

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

AND IN THE MATTER OF an Application by Grimsby
Power Incorporated. 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

CLARIFICATION QUESTIONS TO INTERROGATORY RESPONSES FROM
ENERGY PROBE RESEARCH FOUNDATION ("ENERGY PROBE")
RESPONSE OF GRIMSBY POWER INCORPORATED (GRIMSBY POWER)

May 20, 2016

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EXHIBIT 1- ADMINISTRATION

1. Ref: 1-Staff-6 e

Interrogatory:

Please update the three tables shown in the response to include NPEI figures for 2016 and include a column for the 2016 ranks.

Response:

Grimsby Power has updated the three tables utilizing the Decision and Rate Order of May 12, 2016 for NPEI as issued by the Board. The ranking information in these tables was obtained from the OEB's Rates Database's as posted on the OEB Electricity Distribution Rates web page. The 2016 Rates Database has not been released by the OEB and therefore, ranks for 2016 rates are not available.

Residential

Residential											
Niagara Region LDC's	2011 Monthly Cost for 800 kWh	2012 Monthly Cost for 800 kWh	2013 Monthly Cost for 800 kWh	2014 Monthly Cost for 800 kWh	2015 Monthly Cost for 800 kWh	2016 Monthly Cost for 800 kWh	2011 Ontario Rank	2012 Ontario Rank	2013 Ontario Rank	2014 Ontario Rank	2015 Ontario Rank
Grimsby Power Inc.	\$21.99	\$24.39	\$24.63	\$24.99	\$25.37	\$32.23	16	32	27	23	24
Horizon Utilities Corporation	\$25.81	\$25.97	\$26.29	\$26.68	\$28.12	\$28.48	45	41	41	42	53
Welland Hydro-Electric System Corp.	\$25.68	\$25.89	\$26.30	\$26.70	\$27.09	\$27.16	46	43	44	43	45
Niagara-on-the-Lake Hydro Inc.	\$28.22	\$28.46	\$28.63	\$28.02	\$28.41	\$28.90	59	58	56	50	55
Niagara Peninsula Energy Inc.	\$28.18	\$28.40	\$28.56	\$28.94	\$33.23	\$33.06	61	59	57	56	71
Canadian Niagara Power Inc. - Fort Erie	\$30.09	\$30.33	\$34.36	\$35.02	\$35.59	\$35.60	68	70	76	75	77
Canadian Niagara Power Inc. - Port Colborne	\$32.98	\$33.17	\$36.09	\$35.87	\$35.80	\$35.60	74	77	81	78	80
Hydro One Networks Inc. - Urban		\$37.86	\$32.81	\$33.18	\$35.71	\$35.25		81	73	72	79
Hydro One Networks Inc. - Medium Density		\$46.26	\$46.61	\$47.27	\$52.51	\$54.03		86	87	85	89

Minimum	\$ 21.99	\$ 24.39	\$ 24.63	\$ 24.99	\$ 25.37	\$ 27.16
Average	\$ 27.56	\$ 31.19	\$ 31.59	\$ 31.85	\$ 33.54	\$ 34.48
Median	\$ 28.18	\$ 28.46	\$ 28.63	\$ 28.94	\$ 33.23	\$ 33.06
Maximum	\$ 32.98	\$ 46.26	\$ 46.61	\$ 47.27	\$ 52.51	\$ 54.03

General Service < 50kW

GS<50											
Niagara Region LDC's	2011 Monthly Cost for 2000 kWh	2012 Monthly Cost for 2000 kWh	2013 Monthly Cost for 2000 kWh	2014 Monthly Cost for 2000 kWh	2015 Monthly Cost for 2000 kWh	2016 Monthly Cost for 2000 kWh	2011 Ontario Rank	2012 Ontario Rank	2013 Ontario Rank	2014 Ontario Rank	2015 Ontario Rank
Welland Hydro-Electric System Corp.	\$41.78	\$ 42.20	\$ 44.23	\$ 44.86	\$43.53	\$ 46.43	15	15	15	15	17
Grimsby Power Inc.	\$45.56	\$ 50.56	\$ 51.29	\$ 52.09	\$39.89	\$ 73.26	24	39	37	39	35
Horizon Utilities Corporation	\$48.96	\$ 49.15	\$ 49.70	\$ 50.41	\$46.72	\$ 62.41	35	34	32	32	51
Canadian Niagara Power Inc. - Port Colborne	\$59.48	\$ 59.89	\$ 68.55	\$ 71.18	\$61.36	\$ 74.26	65	64	74	77	79
Niagara Peninsula Energy Inc.	\$63.57	\$ 64.09	\$ 64.47	\$ 65.39	\$55.43	\$ 65.85	69	69	68	69	68
Canadian Niagara Power Inc. - Fort Erie	\$65.60	\$ 66.18	\$ 72.12	\$ 72.36	\$59.83	\$ 74.26	71	72	79	79	81
Niagara-on-the-Lake Hydro Inc.	\$72.55	\$ 73.15	\$ 73.57	\$ 59.68	\$43.77	\$ 61.44	76	81	81	59	59
Hydro One Networks Inc.- Urban		\$ 60.58	\$ 43.41	\$ 43.88	\$60.67	\$ 72.68		68	17	18	72
Hydro One Networks Inc. - Medium Density		\$114.25	\$115.49	\$116.76	\$92.23	\$140.54		86	84	83	85
Minimum	\$ 41.78	\$ 42.20	\$ 43.41	\$ 43.88	\$ 39.89	\$ 46.43					
Average	\$ 56.79	\$ 64.45	\$ 64.76	\$ 64.07	\$ 55.94	\$ 74.57					
Median	\$ 59.48	\$ 60.58	\$ 64.47	\$ 59.68	\$ 55.43	\$ 72.68					
Maximum	\$ 72.55	\$ 114.25	\$ 115.49	\$ 116.76	\$ 92.23	\$ 140.54					

General Service >50kW

GS>50											
Niagara Region LDC's	2011 Monthly Cost for 250 kW	2012 Monthly Cost for 250 kW	2013 Monthly Cost for 250 kW	2014 Monthly Cost for 250 kW	2015 Monthly Cost for 250 kW	2016 Monthly Cost for 250 kW	2011 Ontario Rank	2012 Ontario Rank	2013 Ontario Rank	2014 Ontario Rank	2015 Ontario Rank
Grimsby Power Inc.	\$ 518.48	\$ 588.48	\$ 596.02	\$ 605.26	\$ 614.04	\$1,073.77	7	7	6	7	7
Welland Hydro-Electric System Corp.	\$ 689.48	\$ 695.54	\$ 853.82	\$ 867.04	\$ 879.62	\$ 896.77	12	11	32	34	35
Horizon Utilities Corporation	\$ 801.79	\$ 806.44	\$ 815.15	\$ 827.80	\$ 965.17	\$1,012.31	24	26	26	28	45
Niagara-on-the-Lake Hydro Inc.	\$ 956.94	\$ 965.37	\$ 970.01	\$ 792.05	\$ 802.33	\$ 816.77	45	46	43	22	24
Canadian Niagara Power Inc. - Port Colborne	\$1,242.26	\$1,250.70	\$1,532.93	\$1,686.13	\$1,794.39	\$1,824.01	63	65	75	75	84
Niagara Peninsula Energy Inc.	\$1,221.85	\$1,224.58	\$1,222.48	\$1,239.58	\$ 943.04	\$ 948.66	65	66	63	66	44
Canadian Niagara Power Inc. - Fort Erie	\$1,930.71	\$1,947.71	\$1,987.43	\$1,874.16	\$1,794.39	\$1,824.01	74	78	77	77	84
Hydro One Networks Inc.- Urban		\$2,076.87	\$1,756.90	\$1,776.21	\$1,989.07	\$2,241.49		80	76	76	88
Hydro One Networks Inc. - Medium Density		\$2,672.47	\$2,894.20	\$2,926.02	\$3,368.52	\$3,832.00		81	79	79	89
Minimum	\$ 518.48	\$ 588.48	\$ 596.02	\$ 605.26	\$ 614.04	\$ 816.77					
Average	\$ 1,051.64	\$ 1,358.68	\$ 1,403.21	\$ 1,399.36	\$ 1,461.17	\$ 1,607.75					
Median	\$ 956.94	\$ 1,224.58	\$ 1,222.48	\$ 1,239.58	\$ 965.17	\$ 1,073.77					
Maximum	\$ 1,930.71	\$ 2,672.47	\$ 2,894.20	\$ 2,926.02	\$ 3,368.52	\$ 3,832.00					

2. Ref: 1-Energy Probe-5 (first one)

Interrogatory:

- a) The response to part (b) indicates that the cost of capital shown in the table provided in response to part (a) includes both debt costs and return on equity. Does the cost of capital line also include PILs on the return on equity? If not, please confirm that there is an additional cost for PILs and show this as an additional line item in the table provided.
- b) The table in the response to part (a) shows a total cost of \$688,973 associated with NWTC in the test year revenue requirement, while the costs incurred in previous years shown in the table in the response to part (c) are in the \$350,000 to \$450,000 range. How much of the revenue requirement of \$688,973 in the 2016 test years is proposed for recovery from GPI customers and how much is proposed to be recovered from NPEI?
- c) The figures provided in the table in the response to part (a) do not add to the total shown. Please correct, including any PILs payable based on the above responses.

Response:

- a) Firstly, the table included in the IR response contained a mathematical error with the summation of the total cost in both columns. The revised table is shown below.

Summary of NWTC OM&A 2015 Actual and 2016 Test Year Expenses

OM&A	2015 Actual (3 months)	2016 Test Year (12 months)
Operations, Maintenance and Administration	64,576	217,738
Depreciation	65,570	209,993
Cost of Capital	103,066	410,631
TOTAL	233,212	838,362

The Cost of Capital shown in the response to part a) does not include PILS.

Grimsby Power confirms there is a cost of PILS. The Cost of Capital including PIL's is included in the table below.

**Summary of Niagara West MTS OM&A 2015 Actual and 2016 Test Year
Expenses including PILS**

OM&A	2015 Actual (3 months)	2016 Test Year (12 months)
Operations, Maintenance and Administration	64,576	217,738
Depreciation	65,570	209,993
Cost of Capital	103,066	410,631
PILS		95,998
TOTAL	233,212	934,360

Note that there are no Administration expenses in the OM&A line item.

b) The table in the response to part c) represents the fees paid by Grimsby Power for the transformation connection fee for power supplied through Niagara West MTS from 2011 to 2015. This is NWTC revenue prior to October 1, 2015 (amalgamation date) and an expense for Grimsby Power. For 2016, it is proposed that NPEI would be assigned \$574,864 in order to receive service from the Niagara West MTS. The difference between \$934,360 and the amount assigned to NPEI would be collected from GPI customers. The amount assigned to NPEI reflects a direct allocation of 50% of the Niagara West MTS as explained in the application. However, the cost allocation model also assigned administration and general plant costs in addition to the directly assigned costs which causes the NPEI assigned costs to be \$574,864.

c) See part (a) above.

3. Ref: 1-Energy Probe-5 (second one)

Interrogatory:

- a) Please explain the difference in the NWTC amortization expense of \$242,786 with the figure of \$209,993 provided in the response to the first 1-Energy Probe-5 interrogatory and indicate which figure is the correct figure.
- b) Based on the response it appears that the revenue requirement associated with the NWTC component of GPI's assets is more than \$1 million, while the cost of the service purchased from NWTC in previous years was in the range of \$350,000 to \$450,000. Revenues from NPEI are forecasted at just over \$200,000. Does this mean that GPI customers will be paying about \$350,000 to \$450,000 more for the same service they received from NWTC (i.e. \$1.0 million - \$200,000 - \$350,000 to \$450,000)? Please explain fully.
- c) Please explain the difference in the difference noted in part (b) above and the \$177,471 increase noted in the MAADs application.

Response:

- a) The correct amortization expense is \$209,993 and is calculated as a difference between the station's fixed asset depreciation (\$242,786) and the contributed capital depreciation for the fixed assets that belong to the station (\$32,793).
- b) and c) Please see response to 1-NPEI-1 part b) and c)

EXHIBIT 2 – RATE BASE

4. Ref: 2-Energvy Probe-6 & Exhibit 2, Table 2-10

Interrogatory:

The updated Table 2-10 provided in the interrogatory response shows a lower opening balance in account 1815 (\$7,492,068 vs. \$7,600,534 and the same level of additions added in 2016 of \$45,000. Despite the lower figures in the updated table, the depreciation shown in the update is higher than in the original table (\$217,663 vs. \$190,576). Please explain the increase in the depreciation expense despite the lower gross asset value.

Response:

- a) In the initial application the 2016 depreciation expense for the account 1815 was calculated based on 40 years of useful life for the transformer station. Prior to 2016 the transformer station electrical assets were depreciated with a useful life of 40 years. Grimsby Power's initial assessment of the useful life of the Niagara West MTS assets indicated that no changes needed to be made in the depreciation calculation. However, during the financial statement audit process our auditors reinforced the fact that an assessment regarding useful lives must be completed. Following the componentization process, the useful life for some of the Niagara West MTS's components changed from 40 years to 20 years. The result was an increase in the depreciation expense for the assets in account 1815.

EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE

5. Ref: 5-VECC-48

Interrogatory:

The response to part (a) does not appear to be a response to the question asked. Please provide the correct response to part (a).

Response:

Grimsby Power confirms that the \$1.6 million loan has a term of 5 years and an amortization period of 15 years. The term expires on April 1, 2017.

6. Ref: 5-Staff-41

Interrogatory:

The response indicates that the bank would get all of the money that it would have received if the existing loan was not broken.

- a) Please quantify the penalty that would be incurred.
- b) Please confirm that this penalty amount could be added to the remaining principle in the loan and this new total could be borrowed at existing market rates. If this cannot be confirmed, please explain.

Response:

(a) Grimsby Power has confirmed with the TD Bank that the breakage fee to end the swap agreement would be approximately \$775,000.

(b) Grimsby Power confirms that the breakage fee could be added to the principle of this swap agreement and that this could be borrowed at market rates. Grimsby Power has requested from the TD Bank to provide options to break the existing swap agreement and renegotiate the refinancing of the outstanding principal on the swap plus the breakage fee. The TD Bank has indicated that the refinancing could be accomplished by a new swap agreement at current rates or via a fixed rate term loan. The new loan amount would be approximately \$4,408,000 (notional amount of \$3,633,000 for existing swap plus breakage fee of \$775,000). This could be refinanced under a new swap agreement at an indicative all-in rate of 2.00% and the total P+I would be approximately \$4,804,721. Indicative rates (subject to change daily) for a fixed rate term loan would be:

Loan Rate Term:	1 year	2 year	3 year	4 year	5 year
Fixed Rate	1.56%	1.83%	1.92%	2.08%	2.19%
Total P+I estimate	\$4,715,553	\$4,770,143	\$ 4,788,429	\$4,821,047	\$4,843,553

The only scenario that costs less than the current arrangement is the one year fixed rate term loan. However, with this scenario there is the risk that the interest rate will

rise with the renewal after one year adding extra risk to the financing arrangement.

EXHIBIT 7 - COST ALLOCATION

7. Ref: 7-Energy Probe-43

Interrogatory:

- a) The response indicates that a smart network meter is installed for a 3 phase service such as an apartment building or 3 phase "light" commercial operation. Given this, please explain why 469 residential customers have a smart network meter.
- b) Please also explain why 34 residential customers would have an interval meter.

Response:

- a) Upon review of the clarification question and the cost allocation model Grimsby Power has revised the cost allocation model, tab I7.1 Meter Capital, to have all residential meters as smart meters. A further correction was made to match the number of meters installed in each rate class with the number of customers forecast for 2016. The impact on the fixed and variable distribution rates is as follows:

	Current Proposed based on Grimsby_Detailed_CA_Model_Run2_20160506		Revised Rates based on changes to I7.1 Meter Capital Grimsby_Detailed_CA_Model_Run2_20160506			
	Fixed Distribution Rate	Variable Distribution Rate	Fixed Distribution Rate	Variable Distribution Rate	Fixed Distribution Rate Difference	Variable Distribution Rate Difference
Residential	22.95	0.0116	22.92	0.0300	0.03	0.0416
GS<50	27.66	0.0228	27.81	0.0228	0.15	-
GS>50 to 4, 999	218.79	3.4199	221.23	3.4162	2.44	0.0037
Street Lighting	2.87	7.1468	2.87	7.1480	0.00	0.0012
Unmetered Scattered Load	48.10	0.0303	48.10	0.0303	0.00	-
Embedded Distributor	46,741.27		46,741.27		-	-

- b) Please see the response a) above.