method.

(f) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost. The cost and related accumulated amortization of the capital assets are removed from the accounts at the end of their estimated service lives, except in those instances where specific identification permits their removal at retirement or disposition. Gains and losses at retirement or disposition are credited or charged to income. Contributions in aid of capital assets and intangibles are recorded as deferred credits and amortized to income over the life of the related assets. Amortization is provided for in the accounts as follows:

Buildings	25-50 years straight line
Distribution plant	15-60 years straight line
General equipment	5-15 years straight line
Computer software	5 years straight line

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Payments in Lieu of Corporate Income Taxes (PILs)

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

The Company accounts for payments in lieu of corporate taxes using the liability method. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

(h) Customer and Developer Deposits

Customer and developer deposits are recorded when received or paid. Deposits earn interest at a rate of prime less 2%.

(i) Deferred Revenue - Contributed Capital

Contributed capital is capitalized and amortized to income at a rate consistent with the corresponding asset that the funds were used to acquire.

(j) Revenue Recognition

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue. Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading to the end of the year. The related cost of power is recorded on the basis of power used. Any discrepancies in the revenue collected and the associated cost of power to distribute are charged to regulatory assets.

(k) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value. Subsequent measurement is based on the classification of the financial instrument as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

The company has classified its financial instruments are follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Unbilled revenue	Loans and receivables
Bank loan	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Promissory note	Other liabilities
Customers' and developers' deposits	Other liabilities

The Company has adopted the disclosure and presentation requirements of Canadian Institute of Chartered Accountants Handbook Section 3861 rather than Handbook Sections 3862 and 3863.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Regulatory Policies

The Company has adopted the following policies, as prescribed by the OEB for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian GAAP for enterprises operating in a non-rate-regulated environment:

1. Various regulatory costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures Handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures Handbook.

3. CHANGE IN ACCOUNTING POLICY

During the year, the Company updated its policy for the recording of future payments-in-lieu of taxes. Future payments-in-lieu of taxes are now recorded using both current and long term portions for the tax impact of regulatory items. The change in policy affected opening retained earnings for the year ended December 31, 2012. The policy change did not effect operations for the year ended December 31, 2012.

	2013	2012
Opening retained earnings, as previously stated	1,284,662	336,759
Adjustment to opening future payments-in-lieu of taxes	-	947,903
Retained earnings, as restated	1,284,662	1,284,662

4. EMERGING ACCOUNTING CHANGES

The Accounting Standards Board ("AcSB") confirmed that rate-regulated enterprises will be required to adopt International Financial Reporting Standards ("IFRS"). The Accounting Standards Board has deferred the adoption of IFRS for rate-regulated entities until December 31, 2015.

The Company has elected to defer its adoption of IFRS. Accordingly, the Company has prepared its financial statements in accordance with Part V of the CICA Handbook "Pre-Changeover Accounting Standards" for 2013.

The Company continues to assess the impact of conversion to IFRS on its results of operations. The Company will continue to monitor accounting developments with respect to the adoption of IFRS and how any changes will impact the Company's reporting under IFRS.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

5. RATE REGULATION

The rates of the Company's electricity distribution business are subject to regulation by the OEB.

With the commencement of the open market, the Company purchases electricity from the Independent Electricity System Operator ("IESO"), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and connection charges and debt retirement payments are collected by the Company and remitted to the IESO and the OEFC respectively. The Company retains the distribution charge on the customer hydro invoices.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated Company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the Company been unregulated. Specific regulatory assets and liabilities are disclosed in Note 9.

The Company's approved rate for distribution includes components for the recovery (refund) of regulatory assets (liabilities). The approved rates, effective January 1, 2012, were calculated on a 2010 rate base and includes a rate of return on equity.

6. ACCOUNTS RECEIVABLE	2013	2012
Service revenue	1,301,414	1,148,114
Other	197,901	69,820
	1,499,315	1,217,934
Allowance for doubtful accounts	(6,500)	(6,500)
	1,492,815	1,211,434

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

7.	PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2013	2012
	Land	111,556	-	111,556	111,556
	Buildings	550,496	-	550,496	501,047
	Distribution plant	16,141,585	1,577,368	14,564,217	14,012,640
	General equipment	737,710	-	737,710	557,047
	Computer software	645,776	263,083	382,693	303,218
		18,187,123	1,840,451	16,346,672	15,485,508
8.	CUSTOMER AND DEVELOPER DEPOSITS			2013	2012
	Customer deposits			195,580	194,010
	Developer deposits and payables			998,173	683,708
				1,193,753	877,718
	Less: Current portion			86,190	88,728
				1,107,563	788,990

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

9. REGULATORY ASSETS/LIABILITIES	2013	2012
Retail settlement variance accounts	(491,058)	176,782
Smart meters and stranded meters	808	891
Regulatory PILs	142,103	(28,159)
	(348,147)	149,514

Net regulatory assets (liabilities) represent amounts recovered from customers in excess of costs incurred by OEB approved rates less recoveries. These amounts have been accumulated pursuant to the Electricity Act and deferred in anticipation of their future settlement in electricity distribution rates. Management assesses the future uncertainty with respect to the recovery of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities. Upon rendering of the final regulatory decision concerning adjusting distribution rates, the provisions are adjusted to reflect the final impact of that decision, and such adjustment is reflected in net earnings for the period.

Regulatory assets (liabilities) incur interest at prescribed rates. In 2013 rates were 1.47% (2012 - 1.47%).

Settlement variances represent amounts that have accumulated since Market Opening and comprise:

(a) Variances between amounts charged by the Independent Electricity System Operator (IESO) for the operation of the wholesale electricity market and grid, various wholesale market settlement charged and transmission charges, and the amounts billed to customers by the Company based on the OEB approved wholesale market service rate; and,

(b) Variances between the amounts charged by IESO for energy commodity costs and the amounts billed to customers by the Company based on OEB approved rates.

Smart meters - Smart meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals. Bill 21, Energy Conservation and Responsibility Act, proved the legislative framework and regulations to support this initiative.

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between OEB and interested stakeholders, may affect the distribution rates that the Company may charge and the costs that the Company may recover, including the balance of its regulatory assets.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

10. LONG TERM LIABILITIES	2013	2012
TD term loan with blended monthly instalments of \$11,097, at a fixed rate of 3.33%, due April 2017	1,347,901	1,434,614
TD term loan with blended monthly instalments of \$2,193 at a fixed rate 3.50%, due December 2016	289,578	305,426
TD term loan, interest only at a fixed rate of 2.5%, due December 2013	1,200,000	1,200,000
	2,837,479	2,940,040
Less: Current portion	1,305,966	1,302,561
	1,531,513	1,637,479

As security for the TD term loans, the Company has provided a general security agreement, assignment of fire insurance on inventory and equipment, assignment of liability insurance, and Postponement Agreement executed by the bank, the Company and the Town of Grimsby.

Based upon current repayment terms, the estimated annual principal repayments are as follows:

2014	-	1,305,966
2015	-	109,578
2016	-	352,059
2017	-	99,282
2018 and thereafter	-	970,594

11. PROMISSORY NOTE

The promissory note matures on February 1, 2020 and is payable to the Town of Grimsby. The note bears interest at the rate of 5.01% per annum.

12. CAPITAL STOCK	2013	2012
Authorized an unlimited number of common shares		
Issued 1,001 common shares	5,782,747	5,782,747

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

13. RELATED PARTY TRANSACTIONS

During the year, the Company had the following transactions with the parent company, shareholder of the parent company and a subsidiary of the parent company:

	2013	2012
Revenue		
Service revenue	548,259	486,068
Other	18,597	27,061
Expenses		
Interest charges	289,716	289,716
Other expenses	49,621	47,970
Connection fees	429,008	452,853
IT services	82,091	107,064
Fibre optic internet services	8,340	8,340
Fieldworker consulting expense	-	70,197

These transactions have taken place in the ordinary course of business and are recorded at a fair market exchange amount.

Accounts receivable include \$38,164 (2012 - \$19,848) due from related parties and accounts payable include \$17,310 (2012 - \$37,435) due to related parties. These balances are non-interest bearing with no fixed terms of repayment.

In 2009, the Company migrated its billing system to a SAP platform. The Company has a contractual commitment to pay \$5,569 per month for system administration and non-system related support to a related party. Effective December 1, 2013 the fee was increased to \$6,396 per month.

14. PAYMENT-IN-LIEU OF CORPORATE INCOME TAXES

The impact of differences between the Company's reported payments in lieu of corporate income taxes and the expense that would otherwise result from the application of the combined statutory income tax rate of 26.5% is as follows:

	2013	2012
Basic taxes applied to income before PILs	224,493	317,258
Increase (Decrease) in PILs resulting from:		
Tax basis of depreciable property plant and equipment in excess of accounting basis	(181,220)	-
Change in future tax rate	86,481	-
Change in regulatory assets	131,880	26,562
Prior year adjustments	59,068	-
Other	(37,123)	-
	283,579	343,820

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

15. PENSION AGREEMENTS

The company makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of its full-time staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by an employee based on the length of services and rate of pay.

16. FINANCIAL INSTRUMENTS

The Company's management and the Board of Directors monitor and respond as necessary to any risks arising from financial instruments.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations to meet its requirements.

Credit Risk

The Company's exposure to credit risk relates to its accounts receivable and unbilled revenue. The Company collects security deposits from customers in accordance with direction provided by the OEB.

Fair Value

The carrying values of cash, accounts receivable, due to/from related parties, bank loan, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Customer and developer deposits have a fair value that approximated carrying value. Interest is paid on deposits on a monthly basis at prime less 2%; as directed by the OEB.

The promissory note payable to the Town of Grimsby is valued at its face value. It is not practicable within constraints of timeliness or cost to reliably measure its fair value.

17. GENERAL LIABILITY INSURANCE

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which is a pooling of general liability insurance risks. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE, for the years in which the company and its predecessor company was a member.

To December 31, 2013, the Company has not been made aware of any additional assessments. Participation in MEARIE covers a one year underwriting period which expires January 1, 2013. Notice to withdraw from MEARIE must be given six months prior to the commencement of the next underwriting term.

18. COMMITMENTS AND CONTINGENCIES

A letter of credit in the amount of \$964,845 (2012 - \$964,845) has been issued in favour of the Independent Electricity System Operator ("IESO") as security for the Company's purchase of electricity through the IESO. No amounts were drawn down on the letter of guarantee at year end.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

19. COMPARATIVE FIGURES

Certain of the prior year's figures, provided for purposes of comparison, have been reclassified to conform with the current year's presentation.

1 APPENDIX 1-I – 2014 AUDITED FINANCIAL STATEMENTS

GRIMSBY POWER INCORPORATED

FINANCIAL STATEMENTS

For the year ended December 31, 2014

GRIMSBY POWER INCORPORATED

For the year ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Grimsby Power Incorporated

We have audited the accompanying financial statements of Grimsby Power Incorporated, which comprise the statement of financial position as at December 31, 2014, and the statements of retained earnings, income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grimsby Power Incorporated as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Amended Financial Statements

Without modifying our opinion we attention to Note 17 to the financial statements, which explains that the financial statements for the year ended December 31, 2014 have been amended from those on which we originally reported on April 16, 2015.



April 16, 2015
except as to Note 17, which is as of September 14, 2015
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

GRIMSBY POWER INCORPORATED

STATEMENT OF FINANCIAL POSITION

As at December 31	2014	2013 (restated Note 17)
ASSETS		
Current Assets		
Cash and bank	727,297	762,577
Accounts receivable (Note 5)	938,329	1,492,815
Due from related parties	14,103	17,310
Payment in lieu of corporate income taxes receivable	321,613	-
Future payments in lieu of taxes	-	198,187
Unbilled revenue	2,133,379	2,346,708
Inventory	535,806	524,346
Prepaid expenses	124,289	104,315
	4,794,816	5,446,258
Regulatory assets (Note 8)	738,802	-
Future payments in lieu of taxes	59,370	219,822
Property, plant and equipment (Note 6)	18,646,473	16,346,672
	24,239,461	22,012,752
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	3,240,604	2,511,279
Due to related parties	37,221	-
Payment in lieu of corporate income taxes payable	-	66,926
Future payments in lieu of taxes	89,855	-
Current portion of deposits	135,653	86,190
Current portion of long term liabilities	2,779,578	1,305,966
	6,282,911	3,970,361
Long-term Liabilities		
Customers' and developers' deposits (Note 7)	537,244	1,107,563
Future payments in lieu of taxes	-	87,567
Other liabilities and deferred credits	2,357,166	1,316,309
Regulatory liabilities (Note 8)	-	348,147
Promissory note (Note 10)	5,782,746	5,782,746
Long-term liabilities (Note 9)	1,421,935	1,531,513
	10,099,091	10,173,845
SHAREHOLDER'S EQUITY		
Capital Stock (Note 11)	5,782,747	5,782,747
Contributed Capital	70,721	70,721
Retained Earnings	2,003,991	2,015,078
	7,857,459	7,868,546
	24,239,461	22,012,752

See accompanying notes

GRIMSBY POWER INCORPORATED

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2014	2013 <i>(restated Note 17)</i>
Retained Earnings - Beginning of Year	2,015,078	1,878,204
Income	270,695	563,564
Dividends	(281,782)	(426,690)
Retained Earnings - End of Year	2,003,991	2,015,078

Approved on behalf of the Board of Directors:

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GRIMSBY POWER INCORPORATED

STATEMENT OF INCOME

For the year ended December 31	2014	2013 (restated Note 17)
Revenue		
Sales of electricity	19,160,748	17,966,029
Revenue from services - distribution	4,011,524	4,085,137
Other income	307,289	419,046
Investment income	36,056	37,549
	23,515,617	22,507,761
Less: Other power supply expense	19,160,748	17,966,029
	4,354,869	4,541,732
Expenses		
Distribution expenses - operation	594,775	522,827
Distribution expenses - maintenance	436,218	519,679
Billing and collecting	539,296	512,576
Administrative and general expenses	1,213,975	1,119,954
Depreciation and amortization expense	678,594	585,912
Interest expense	414,545	397,143
Property taxes	25,780	25,586
Other deductions	5,162	10,912
	3,908,345	3,694,589
Income Before Payments in Lieu of Taxes	446,524	847,143
Payments in lieu of taxes (Note 13)		
Current	(185,098)	197,098
Future	360,927	86,481
	175,829	283,579
Net Income	270,695	563,564

See accompanying notes

GRIMSBY POWER INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended December 31	2014	2013 (restated Note 17)
Cash Flows From Operating Activities		
Net Income	270,695	563,564
Charges (credits) to income not involving cash:		
Amortization (including amounts charged to operating accounts)	796,422	701,801
Amortization of deferred revenue - capital contribution	(52,386)	(32,235)
(Gain)/Loss on disposal of property, plant and equipment	1,170	743
Future payments in lieu of taxes	360,927	86,481
Change in non-cash working capital	1,117,595	(660,136)
Increase in customer and developer deposits	(520,856)	316,035
Change in regulatory assets/liabilities	(1,086,949)	497,661
	886,618	1,473,914
Cash Flows From Financing Activities		
Deferred revenue - capital contributions	1,093,243	367,922
Long term debt	1,364,034	(102,561)
Dividends	(281,782)	(426,690)
	2,175,495	(161,329)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(3,106,130)	(1,563,708)
Proceeds on disposal of property, plant and equipment	8,737	-
	(3,097,393)	(1,563,708)
Net Change in Cash and Cash Equivalents	(35,280)	(251,123)
Opening Cash and Cash Equivalents	762,577	1,013,700
Closing Cash and Cash Equivalents	727,297	762,577
Supplemental Disclosures		
Interest paid	110,180	86,402
Receipts in lieu of taxes	-	10,000

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

1. NATURE OF ACTIVITIES

Grimsby Power Incorporated ("the Company"), is incorporated under the laws of Ontario and its principal business activity is to distribute power to consumers within the town of Grimsby.

The Company is a regulated electricity distribution company that owns and operates the electricity infrastructure, distributing a safe, reliable delivery of electricity to homes and businesses in the Town of Grimsby. The Company is regulated by the Ontario Energy Board ("OEB") under the authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, and for ensuring that distribution companies fulfill their obligations to connect service customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the OEB under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the OEB Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant accounting policies are summarized below:

(a) Regulation

The Company is regulated by the OEB and any power rates adjustments require OEB approval. The following accounting policies under the regulated environment differ from GAAP for companies operating under an unregulated environment.

Regulatory Assets and Liabilities

Regulatory assets and liabilities represent differences between amounts collected through rates (OEB approved) and actual costs incurred by the distributor. Regulatory assets and liabilities on the balance sheet at year-end consist of settlement variances on the cost of power, deferred charges and the associated regulated interest. Account balances and current year activities are detailed in Note 8.

(b) Measurement

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates recorded in preparing these financial statements. These have been made using careful judgment.

Accounts receivable, unbilled revenue and regulatory assets are stated after evaluation of amounts expected to be collected and an appropriate valuation allowance. Inventory is recorded net of provisions for obsolescence. Amounts recorded for depreciation and amortization of equipment are based on estimates of useful service life.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and balances with the bank.

(d) **Unbilled Revenue**

Unbilled revenue is accrued from the last meter reading date to the end of the period.

(e) **Inventory**

Inventory is stated at the lower of cost or net realizable value. Cost is determined on the weighted-average basis.

(f) **Property, Plant and Equipment and Amortization**

Property, plant and equipment are recorded at cost. The cost and related accumulated amortization of the capital assets are removed from the accounts at the end of their estimated service lives, except in those instances where specific identification permits their removal at retirement or disposition. Gains and losses at retirement or disposition are credited or charged to income. Contributions in aid of capital assets and intangibles are recorded as deferred credits and amortized to income over the life of the related assets. Amortization is provided for in the accounts as follows:

General plant	25-50	years straight line
Distribution plant	15-60	years straight line
Computer software	5	years straight line

(g) **Payments in Lieu of Corporate Income Taxes (PILs)**

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

The Company accounts for payments in lieu of corporate taxes using the liability method. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Customer and Developer Deposits

Customer and developer deposits are recorded when received or paid. Deposits earn interest at a rate of prime less 2%.

(i) Deferred Revenue - Contributed Capital

Contributed capital is capitalized and amortized to income at a rate consistent with the corresponding asset that the funds were used to acquire.

(j) Revenue Recognition

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue. Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading to the end of the year. The related cost of power is recorded on the basis of power used. Any discrepancies in the revenue collected and the associated cost of power to distribute are charged to regulatory assets.

(k) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value. Subsequent measurement is based on the classification of the financial instrument as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

The company has classified its financial instruments are follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Unbilled revenue	Loans and receivables
Bank loan	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Promissory note	Other liabilities
Customers' and developers' deposits	Other liabilities

The Company has adopted the disclosure and presentation requirements of Canadian Institute of Chartered Accountants Handbook Section 3861 rather than Handbook Sections 3862 and 3863.

(l) Regulatory Policies

The Company has adopted the following policies, as prescribed by the OEB for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian GAAP for enterprises operating in a non-rate-regulated environment:

1. Various regulatory costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures Handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures Handbook.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

3. EMERGING ACCOUNTING CHANGES

The Accounting Standards Board ("AcSB") confirmed that rate-regulated enterprises will be required to adopt International Financial Reporting Standards ("IFRS"). The Accounting Standards Board has deferred the adoption of IFRS for rate-regulated entities until December 31, 2015.

The Company has elected to defer its adoption of IFRS. Accordingly, the Company has prepared its financial statements in accordance with Part V of the CPA Canada Handbook "Pre-Changeover Accounting Standards" for 2014.

The Company continues to assess the impact of conversion to IFRS on its results of operations. The Company will continue to monitor accounting developments with respect to the adoption of IFRS and how any changes will impact the Company's reporting under IFRS.

4. RATE REGULATION

The rates of the Company's electricity distribution business are subject to regulation by the OEB.

With the commencement of the open market, the Company purchases electricity from the Independent Electricity System Operator ("IESO"), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and connection charges and debt retirement payments are collected by the Company and remitted to the IESO and the OEFC respectively. The Company retains the distribution charge on the customer hydro invoices.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated Company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the Company been unregulated. Specific regulatory assets and liabilities are disclosed in Note 8.

The Company's approved rate for distribution includes components for the recovery (refund) of regulatory assets (liabilities). The approved rates, effective January 1, 2014, were calculated on a 2012 rate base and includes a rate of return on equity.

5. ACCOUNTS RECEIVABLE	2014	2013
Customer accounts receivable	717,002	1,301,414
Other receivables	227,827	197,901
	944,829	1,499,315
Allowance for doubtful accounts	(6,500)	(6,500)
	938,329	1,492,815

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

6.	PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2014	2013
	General plant	1,475,520	301,371	1,174,149	1,399,762
	Distribution plant	19,048,466	1,915,969	17,132,497	14,564,217
	Intangible plant	741,370	401,543	339,827	382,693
		21,265,356	2,618,883	18,646,473	16,346,672
7.	CUSTOMER AND DEVELOPER DEPOSITS			2014	2013
	Customer deposits			236,609	195,580
	Developer deposits and payables			436,288	998,173
				672,897	1,193,753
	Less: Current portion			135,653	86,190
				537,244	1,107,563

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

8. REGULATORY ASSETS/LIABILITIES	2014	2013
Retail settlement variance accounts	679,695	(491,058)
Smart meters and stranded meters	3,075	808
Regulatory PILs	56,032	142,103
	738,802	(348,147)

Net regulatory assets (liabilities) represent amounts recovered from customers in excess of costs incurred by OEB approved rates less recoveries. These amounts have been accumulated pursuant to the Electricity Act and deferred in anticipation of their future settlement in electricity distribution rates. Management assesses the future uncertainty with respect to the recovery of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities. Upon rendering of the final regulatory decision concerning adjusting distribution rates, the provisions are adjusted to reflect the final impact of that decision, and such adjustment is reflected in net earnings for the period.

Regulatory assets (liabilities) incur interest at prescribed rates. In 2014 rates were 1.47% (2013 - 1.47%).

Settlement variances represent amounts that have accumulated since Market Opening and comprise:

(a) Variances between amounts charged by the Independent Electricity System Operator (IESO) for the operation of the wholesale electricity market and grid, various wholesale market settlement charged and transmission charges, and the amounts billed to customers by the Company based on the OEB approved wholesale market service rate; and,

(b) Variances between the amounts charged by IESO for energy commodity costs and the amounts billed to customers by the Company based on OEB approved rates.

The 2014 approved rates allowed for a rider to reduce charges to allow for the repayment of previous various regulatory liabilities. The total regulatory liabilities approved for disposition were \$754,597.

Smart meters - Smart meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals. Bill 21, Energy Conservation and Responsibility Act, proved the legislative framework and regulations to support this initiative.

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between OEB and interested stakeholders, may affect the distribution rates that the Company may charge and the costs that the Company may recover, including the balance of its regulatory assets.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

9. LONG TERM LIABILITIES	2014	2013
TD term loan with blended monthly instalments of \$11,097, at a fixed rate of 3.33%, due April 2017	1,258,256	1,347,901
TD term loan with blended monthly instalments of \$2,193 at a fixed rate 3.50%, due December 2016	273,257	289,578
TD term loan, interest only at a fixed rate of 2.5%, due December 2015	2,670,000	1,200,000
	4,201,513	2,837,479
Less: Current portion	2,779,578	1,305,966
	1,421,935	1,531,513

As security for the TD term loans, the Company has provided a general security agreement, assignment of fire insurance on inventory and equipment, assignment of liability insurance, and Postponement Agreement executed by the bank, the Company and the Town of Grimsby.

Based upon current repayment terms, the estimated annual principal repayments are as follows:

2015	-	2,779,578
2016	-	352,059
2017	-	1,069,876

10. PROMISSORY NOTE

The promissory note matures on February 1, 2020 and is payable to the Town of Grimsby. The note bears interest at the rate of 5.01% per annum.

11. CAPITAL STOCK	2014	2013
Authorized an unlimited number of common shares		
Issued 1,001 common shares	5,782,747	5,782,747

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

12. RELATED PARTY TRANSACTIONS

During the year, the Company had the following transactions with the parent company, shareholder of the parent company and a subsidiary of the parent company:

	2014	2013
Revenue		
Service revenue	544,545	548,259
Other	48,838	18,597
Expenses		
Interest charges	289,716	289,716
Other expenses	46,266	49,621
Connection fees	352,702	429,008
IT services	85,760	82,091
Fibre optic internet services	8,340	8,340

These transactions have taken place in the ordinary course of business and are recorded at a fair market exchange amount.

Accounts receivable include \$14,103 (2013 - \$38,164) due from related parties and accounts payable include \$37,221 (2013 - \$17,310) due to related parties. These balances are non-interest bearing with no fixed terms of repayment.

In 2009, the Company migrated its billing system to a SAP platform. The Company has a contractual commitment to pay \$5,569 per month for system administration and non-system related support to a related party. Effective December 1, 2014 the fee was increased to \$6,590 per month.

13. PAYMENT-IN-LIEU OF CORPORATE INCOME TAXES

The impact of differences between the Company's reported payments in lieu of corporate income taxes and the expense that would otherwise result from the application of the combined statutory income tax rate of 26.5% is as follows:

	2014	2013
Basic taxes applied to income before PILs	87,072	224,493
Increase (Decrease) in PILs resulting from:		
Tax basis of depreciable property plant and equipment in excess of accounting basis	(110,062)	(181,220)
Change in future tax rate	-	86,481
Change in regulatory assets	(211,955)	131,880
Prior year adjustments	-	59,068
Carryforward of non-capital losses	47,761	-
Change in future income tax balance	360,927	-
Other	2,086	(37,123)
	175,829	283,579

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

14. PENSION AGREEMENTS

The company makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of its full-time staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by an employee based on the length of services and rate of pay.

15. FINANCIAL INSTRUMENTS

The Company's management and the Board of Directors monitor and respond as necessary to any risks arising from financial instruments.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations to meet its requirements.

Credit Risk

The Company's exposure to credit risk relates to its accounts receivable and unbilled revenue. The Company collects security deposits from customers in accordance with direction provided by the OEB.

Fair Value

The carrying values of cash, accounts receivable, due to/from related parties, bank loan, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Customer and developer deposits have a fair value that approximated carrying value. Interest is paid on deposits on a monthly basis at prime less 2%; as directed by the OEB.

The promissory note payable to the Town of Grimsby is valued at its face value. It is not practicable within constraints of timeliness or cost to reliably measure its fair value.

16. GENERAL LIABILITY INSURANCE

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which is a pooling of general liability insurance risks. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE, for the years in which the company and its predecessor company was a member.

To December 31, 2014, the Company has not been made aware of any additional assessments. Participation in MEARIE covers a one year underwriting period which expires January 1, 2015. Notice to withdraw from MEARIE must be given six months prior to the commencement of the next underwriting term.

GRIMSBY POWER INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

17. RESTATEMENT OF 2013 COMPARATIVE FIGURES

During 2014, it was determined that a correction to the opening balance of future payments in lieu of taxes would be appropriate. The correction resulted in a change to the 2012 future tax balances and consequently have been reflected through retained earnings for 2013. The impact of correcting these items in the 2013 comparative figures is as follows:

	As Previously Reported	Adjustment	2013 As Restated
Future payments in lieu of taxes	397,990	(178,168)	219,822
Retained earnings	2,056,372	(178,168)	1,878,204

18. COMMITMENTS AND CONTINGENCIES

A letter of credit in the amount of \$964,845 (2013 - \$964,845) has been issued in favour of the Independent Electricity System Operator ("IESO") as security for the Company's purchase of electricity through the IESO. No amounts were drawn down on the letter of guarantee at year end.

19. COMPARATIVE FIGURES

Certain of the prior year's figures, provided for purposes of comparison, have been reclassified to conform with the current year's presentation.

1 APPENDIX 1-K – GRIMSBY POWER’S SERVICE TERRITORY MAP

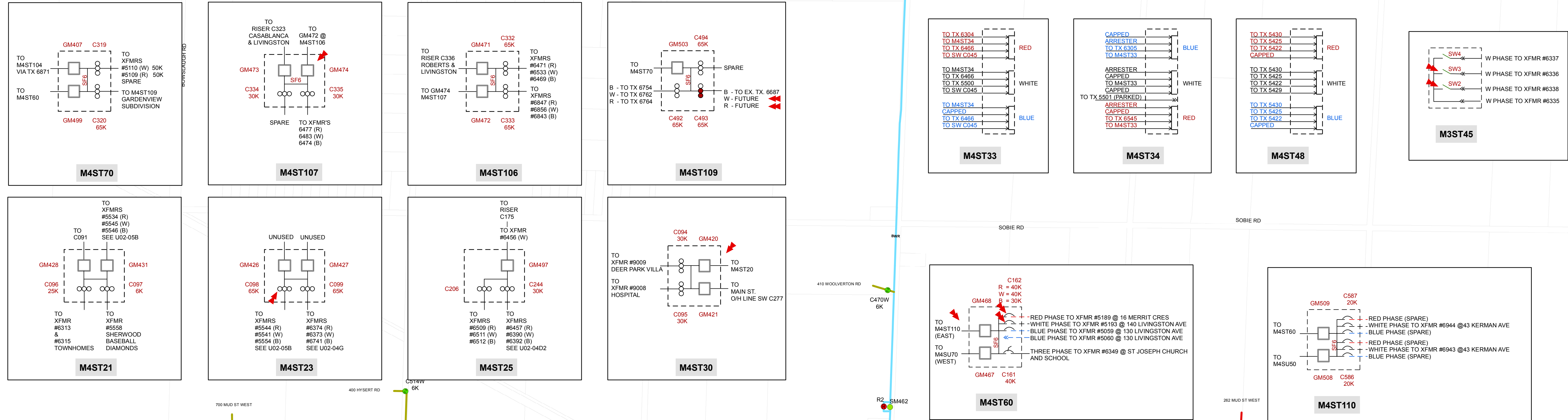
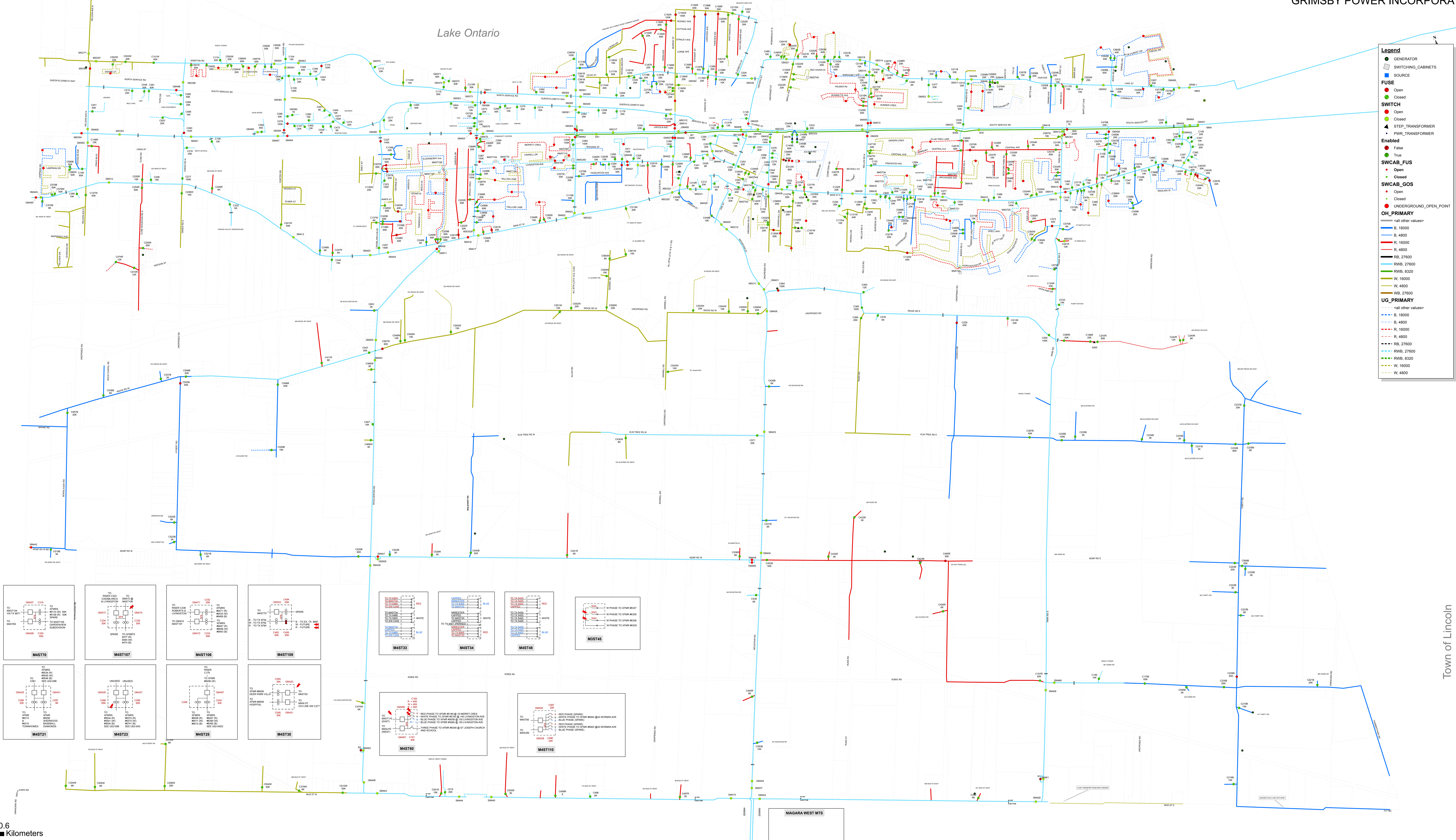
Town of Grimsby

27.6/8.0 KV
OPERATING MAP
GRIMSBY POWER INCORPORATED

City of Stoney Creek

Town of Lincoln

Lake Ontario



NIAGARA WEST MTS

1 APPENDIX 1-J – GRIMSBY POWER’S DISTRIBUTION SYSTEM MAP

GPI'S SERVICE TERRITORY

