

Grimsby Power Inc.
EB-2015-0072
OEB Staff Interrogatories

General

Staff-1

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that Grimsby Power wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments in the final sheet of the model, such as a reference to an interrogatory response or an explanatory note.

Staff-2

Chapter 2 Appendices, Sheet 8.3, Bill Impacts

Upon completing all interrogatories from OEB staff and intervenors, please provide updated bill impacts for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.), reflecting any changes made during the interrogatory process.

Staff-3

Responses to Letters of Comment

Following publication of the Notice of Application, the OEB received 1 letter of comment. Sections 2.1.9 of the Filing Requirements states that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters, they may be accessed from the public record for this proceeding.

Please file a response to any matters raised in the letter of comment referenced above that request a response. Going forward, please ensure that responses are filed to any subsequent letters that may be submitted in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

Exhibit 1 – Administrative Documents

1-Staff-4

Ref: Exhibit 1, Tab 2, Schedule 1

Chapter 2 of the Filing Requirements states, “Distributors should specifically discuss in the application how they informed their customers on the proposals being considered for inclusion in the application, and the value of those proposals to customers (i.e. costs, benefits and the impact on rates). The application should discuss any feedback provided by customers and how this feedback shaped the final application”. Grimsby Power has provided the results of the UtilityPULSE and CGC surveys, and explained how the preparation of the application was informed by this customer feedback.

- a) Please describe what forms of outreach were employed to explain Grimsby Power’s proposals in this current application and how the current application serves the needs and expectations of customers? Specifically, did Grimsby Power conduct any customer engagement activities with regard to the overall costs contained in the application and the impacts to customers? If none were employed, please explain why.
- b) Please explain how feedback received from customers was incorporated into the application.

1-Staff-5

Ref: Exhibit 1, Page 5 – Legal Application

Grimsby Power filed its original application for 2016 rates on December 23, 2016. Grimsby Power has requested rates to be effective May 1, 2016. In its letter to the OEB of March 12, 2015, Grimsby Power explained that its rates would be effective January 1, 2016 and that it would be unable to meet the April 24, 2015 filing deadline for a January 1 cost of service application. OEB staff notes that Grimsby Power’s rates have been calculated on the basis of 12 month recovery.

- a) Is Grimsby Power proposing that its 2016 rates would be in effect from May 1, 2016 to December 31, 2016?
- b) Is Grimsby Power proposing to forego the incremental revenue requirement from January 1 to April 30?
- c) Given the late filing of the applications, has Grimsby considered the possibility that a final rate order will not be in place for May 1 rates?

- d) Has Grimsby Power considered the bill impacts to its customers that would arise in the event that foregone revenue riders are required to recover revenues from May 1 to the implementation date?
- e) What is the planned filing date for Grimsby Power's 2017 IRM application?
- f) What is the proposed effective date for Grimsby Power's 2017 IRM application?

1-Staff-6

Ref: Exhibit 1, Appendix 1-B, 2016 Budget

OEB staff notes that Grimsby Power's return on equity in 2013 and 2014 was well below the 9.42% approved in its 2012 cost of service proceeding. A primary driver for this performance appears to have been reduced net income due to increased spending.

- a) Please explain the drivers and causes that led to higher than expected spending in 2013 and 2014.
- b) Was Grimsby Power's Board of Directors made aware of this performance?
- c) If so, how did the Board of Directors' knowledge inform Grimsby Power's review of spending in 2015?
- d) What impact did Grimsby Power's recent financial performance have on the preparation of the 2016 budget?
- e) What changes has Grimsby Power implemented for its upcoming rate term to ensure financial performance does not deteriorate to levels seen in 2011, 2013 and 2014, and to minimize volatility in its financial performance?

1-Staff-7

Ref: Exhibit 1, Appendix 1-B, 2016 Budget, pages 28-29

Ref: Appendix 2-W, Chapter 2 Appendices

OEB staff notes that a portion of the text appears to be missing between pages 28 and 29 of Grimsby Power's 2016 Budget document. The discussion relates to bill impacts, stating that the percentage change to distribution rates (controlled by Grimsby Power) is "substantial". The table provided in the budget document shows total bill impacts, which have been mitigated by certain changes not controlled by the distributor, such as reductions in deferral and variance account rate riders, retail transmission rates and regulatory charges. The controllable rate

increases for residential customers and GS > 50kW exceed 25% and 47%, respectively.

- a) Does Grimsby Power's Board of Directors provide any input or instruction prior to the preparation of the annual budget? If so, what were the specific instructions provided by the Board of Directors for the 2016 budget?
- b) Were the calculated bill impacts arising from Grimsby Power's costs presented to Grimsby Power's Board of Directors?
- c) Were there any changes made to Grimsby Power's proposals in this application as a result of its budget presentation to its Board of Directors?

1-Staff-8

Ref: Exhibit 1, Page 100, Identification of OEB Directives

Ref: Exhibit 4, page 10

Grimsby Power's settlement agreement in its EB-2011-0273 contains a commitment to perform an objective study of the useful lives of its distribution assets, to be filed with its next cost of service application. The settlement proposal was accepted by the OEB. Grimsby Power states that it has not conducted such a study, as the OEB has typically accepted the Kinectrics TUL as utilized in this application.

- a) Please explain the circumstances that led to the requirement for this commitment.
- b) Please explain the steps that Grimsby Power took to notify the OEB and intervenors that it would not comply with the commitment to conduct an objective depreciation study.
- c) Does Grimsby Power intend to conduct such a study in the near future?

Exhibit 2 – Rate Base

2-Staff-9

Ref: Exhibit 2, Page 27 – Cost of Power Calculations

Grimsby Power has provided its cost of power calculations based on estimated 2016 commodity charges and 2015 uniform transmission rates.

- a) Please provide an updated cost of power and working capital calculation based on the 2016 UTRs and commodity charges effective May 1, 2016.

- b) Please include this update in Grimsby Power's response to Interrogatory Staff-1, above.

2-Staff-10

Ref: Exhibit 2, page 45 – System Service

Ref: Exhibit 2, page 59 – Connection of Qualifying Generation Facilities

Grimsby Power explains the variance in System Service capital expenditures in 2015 through the recognition of an upgrade to Niagara West MTS to enable renewable energy connections. Grimsby Power has not applied to recover costs for renewable energy generation as it does not expect any such capital expenditures in its distribution system plan.

- a) Were there any capital contributions made to offset these expenditures? If so, please provide detail on the amount and from whom the contribution was accepted.
- b) From which customers are any remaining costs to be recovered?
- c) Is the 2015 upgrade to Niagara West MTS eligible for provincial rate protection?
- d) Did Grimsby Power consider applying for provincial cost recovery for the Niagara West MTS upgrade? If not, why not?

2-Staff-11

Ref: Exhibit 2, Appendix 2-A, pages 49 and 85

Grimsby Power states that there is no need for REG enabling capital expenditures, but the 5-year plan includes REG enabling expenditures, such as OMS and various smart grid technologies.

- a) Please explain the drivers other than REG for making such investments.

2-Staff-12

Ref: Exhibit 2, Table 2-22

Ref: Exhibit 2, Table 2-20

OEB staff notes that Board approved capital expenditures in 2012 were \$1.307M, and that this amount does not reflect smart meter capital spending. OEB staff also notes that the OEB-approved amount did not contemplate the addition of capital spending for the NWMTS. Absent these expenditures, it appears to OEB staff that capital spending on Grimsby Power's system is below the amount approved in 2012.

- a) Please provide a schedule of capital spending for 2012 to 2015 which does not include smart meter capital or NWMTS spending as well as a

calculation of the variances from Board 2012 approved and year-to-year, both in dollars spent and percentage change.

- b) Please explain why Grimsby Power believes its historical capital spending has been adequate to meet the needs of its customers.
- c) What assurances can Grimsby Power provide to the OEB that the amounts approved in its 2016-2010 DSP will actually be spent?

2-Staff-13

Ref: Exhibit 2, page 47, Table 2-27

Table 2-27 provides a forecast capital trending analysis, including assumed plant and allocations for each spending category.

- a) Please explain why the allocation amounts in each year are equal in each spending category, while the capital amounts in each category vary depending on the projects completed in each year.

2-Staff-14

Ref: Exhibit 2, Page 62, Table 2-33

Table 2-33 provides Grimsby Power's service quality and reliability indicators, both including and excluding outages caused by loss of supply from 2010 to 2014. OEB staff notes that SAIDI and SAIFI indicators provided are the same for both including and excluding loss of supply.

- a) Please explain and/or correct the table as necessary.

2-Staff-15

Ref: Distribution System Plan, page 35 - Safety

Grimsby Power states that no measurement standard has been defined by the OEB for safety.

- a) How does Grimsby Power measure its own effectiveness with regard to safety?

2-Staff-16

Ref: Exhibit 2, Appendix 2-A, page 54

Grimsby Power lists the Asset Condition Assessment as an input to medium-term planning.

- a) Has Grimsby Power conducted an Asset Condition Assessment? If so, please provide the Asset Condition Assessment report used in establishing the System Renewal requirements.

- b) If an Asset Condition Assessment was not conducted, how did Grimsby Power identify the required System Renewal Investments?
- c) Please provide the methodologies and all relevant calculations and formulas used to identify System Renewal investments.

2-Staff-17

Ref: Exhibit 2, Appendix 2-A, pages 27, 50, 66, 116, 131

Grimsby Power states that investments into distribution infrastructure will be lowered to allow higher investments in general assets, such as OMS, outage reporting and social media. Moreover, Grimsby Power states that due to the 8 kV to 27.6 kV conversions a large number of assets are new or relatively new. Figure 81 on page 131 of the DSP shows, however, a significant increase in System Renewal spending from the 2016 level.

- a) Please explain the almost three-fold increase in System Renewal annual spending as compared to 2016 as shown in Figure 77 and Figure 81.
- b) Please explain the difference in System Renewal amounts shown in Figure 77 and Figure 81.

2-Staff-18

Exhibit 2, Appendix 2-A, page 95

Figure 42 shows the number of wooden poles planned to be replaced each year under “investment level” 4.

- a) Please explain the more than six-fold increase in the number of poles to be replaced between 2015 and 2020.
- b) Please explain why the numbers vary significantly from year-to-year despite the stated intent of levelizing programs.

2-Staff-19

Ref: Exhibit 2, Appendix 2-A, page 51

Grimsby Power states that replacement programs allow for the replacement of legacy units that can no longer be economically maintained.

- a) Please provide examples of such cases.
- b) Please list asset categories for which this approach is used.

2-Staff-20

Ref: Exhibit 2, Appendix 2-A, page 52, Appendix F

Ref: Chapter 5, Filing Requirements for Electricity Distribution Rate Applications

The performance monitoring using the OEB's scorecard deals with the overall performance of the utility as described in section 5.0.4 of the Chapter 5 Filing Requirements. There is also a requirement specified in section 5.2.3 of the Chapter 5 to provide performance measurement for continuous improvement.

- a) Please indicate whether Grimsby Power has performance measures described in section 5.2.3 of the Chapter 5. If so, please indicate where they have been included in the DSP.
- b) If they have not been included in the DSP, please provide the performance measures.

2-Staff-21

Ref: Exhibit 2, Appendix 2-A, page 54

Grimsby Power lists four core Asset Management processes.

- a) Please explain using a flow chart diagram if possible how these processes are used and/or combined in determining optimal expenditure levels for the four capital Investment Categories and O&M.

2-Staff-22

Exhibit 2, Appendix 2-A, page 20 and 55

Grimsby Power shows Asset Management Process Inputs and Outputs in Figure 8 and DS Planning Drivers on page Figure 22

- a) Please explain the relationship and differences between these two processes.

2-Staff-23

Exhibit 2, Appendix 2-A, page 59

In describing its prioritization mechanism, Grimsby Power states that "Safety and Criticality is given priority".

- a) Please explain what aspects are included in Criticality as safety would appear to be a major factor in determining overall Criticality.

2-Staff-24

Exhibit 2, Appendix 2-A, pages 156-158

Appendix I presents the prioritization methodology used by Grimsby Power in prioritizing its projects.

- a) Please explain how the scores for Strategic Fit, System Needs and Feasibility are derived.
- b) Please explain how these scores are used in conjunction with the Project Score in prioritizing projects.
- c) Please explain what is meant by project cost benefit.
- d) Please give examples of factors used in determining the criticality score.

2-Staff-25

Exhibit 2, Appendix 2-A, pages 65 and 66

Grimsby Power states that it uses various data sources in a single model that analyses demographics together with available condition data to establish “adjusted” age used in comparing TULs of various assets to establish replacement needs.

- a) Please provide the formulas for each of the assets listed in Figure 27 used to determine their “adjusted” age.
- b) Please list the asset categories that had only age information.

2-Staff-26

Exhibit 2, Appendix 2-A, page 93

Figure 39 shows Grimsby Power’s age distribution for wood poles.

- a) Please explain whether the ages shown in this Figure are chronological ages or “adjusted” ages.

2-Staff-27

Exhibit 2, Appendix 2-A, page 61 and 62

OEB staff is unable to reconcile the peak demand shown in Figure 24 between 175 MW and 190 MW while Figure 25 shows coincidental peak at both TS’s supplying Grimsby Power’s load as being less than 40 MW.

- a) Please explain how peak demand could be between 175 and 190 MW, while the total load at both TS’s that supply both Grimsby Power’s and NPEI’s load could be less than 40 MW.

2-Staff-28

Exhibit 2, Appendix 2-A, page 83

Grimsby Power states that sustainment-type programs are not evaluated and use a “like-for-like” replacement approach.

- a) Please indicate whether in some cases, instead of “like-for-like”, other approaches such as the use of new technologies or taking into account future load growth are used and provide examples.
- b) If other than “like-for-like” replacements indeed take place, please explain how the incremental costs or savings as compared to “like-for-like” replacement are assessed.

2-Staff-29

Exhibit 2, Appendix 2-A, page 91

Figure 35 shows seven major System Renewal capital programs with associated investment levels: five are assigned based on Level 4 and two based on a Level 2 investment level.

- a) Please explain the decision-making process in deciding on an appropriate level for each capital program

2-Staff-30

Exhibit 2, Appendix 2-A, pages 131 and 133

Figure 81 shows annual capital investments for the 2016-2020 period while the total amount of O&M for this 5-year period is shown on page 133.

- a) Please update Figure 81 to include annual O&M to support the total amount of \$8,899,000 as shown on page 133.

Exhibit 3 – Operating Revenue

3-Staff-31

Ref: Exhibit 3 – Load Forecast

- a) Please provide an update to the load forecast to include 2015 actual purchases.

3-Staff-32

Ref: Exhibit 3, page 3

Grimsby Power states that it has used the regression analysis to support the load forecast in the 2012 COS application as a starting point and addressed certain

concerns in the load forecast used in this application. As a result, variables such as Ontario Monthly Real GDP and Number of Peak Hours were tested but not used. Ontario Monthly Real GDP and Number of Peak Hours had counter-intuitive coefficients and were not statistically significant.

- a) Were these variables used in the 2012 forecast? If so, were the results statistically significant?
- b) Did Grimsby Power test any other economic variables, such as local employment statistics?

Exhibit 4 – Operating Expenses

4-Staff-33

Ref: Exhibit 4, Table 4-3

OEB staff notes that OM&A spending in 2012 exceeded the amount approved in 2012 by approximately 22%.

- a) What measures has Grimsby Power management put in place to ensure any plan approved for 2016 will reflect Grimsby Power's actual spending?

4-Staff-34

- a) Please identify what improvements in services and outcomes Grimsby Power's customers will experience in 2016 and during the subsequent IRM term as a result of increasing the provision for OM&A in 2016.
- b) How has Grimsby Power communicated these benefits and the associated costs to its customers, and how did customers respond? Please provide some examples, including a synopsis of any customer feedback. If no communications took place, please explain why not.

4-Staff-35

Ref: Exhibit 4, Table 4-3

The RRFE expects distributors to demonstrate continuous improvement in cost performance over time. OEB staff notes that recoverable OM&A spending is proposed to climb 63% from levels approved in EB-2011-0273.

- a) Please explain all productivity achievements put in place to reduce costs since Grimsby Power's last rebasing. Please provide an estimate of the cost savings to customers. If there have been no demonstrable

- improvements, please explain the factors that have prevented Grimsby Power from demonstrating productivity in its operations.
- b) Please describe all planned productivity investments over the upcoming five-year term, and the expected savings that will be achieved through these investments. Please explain how any barriers to performance improvement have been identified and addressed.
 - c) What are Grimsby Power's objectives for continuous improvement over the upcoming rate term? Where will improvements be made to realize those objectives? Please provide details of the plan to deploy, measure and report on improvements across the organization.

4-Staff-36

Ref: Exhibit 4, page 33, Management Wages Incentives and Benefits

Grimsby Power implemented a short term incentive program in 2012.

- a) Please describe the "separate analysis" performed to establish the program. Was a third party involved?
- b) Please provide any supporting documentation of the analysis.
- c) What comparator organizations were examined in establishing the program?
- d) Please indicate the total maximum potential payout for each year of the program since inception, and the actual total amount paid.

4-Staff-37

Ref: Exhibit 4, page 6 – Human Resource Requirements

Ref: Exhibit 1, Appendix 1-B, page 14

Grimsby Power states that it has implemented a succession plan to manage anticipated retirements in the next five years, and proposes to add additional positions to meet business objectives. The 2016 budget filed in Exhibit 1 describes the organization structure. The description in section 9.1 contains a redaction and a statement that management is reviewing the options with regard to two positions, which may result in changes to the organizational structure.

- a) Please explain Grimsby's overall staffing strategy for the company, including alternatives considered and rejected in favour of the current approach.
- b) Please provide a table illustrating all existing and proposed FTEs by position, as follows:

Position	FTEs					
	2015	2016	2017	2018	2019	2020
Succession Planning:						
Position Title Incumbent						
Replacement 1						
Replacement 2						
Position Title Incumbent						
Replacement 1						
Replacement 2						
... etc						
New Positions:						
New Position Title						
New Position Title						
...etc.						
Continuing Positions:						
Position Title						
...etc.						
Total FTEs						

- c) For 2015 and 2016, please indicate which positions have already been filled, and proposed timing for filling other planned positions.
- d) Please explain any overlapping positions resulting from the succession plan.
- e) Has Grimsby Power considered promoting from within and replacing vacant positions at lower cost to manage its succession plan for any positions? If not, please explain.
- f) Are all of the new positions described in Exhibit 4 shown on the organization chart in Appendix 1-B? Please explain any differences, or provide a new organization chart showing the new positions.
- g) Please explain the potential changes to the organization structure described in section 9.1 of Appendix 1-B. Have these changes been reflected in the current application? If not, how would the current application be reflected? (If required, Grimsby Power may apply to the OEB for confidential treatment of this response under the OEB's Rules of Practice and Procedure for Confidential Filings).

4-Staff-38

Ref: Exhibit 4, page 18, Table 4-6

Table 4-6 illustrates Grimsby Power's OM&A costs per customer and per FTE, as well as number of customers per FTE. OEB staff notes that, over the 5 year

period, Grimsby Power's number of customers has increased by 6.4%, while its number of FTE's has increased by 36.2%. The resulting per-unit statistics show significant deterioration over the period.

- a) Please provide a rationale for this deterioration in cost performance.
- b) Please provide the analysis that was performed to assess whether Grimsby Power's planning decisions reflect best practices in Ontario.
- c) Please identify any initiatives considered and/or undertaken by Grimsby Power, including any analysis conducted, to optimize plans and activities from a cost perspective, for example, balancing cost levels of OM&A versus capital.
- d) Please provide a measure of non-labour OM&A per FTE for each of the years 2012 to 2016.
- e) Has Grimsby Power shared these statistics with its Board of Directors? In providing input into the 2016 budget, did the Board of Directors express any expectations regarding the efficiency of Grimsby Power's operations?

4-Staff-39

Ref: Exhibit 4, Table 4-5

A portion of the increased OM&A costs for Grimsby Power is attributed to its amalgamation with Niagara West Transformation on October 15, 2015.

- a) Are the 2015 costs shown in Table 4-5 for both Operations and for Maintenance full year costs?
- b) Please provide a schedule of OM&A costs for NWTS from 2012 actual to 2016 forecast to illustrate changes in cost from the pre-amalgamation period to the present.
- c) Please explain any variance in excess of inflation between 2015 and 2016.
- d) Please describe and quantify all cost efficiencies achieved through the amalgamation.

4-Staff-40

Ref: Exhibit 9, Appendix 9-A

Ref: Exhibit 4, Table 4-65

Ref: EDDVAR Continuity Schedule

OEB staff is unable to reconcile the amounts entered into the EDDVAR continuity schedule for the LRAMVA account with the lost revenues by year presented in Table 4-65.

- a) Please provide a reconciliation of the amounts in Table 4-65 with the amounts shown in the Continuity Table.
- b) Please explain why the lost revenues for 2011 are shown as an adjustment to interest.
- c) The third party report at Appendix 9-A appears to show calculation of 2014 lost revenues only. Did Grimsby Power have similar reports prepared for the years 2011 to 2013? If so, please provide the reports.
- d) Please confirm the multipliers used to calculate lost revenues for demand programs in each year for the GS >59 kW rate class.
- e) Please provide the rationale for the use of each multiplier.

Exhibit 5 – Cost of Capital and Capital Structure

5-Staff-41

Ref: Exhibit 5, page 3

Ref: Exhibit 5, page 6, Appendix 2-OB

OEB staff notes that its evidence on long term debt at page 3 describes the NWTC loan with TD Bank at 6.35%. Appendix 2-OB shows the rate for this instrument to be 6.38%. The interest expense related to this instrument is approximately one third of the total interest expense for 2016.

- a) Please confirm that the rate for this instrument is 6.38%, as shown in Appendix 2-OB. Please correct the Appendix and any other schedules as required.
- b) What steps has Grimsby Power taken to evaluate whether it ought to replace this instrument with less expensive debt? If none have been taken, please explain.

Exhibit 7 – Cost Allocation

7-Staff-42

Ref: Exhibit 7, page 9, Embedded Distributor Class

Ref: RP-2004-0139/EB-2004-0219 Decision and Order

Grimsby Power proposes to establish a new Embedded Distributor class for NPEI to be served from the Niagara West MTS. Grimsby Power proposes to allocate 50% of the Niagara West MTS costs to NPEI and to establish a fully fixed monthly rate.

- a) Please explain how the costs of the NWMTS were allocated to NPEI prior to amalgamation.
- b) Please provide the rate design in use for NPEI prior to amalgamation.
- c) Please provide a schedule of total monthly charges from NWTS to NPEI for 2014 and 2015.
- d) Please calculate a weighted average monthly charge for NPEI for each of 2014 and 2015.
- e) Please calculate the total bill impact to NPEI from 2015 to 2016, based on the weighted average monthly charge for 2015 in part d) above.
- f) Please provide the load for each of GPI and NPEI for each month of 2015, expressed in MW and as a percentage of the total capacity.
- g) Please provide the assigned capacities of NWMTS for each of Grimsby Power and NPEI.
- h) Please provide other examples of embedded distributors having been assigned a share of costs of transformers based on the number of customers connected, rather than based on load.
- i) Please provide the cost that would be incurred by NPEI if the load served by NWMTS were shifted to Hydro One. Was this cost comparison considered when establishing an embedded distributor rate?
- j) In approving the transmission licence for Niagara West MTS, the OEB noted that there were two separate Connection and Cost Recovery Agreements (CCRAs) between Hydro One Networks (HONI) and each of Grimsby Power and Peninsula West Utilities, which established incremental transformation connection service eligible to be served through Niagara West MTS.
 - i) What is the status of the CCRAs between HONI and Grimsby and between HONI and Peninsula West Utilities? Is NPEI the successor to the latter CCRA and are the terms of the CCRA the

same as original CCRA between HONI and Peninsula West Utilities? Please provide copies of all of the applicable CCRAs.

- ii) Has the Base Load Trigger Point (i.e. “incremental transformation connection service”) for Grimsby Power and NPEI remained the same since the NWTC Decision? If not, please advise how it has changed.
 - iii) The NWTC Decision was based on a Ministerial approval which included the condition that NWTC can only collect transformation-related costs that are incremental to the service provided by HONI - has Grimsby / NWTC complied with that condition since the NWTC Decision? If not, please explain.
 - iv) The OEB Distribution System Code (DSC), section 6.3.2 requires a distributor to make a good faith effort to enter into a Connection Agreement with a distributor connected to the distributor’s system. Please advise whether Grimsby Power has a Connection Agreement with NPEI and provide a copy of same.
 - v) According to the DSC (section 6.4.1), where a distributor owns distribution facilities in another distributor’s licensed service area and shares those facilities, the distributors shall have an agreement that describes the terms of the sharing arrangement. Please advise whether Grimsby Power and NPEI have such an agreement and provide a copy of same.
 - vi) Is there any agreement in place between Grimsby Power and NPEI establishing minimum loads to be maintained on the Niagara West MTS? If so, please provide copies of any such agreements.
- k) Please explain whether the TSC or DSC, in Grimsby Power’s view, applies to this asset.

7-Staff-43

Ref: Cost Allocation Study

Ref: Appendix 2-W, Bill Impacts

- a) Please provide a version of Grimsby Power’s cost allocation study which assigns the costs of the Niagara West MTS to Grimsby Power and NPEI on the basis of the average five-year load for each entity.

- b) Please calculate the resulting bill impacts for all customer classes resulting from this allocation methodology.
- c) Please estimate the bill impact to the Embedded Distributor class, based on the methodology completed in question 7-Staff-40 e), above.

Exhibit 8 – Rate Design

8-Staff-44

Ref: Exhibit 8, page 4

Ref: Exhibit 8, Table 8-5

Grimsby Power states that proposes to maintain the fixed/variable proportions assumed in the current rates, with the exception of the Residential rate class. OEB staff notes that the proposed monthly service charges for the GS <50kW and GS >50kW rate classes shown in Table 8-5 exceed the ceiling fixed charge from the cost allocation model.

- a) Please provide an alternative calculation of fixed and variable rates for the two GS rate classes that is based on the ceiling fixed charge from the cost allocation model.
- b) Please provide a revised Appendix 2-V based on the rates calculated in part a), above.
- c) Please provide revised Appendix 2-W for the two GS rate classes based on the rates calculated in part a), above.
- d) Please explain why Grimsby Power proposes to maintain the current fixed/variable ratios rather than adjusting the fixed charges based on the cost allocation results.

8-Staff-45

Ref: Exhibit 8, page 8

Ref: RTSR Workform

OEB staff notes that Grimsby Power's Retail Transmission rates have been calculated based on the 2015 uniform transmission rates and Hydro One sub-transmission rates.

- a) Please update the calculation of RTSRs to reflect the 2016 UTRs and sub-transmission rates, issued January 14, 2016.

8-Staff-46

Ref: Exhibit 8, Table 8-4

Ref: Exhibit 7, pages 9-13

Grimsby Power proposes to charge its Embedded Distributor a 100% fixed rate, which it claims is consistent with the OEB policy on residential rate design.

- a) Please explain the similarities between residential customers and embedded distributors which result in the need for similar rate design treatment.
- b) Please explain why the cost to operate and maintain a transformer station is unaffected by load and/or peak demand
- c) Please provide any examples of costs for similar electricity assets or electricity services recovered on a solely fixed basis, in Ontario or elsewhere.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-47

Ref: Exhibit 9, pages 8-9

Grimsby Power states that it has “largely” completed its conversion to IFRS, and is proposing to dispose of the balance in Account 1508-Deferred IFRS Transition Costs. Grimsby Power proposes to continue the use of this account, as there may be further costs associated with the transition to IFRS Financial Statements.

- a) When did Grimsby Power transition to IFRS?
- b) Please outline any further anticipated transition costs that Grimsby Power would propose to record in this account.

9-Staff-48

Ref: Exhibit 9, page 9

Grimsby Power cleared the balance in its sub-Account 1508-Financial Assistance Payment and Recovery Variance in 2011, although it is requesting to dispose of \$871 in interest on this account.

- a) Please explain how this additional interest was incurred subsequent to clearing the account in 2011.