



**Grimsby Power Incorporated**

231 Roberts Road  
Grimsby, ON  
L3M 5N2  
PH: 905.945.5437 x 221  
FX: 905.945.9933

June 24, 2016

**Delivered by RESS and Courier**

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2015-0072  
Grimsby Power Incorporated  
Electricity Distribution Rate Application for 2016 Rates – Settlement Proposal**

The parties have reached a partial settlement in this matter. Pursuant to Procedural Order No. 1 please find enclosed Grimsby Power's settlement proposal and related supporting documentation in relation to the above noted matter.

If additional information is required by the Board please contact myself via e-mail ([dougcc@grimsbypower.com](mailto:dougcc@grimsbypower.com)) or by phone at 905-945-5437 Ext. 221.

Regards,

Doug Curtiss, P.Eng.  
Chief Executive Officer  
Grimsby Power Inc.

**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 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.

**GRIMSBY POWER INCORPORATED (“Grimsby Power”)**

**APPLICATION FOR APPROVAL OF 2016 ELECTRICITY  
DISTRIBUTION RATES**

**EB-2015-0072**

**SETTLEMENT PROPOSAL**

**Filed: June 24, 2016**

Doug Curtiss  
Chief Executive Officer  
Grimsby Power Incorporated  
231 Roberts Rd  
Grimsby, Ontario  
L3M 5N2

Tel: (905) 945-5437  
[dougc@grimsbypower.com](mailto:dougc@grimsbypower.com)

## TABLE OF CONTENTS

<b>SETTLEMENT PROPOSAL .....</b>	<b>4</b>
<b>SUMMARY .....</b>	<b>9</b>
<b>1 PLANNING .....</b>	<b>12</b>
1.1 Capital.....	12
1.2 OM&A .....	14
<b>2 REVENUE REQUIREMENT .....</b>	<b>15</b>
2.1 Are all elements of the Base Revenue Requirement reasonable, and have they been appropriately determined in accordance with OEB policies and practices?.....	15
2.2 Has the Base Revenue Requirement been accurately determined based on these elements? .....	18
<b>3. LOAD FORECAST, COST ALLOCATION AND RATE DESIGN .....</b>	<b>20</b>
3.1 Are the proposed load and customer forecast, loss factors, CDM adjustments and resulting billing determinants appropriate, and, to the extent applicable, are they an appropriate reflection of the energy and demand requirements of the applicant's customers? .....	20
3.2 Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios appropriate?.....	23
3.3 Are the applicant's proposals, including the proposed fixed/variable splits, for rate design appropriate?.....	24
3.4 Are the proposed Retail Transmission Service Rates and Low Voltage service rates appropriate?.....	27
<b>4. ACCOUNTING .....</b>	<b>30</b>
4.1 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate- making treatment of each of these impacts appropriate?.....	30
4.2 Are the applicant's proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, and the continuation of existing accounts, appropriate?.....	30
<b>5 OTHER .....</b>	<b>32</b>
5.1 Are rate mitigation proposals required for any rate classes? .....	32
APPENDIX A: REVISED 2016 FIXED ASSET CONTINUITY SCHEDULE	
APPENDIX B: REVENUE REQUIREMENT WORK FORM	
APPENDIX C: APPENDIX 2-P COST ALLOCATION	
APPENDIX D: APPENDIX 2-PA RES RATE DESIGN	
APPENDIX E: APPENDIX 2-V REV RECONCILIATION	

## LIVE EXCEL MODELS

The following live excel models have been filed together with and form an integral part of this settlement proposal:

*Grimsby\_SettlementP\_2016\_Load\_Forecast\_2016\_COP\_Forecast\_20160616*

*Grimsby\_SettlementP\_2016\_Rev\_Reqt\_Work\_Form\_V6\_20160616*

*Grimsby\_SettlementP\_Detailed\_CA\_Model\_Run3\_20160616*

*Grimsby\_SettlementP\_Test\_year\_Income\_Tax\_PILs\_Workform\_DRAFT\_20160616*

**Grimsby Power Incorporated**  
**EB-2015-0072**  
**SETTLEMENT PROPOSAL**  
**Filed with the Ontario Energy Board: June 24, 2016**

Grimsby Power Incorporated (the “Applicant” or “Grimsby Power”) filed a cost of service application with the Ontario Energy Board (the “OEB”) on December 23, 2015 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) (the “Act”), seeking approval for changes to the rates that Grimsby Power charges for electricity distribution, to be effective May 1, 2016 (OEB File Number EB-2015-0072) (the “Application”).

The OEB issued a Notice to Customers of Grimsby Power Incorporated on March 3, 2016. In Procedural Order No. 1, dated April 1, 2016, the OEB set out dates for a Presentation Day to the OEB, OEB staff and intervenors; written interrogatories; Grimsby Power’s responses to interrogatories; Settlement Conference dates; and outlined the timetable of the various other elements in the proceeding.

Following the receipt of interrogatories, Grimsby Power filed its interrogatory responses with the OEB on May 6, 2016 and filed responses to Energy Probe clarifying questions on May 20, 2016.

On May 20, 2016 the OEB issued its decision on the proposed issues list. The decision found that cost allocation and rate design issues related to Niagara West MTS and the Embedded Distributor class would be dealt with under the general cost allocation and rate design issues on the list at Issues 3.1 and 3.2.

This Settlement Proposal is filed with the OEB in connection with the Application.

Further to the OEB’s Procedural Order No. 1 and its Issues List Decision, a Settlement Conference was convened on May 24, 25, and 26, 2016 in accordance with the OEB’s Rules of Practice and Procedure (the “Rules”) and the OEB’s Practice Direction on Settlement Conferences (the “Practice Direction”). Mr. Chris Haussmann acted as facilitator for the Settlement Conference.

Grimsby Power and the following Intervenors (the “Intervenors”), participated in the Settlement Conference:

Energy Probe Research Foundation (“Energy Probe”);

School Energy Coalition (“SEC”);

Vulnerable Energy Consumers Coalition (“VECC”),

1 Niagara Peninsula Energy Inc. ("NPEI").

2 Cogeco, was present for a period of time on May 24, 2016 but did not actively participate.  
3 Cogeco was not present on May 25 or 26, 2016. As such Cogeco is not a party to this  
4 settlement proposal.

5 Grimsby Power and the Intervenors are collectively referred to below as the "Parties".

6 Ontario Energy Board staff ("OEB staff") also participated in the Settlement Conference. The  
7 role adopted by OEB staff is set out in page 5 of the Practice Direction. Although OEB staff  
8 is not a party to this Settlement Proposal, as noted in the Practice Direction, OEB staff who  
9 did participate in the settlement conference are bound by the same confidentiality and  
10 privilege rules that apply to the Parties to the proceeding.

11 This document is called a "Settlement Proposal" because it is a proposal by the Parties to the  
12 OEB to settle the issues in this proceeding. It is termed a proposal as between the Parties  
13 and the OEB. However, as between the Parties, and subject only to the OEB's approval of  
14 this Settlement Proposal, this document is intended to be a legal agreement, creating mutual  
15 obligations, and binding and enforceable in accordance with its terms. As set forth later in this  
16 Preamble, this agreement is subject to a condition subsequent, that if it is not accepted by the  
17 OEB in its entirety, then unless amended by the Parties it is null and void and of no further  
18 effect. In entering into this agreement, the Parties understand and agree that, pursuant to the  
19 Act, the OEB has exclusive jurisdiction with respect to the interpretation and enforcement of  
20 the terms hereof.

21 These settlement proceedings are subject to the rules relating to privilege contained in the  
22 Practice Direction. The Parties acknowledge that this settlement proceeding is confidential  
23 in accordance with the OEB's Practice Direction on Settlement Conferences. The Parties  
24 understand that confidentiality in that context does not have the same meaning as  
25 confidentiality in the OEB's Practice Direction on Confidential Filings, and the rules of that  
26 latter document do not apply. Instead, in this settlement conference, and in this Agreement,  
27 the Parties have interpreted "confidential" to mean that the documents and other information  
28 provided during the course of the settlement proceeding, the discussion of each issue, the  
29 offers and counter-offers, and the negotiations leading to the settlement – or not – of each  
30 issue during the settlement conference are strictly privileged and without prejudice. None of  
31 the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the  
32 need to resolve a subsequent dispute over the interpretation of any provision of this Settlement

1 Proposal. Further, the Parties shall not disclose those documents or other information to  
2 persons who were not attendees at the settlement conference. However, the Parties agree  
3 that "attendees" is deemed to include, in this context, persons who were not physically in  
4 attendance at the settlement conference but were a) any persons or entities that the Parties  
5 engage to assist them with the settlement conference, and b) any persons or entities from whom  
6 they seek instructions with respect to the negotiations; in each case provided that any such  
7 persons or entities have agreed to be bound by the same confidentiality provisions.

8 This Settlement Proposal provides a brief description of each of the settled and partially settled  
9 issues, as applicable, together with references to the evidence. The Parties agree that  
10 references to the "evidence" in this Settlement Proposal shall, unless the context otherwise  
11 requires, include (a) additional information included by the Parties in this Settlement  
12 Proposal, and (b) the Appendices to this document. The supporting Parties for each settled  
13 and partially settled issue, as applicable, agree that the evidence in respect of that settled or  
14 partially settled issue, as applicable, is sufficient in the context of the overall settlement to  
15 support the proposed settlement, and the sum of the evidence in this proceeding provides an  
16 appropriate evidentiary record to support acceptance by the OEB of this Settlement Proposal.  
17 The Parties agree that references to the evidence in this Settlement Proposal shall, unless the  
18 context otherwise requires, include, in addition to the Application, the responses to  
19 interrogatories, clarifying questions, and all other components of the record up to and  
20 including the date hereof, including additional information included by the Parties in this  
21 Settlement Proposal and the Appendices to this document.

22 There are Appendices and live Excel models attached to this Settlement Proposal which  
23 provide further support for the proposed settlement. The Parties acknowledge that the  
24 Appendices were prepared by Grimsby Power. While the Intervenors have reviewed the  
25 Appendices and live Excel models, the Intervenors are relying on the accuracy of the  
26 underlying evidence in entering into this Settlement Proposal.

27 For ease of reference, this Settlement Proposal follows the format of the final approved Issues  
28 List.

29 The Parties are pleased to advise the OEB that the Parties have reached a partial agreement  
30 with respect to most of the issues in this proceeding. Specifically:

<p><b>“Complete Settlement”</b> means an issue for which complete settlement was reached by all Parties, and if this Settlement Proposal is accepted by the OEB, the Parties will not adduce any evidence or argument during the oral hearing in respect of these issues.</p>	<p># issues settled:  <b>Eight</b></p>
<p><b>“Partial Settlement”</b> means an issue for which there is partial settlement, as Grimsby Power and the Intervenor who take any position on the issue were able to agree on some, but not all, aspects of the particular issue. If this Settlement Proposal is accepted by the OEB, the Parties who take any position on the issue will only adduce evidence and argument during the hearing on those portions of the issues not addressed in this Settlement Proposal.</p>	<p># issues partially settled:  <b>Two</b></p>
<p><b>“No Settlement”</b> means an issue for which no settlement was reached. Grimsby Power and the Intervenor who take a position on the issue will adduce evidence and/or argument at the hearing on the issue.</p>	<p># issues not settled:  <b>One</b></p>

If applicable, a Party who is noted as taking no position on an issue may or may not have participated in the discussion on that particular issue, but in either case such Party takes no position a) on the settlement reached, and b) on the sufficiency of the evidence filed to date.

According to the Practice Direction (p. 3), the Parties must consider whether a Settlement Proposal should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. These adjustments are specifically set out in the text of the Settlement Proposal.

The Parties have settled the issues as a package, and none of the parts of this Settlement Proposal are severable. If the OEB does not accept this Settlement Proposal in its entirety, then there is no settlement (unless the Parties agree in writing that any part(s) of this Settlement Proposal that the OEB does accept may continue as a valid settlement without inclusion of any part(s) that the OEB does not accept).

In the event that the OEB directs the Parties to make reasonable efforts to revise the Settlement Proposal, the Parties agree to use reasonable efforts to discuss any potential revisions, but no Party will be obligated to accept any proposed revision. The Parties agree that all of the Parties who took on a position on a particular issue must agree with any revised Settlement Proposal as it relates to that issue prior to its resubmission to the OEB.



1 Unless stated otherwise, the settlement of any particular issue in this proceeding and the  
2 positions of the Parties in this Settlement Proposal are without prejudice to the rights of Parties  
3 to raise the same issue and/or to take any position thereon in any other proceeding, whether  
4 or not Grimsby Power is a party to such proceeding, provided that no Party shall take a position  
5 that would result in this Agreement not applying in accordance with the terms contained herein.

6 Where in this Agreement, the Parties or any of them "accept" the evidence of Grimsby  
7 Power, or "agree" to a revised term or condition, including a revised budget or forecast, then  
8 unless the Agreement expressly states to the contrary, the words "for the purpose of  
9 settlement of the issues herein" shall be deemed to qualify that acceptance or agreement.

## SUMMARY

In reaching this settlement, the Parties have been guided by the Filing Requirements for 2016 rates and the approved Issues List.

This Settlement Proposal reflects a partial settlement of the issues in this proceeding.

The issues not settled and the proposed method of hearing the issues and the reasons are as follows:

- OM&A – the Parties agree that this issue should be dealt with by way of an oral hearing due to the complexity of the components included in the OM&A;
- Effective Date of Rates - the Parties agree that this issue should be dealt with by way of an oral hearing due to the fact that Grimsby Power's requested effective date of May 1, 2016 is now past; and
- PILs - the Parties agree that due to the complex and technical nature of the disputed issue (how loss carry forwards are applied within the PILs model) it would best be dealt with by way of an oral hearing.

The Parties note that the following Tables, Appendix A through Appendix E, and the live Excel models represent the evidence and the settlement between the Parties at the time of filing this settlement, but that some of the evidence may need to be updated subject to the Board's determination of unsettled issues, as discussed below.

The Board's determination of the issues related to the above unsettled issues are expected to have impacts on revenue requirement and the resultant rates for Grimsby Power customers. All aspects of this Settlement Proposal are subject to the normal impacts that would arise on a change in OM&A, effective date, and PILs.

This Agreement will allow Grimsby Power to continue to make the necessary capital investments to maintain the safety and reliability of the electricity distribution service that it provides. Because the matter of 2016 Test Year OM&A and PILs remains outstanding, the revised Base Revenue Requirement for the 2016 Test Year cannot be determined at this time, but for the purposes of preparing the Appendices to this Agreement, the Parties have assumed that OM&A is as set out in the Application subject only to changes through the interrogatory process.

A Revenue Requirement Work Form, incorporating all of the changes agreed in this Agreement, but assuming for all purposes, OM&A is as filed in the original application and PILs is as filed in this settlement proposal, and a future settlement date is annexed as Appendix B. The assumption in that document with respect of unsettled issues is not intended by any of the Parties to be indicative of the appropriateness of those amounts, or any of their components or impacts, but are instead placeholders pending the Board's determination on those issues.

Through the settlement process, Grimsby Power has agreed to certain adjustments from its original 2016 Application. The changes are described in the following sections. The following Table 1 sets out the matters that are the subject of complete settlement; partial settlement; and no settlement.

**Table 1 – Settlement Proposal – Results**

Complete Settlement	Partial Settlement	No Settlement
1.1		1.2
	2.1, 2.2	
3.1, 3.2, 3.3, 3.4		
4.1, 4.2		
5.1		

The matters that are the subject of partial settlement are not in dispute; rather, they cannot be finalized until the matters relating to: 1) the 2016 Test Year OM&A, 2) the impact of the final PILs calculation, and 3) the determination of an effective date for rates.

Based on the foregoing, and the evidence and rationale provided below, the Parties agree that this Settlement Proposal is appropriate and recommend its acceptance by the OEB.

Grimsby Power has provided the following Table 2 highlighting the changes to its Cost of Capital, Rate Base and Capital, Operating Expenses and Revenue Requirement from Grimsby Power's Application as filed, interrogatories and clarifying questions and this Settlement Proposal. This Table does not reflect those issues not settled and yet to be determined by the OEB.

1

**Table 2 – Summary of Changes to Revenue Requirement**

	Description	Initial Application A	Interrogatories & Clarifying Questions B	Difference C=B-A	Settlement Proposal 1.1 D	Difference E=D-B	Settlement Proposal 2.1 d) F	Difference G=F-D	Settlement Proposal 3.1 H	Difference I=H-F	Total Difference from Interrogatories & Clarifying J=H-B
<b>Cost of Capital</b>	Regulated Return on Capital	1,544,665	1,523,615	- 21,050	1,517,541	- 6,074	1,353,237	- 164,304	1,353,237	-	- 170,378
	Regulated Rate of Return	6.19%	6.16%	-0.03%	6.16%	0.00%	5.49%	-0.67%	5.49%	0.00%	-0.67%
<b>Rate Base and Capital Expenditures</b>	Rate Base	24,959,518	24,734,446	- 225,072	24,635,835	- 98,611	24,635,835	-	24,635,835	-	- 98,611
	Working Capital	27,782,522	28,116,313	333,791	28,116,313	-	28,116,313	-	28,116,313	-	-
	Working Capital Allowance	2,083,689	2,108,723	25,034	2,108,723	- 0	2,108,723	-	2,108,723	-	0
<b>Operating Expenses</b>	Amortization/Depreciation	1,000,584	1,001,258	674	998,481	- 2,777	998,481	-	998,481	-	- 2,777
	PILs	69,211	88,467	19,256	89,043	576	89,043	-	89,043	-	576
	OM&A	3,925,363	3,925,363	-	3,925,363	-	3,925,363	-	3,925,363	-	-
<b>Revenue Requirement</b>											
	Service Revenue Requirement	6,574,945	6,573,825	- 1,120	6,565,549	- 8,276	6,401,246	- 164,304	6,401,246	-	- 172,579
	Other Revenue	301,588	301,588	-	301,588	-	301,588	-	301,588	-	-
	Base Revenue Requirement	6,273,355	6,272,236	- 1,119	6,263,961	- 8,276	6,099,658	- 164,304	6,099,658	-	- 172,579
	Gross Revenue Deficiency	1,872,051	1,822,499	- 49,552	1,814,223	- 8,276	1,649,919	- 164,304	1,620,216	- 29,703	- 202,283

## 1 PLANNING

### 2 1.1 Capital

3 *Is the level of planned capital expenditures appropriate and is the rationale for*  
4 *planning and pacing choices appropriate and adequately explained, giving due*  
5 *consideration to:*

- 6 • *customer feedback and preferences;*
- 7 • *productivity;*
- 8 • *compatibility with historic expenditures;*
- 9 • *compatibility with applicable benchmarks;*
- 10 • *reliability and service quality;*
- 11 • *impact on distribution rates;*
- 12 • *trade-offs with OM&A spending;*
- 13 • *government-mandated obligations; and*
- 14 • *the objectives of the Applicant and its customers*

15 **Complete Settlement:** The Parties accept the evidence of Grimsby Power that the level of  
16 planned capital expenditures is appropriate subject to the adjustments below:

17 Grimsby Power agrees to reduce its 2016 gross capital additions by \$200,000 to better  
18 reflect the normalized average difference between planned System Renewal projects  
19 and actual System Renewal projects since Grimsby Power's last cost of service.  
20 Grimsby Power has made this adjustment to USoA 1830 – Poles, Towers and Fixtures and  
21 USoA 1845 – Underground Conductors and Devices (\$100,000 each) for the purpose of  
22 reflecting the adjustment in Grimsby Power's gross capital additions. Grimsby Power will adjust  
23 its depreciation expense accordingly. Appendix A sets out the revised 2016 Fixed Asset  
24 Continuity Schedule. The Parties acknowledge that actual capital spending may vary from  
25 Board-approved based on the operational decisions of Grimsby Power during the Test Year.

26 Grimsby Power also agrees to conduct an independent Asset Condition Assessment to be  
27 submitted as part of its next cost of service or Custom IR application. It is understood by the  
28 Parties that Grimsby Power will include the cost of this Asset Condition Assessment as part of  
29 the regulatory costs submitted with the next cost of service or Custom IR application.

1 In addition, the Parties accept the evidence of Grimsby Power that the rationale for  
2 planning and pacing choices that inform its planned capital expenditures, as adjusted, are  
3 appropriate and adequately explained, giving due consideration to:

- 4 • The customer feedback and preferences as more fully detailed in EXHIBIT 1, pages  
5 29 – 31, 47 – 50, and 55 – 68, Appendix 1-D, 1-E, and 1-F;
- 6 • The past and planned productivity initiatives of Grimsby Power as more fully detailed  
7 in EXHIBIT 1, pages 69 – 79;
- 8 • The compatibility with historic expenditures as more fully detailed in EXHIBIT 1,  
9 pages 25 – 29, EXHIBIT 2, 35 - 44 and Appendix 2-A;
- 10 • Grimsby Power's compatibility with appropriate benchmarks as more fully detailed in  
11 EXHIBIT 1, pages, 83, EXHIBIT 4, pages 67 – 68 and interrogatories 4-SEC-24 –  
12 Grimsby Power's 2014 Scorecard – EXHIBIT 1, page 45 & Appendix 1-C;
- 13 • Grimsby Power's reliability and service quality performance as more fully detailed  
14 in EXHIBIT 1, pages 11, and EXHIBIT 2, pages 61-62, and interrogatories 4-SEC-  
15 24;
- 16 • The total impact on distribution rates has not been determined as there are unsettled  
17 issues as discussed above;
- 18 • Changes to OM&A spending have not been determined as OM&A spending is not  
19 settled as discussed above;
- 20 • Grimsby Power's past and planned performance meeting government mandated  
21 obligations as more fully detailed in EXHIBIT 1, pages 79 - 81; and
- 22 • Grimsby Power's targets and objectives as more fully detailed in EXHIBIT 1, pages  
23 10 – 14.

24 Grimsby Power confirms that the adjustments agreed to in this Settlement Proposal  
25 should not compromise its ability to (a) pursue continuous improvement in productivity; (b)  
26 maintain system reliability and service quality objectives; and (c) maintain reliable and safe  
27 operation of its distribution system.

**Evidence:**

Application:

- EXHIBIT 1, page 25-33, Rate Base and Capital Plan;
- EXHIBIT 2, Rate Base in its entirety;

Interrogatory Responses:

- 2-Staff-10, 2-Staff-11, 2-Staff-12, 2-Staff-13, 2-Staff-16, 2-Staff-17, 2-Staff-18, 2-Staff-19, 2-Staff-20, 2-Staff-21, 2-Staff-22, 2-Staff-23, 2-Staff-24, 2-Staff-25, 2-Staff-26, 2-Staff-28, 2-Staff 29, 2-Staff-30, 2-Energy Probe-6, 2-Energy Probe-10, 2-Energy Probe-11, 2-Energy Probe-12, 2-VECC-7, 2-VECC-8, 2-VECC-9, 2-VECC-10, 2-VECC-11, 2-VECC-12, 2-VECC-14, 2-VECC-15, 2-SEC-11, 2-SEC-12, 2-SEC-13, 2-SEC-14, 2-SEC-15, 2-SEC-16, 2-SEC-17;

Clarifying Questions:

- None

Appendices to this Settlement Proposal:

- Appendix A

**Supporting Parties: All**

**1.2 OM&A**

*Is the level of planned OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained, giving due consideration to:*

- *customer feedback and preferences;*
- *productivity;*
- *benchmarking of costs;*
- *reliability and service quality;*
- *impact on distribution rates;*
- *trade-offs with capital spending;*
- *government-mandated obligations; and*
- *the objectives of the Applicant and its customers.*

**No Settlement:**

## 2 REVENUE REQUIREMENT

**2.1** *Are all elements of the Base Revenue Requirement reasonable, and have they been appropriately determined in accordance with OEB policies and practices?*

### **Partial Settlement:**

The Parties accept the evidence of Grimsby Power that all elements of the Base Revenue Requirement, with the exception of OM&A and PILS, have been correctly determined in accordance with OEB policies and practices. Specifically:

- a) Rate Base: The parties accept the evidence of Grimsby Power that the rate base calculations, including the adjustments as detailed in this Settlement Proposal are reasonable and have been appropriately determined in accordance with OEB policies and practices. The calculation provided in Table 3 does not include the future OEB determination on any unsettled issues.

**Table 3 – Rate Base Calculations**

Description	Initial Application	Interrogatories & Clarifying Questions	Variance	Settlement Proposal	Variance
	A	B	C=B-A	D	E=D-B
Average Gross Fixed Assets	28,891,122	28,632,921	(258,201)	28,532,921	(100,000)
Average Accumulated Depreciation	(6,015,294)	(6,007,198)	8,096	(6,005,810)	1,388
Average Net Fixed Assets	22,875,828	22,625,723	(250,105)	22,527,111	(98,612)
Controllable Expenses	3,937,404	3,937,404	-	3,937,404	-
Cost of Power	23,845,118	24,178,909	333,791	24,178,909	-
Working Capital	27,782,522	28,116,313	333,791	28,116,313	-
Working Capital Rate %	7.50%	7.50%		7.50%	
Allowance for Working Capital	2,083,689	2,108,723	-	2,108,723	-
Total Rate Base	24,959,517	24,734,446	(250,105)	24,635,835	(98,612)

- b) Working Capital: The parties accept the evidence of Grimsby Power that the working capital calculations are reasonable and have been appropriately determined in accordance with OEB policies and practices. This calculation assumes the OM&A as filed and is not intended by any of the Parties to be indicative of the appropriateness of those amounts, or any of their components or impacts, but are instead placeholders pending the Board's determination on those issues. Grimsby Power has used the working capital allowance default value of 7.5% in this calculation.



c) OM&A: No Settlement.

d) Cost of Capital: The Parties agree that the cost of capital calculation will be adjusted as follows:

- Adjustment to the TD debt for the NWTC Loan from \$3,633,000 to \$4,408,000 (\$3,633,000 plus a \$775,000 breakage fee) at an interest rate of 2% (originally 6.31%) which will reduce the Weighted Long Term Debt Cost Rate for 2016 to 3.13%. The interest rate of 2% was an indicative rate provided by the TD Bank to refinance Grimsby Power's existing swap into a new swap agreement.

The Parties accept the evidence of Grimsby Power that the proposed capital structure, rate of return on equity and short and long-term debt costs have been correctly determined in accordance with OEB policies and practices.

The calculation of the new long term debt and the weighted long term debt calculation is shown in Table 4 below.

**Table 4: Weighted Long Term Debt Cost Calculation**

Description	Lender	Affiliated with LDC?	Fixed or Variable Rate?	Start Date	Principal	Term (Years)	Rate%	Year Applied to	Interest Cost
Promissory Note	Town of Grimsby	Y	Fixed	April 1, 2001	5,782,746	20	4.54%	2016	262,536.67
Smart Meter/Capital Financing	TD Commercial Bank	N	Fixed	March 31, 2011	1,117,728	15	3.34%	2016	37,360.35
Truck Loan	TD Commercial Bank	N	Fixed	December 4, 2012	247,618	15	3.52%	2016	8,717.90
Capital Loan & Economic Evaluation	TD Commercial Bank	N	Fixed	December 12, 2012	2,670,000	1	2.05%	2016	54,735.00
Economic Evaluation	TD Commercial Bank	N	Fixed	November 3, 2015	600,000	1	2.01%	2016	12,060.00
NWTC loan	TD Commercial Bank	N	Fixed	April 30, 2004	4,408,000	21	2.00%	2016	88,160.00

2016 Total Long Term Debt \$14,826,091

Total Interest Cost for 2016 \$ 463,570

Weighted Debt Cost Rate for 2016 3.13%

e) Other Revenue: The parties accept the evidence of Grimsby Power that its Other Revenue in the amount of \$301,588 is appropriate and correctly determined in accordance with OEB policies and practices.

f) Depreciation: The Parties accept the evidence of Grimsby Power that its forecast depreciation/amortization expenses, as adjusted, are appropriate and reflect the useful lives of the assets and have been correctly determined in accordance with OEB accounting policies and practices.

g) Taxes/PILs: No settlement. Grimsby Power has submitted a revised PILs work form reflecting the position on the use of loss carry forward at the beginning of the

1 settlement conference. Within the model the 2016 capital cost allowance from  
2 schedule 8 changed due to the change in the 2016 capital additions as filed in this  
3 settlement.

4 The parties do not agree on the PILs methodology regarding the determination and  
5 application of loss carry forwards.

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

**Evidence:**

Application:

- EXHIBIT 1, page 27, Summary of Rate Base; Summary of Working Capital
- EXHIBIT 2, Rate Base in its entirety;
- EXHIBIT 3, pages 33-35, Other Revenue;
- EXHIBIT 5, Cost of Capital and Capital Structure in its entirety;
- ATTACHMENT 4-E Income Tax PILS Workform

Interrogatory Responses:

- 2-Staff-9, 2-Energy Probe-6, 2-Energy Probe-9,
- 3-Staff-31, 3-Energy Probe-19,
- 4-Energy Probe-21, 4-Energy Probe-34
- 5-Energy Probe-37

Clarifying Questions:

- 6. Energy Probe Ref: 5-Staff-41

Appendices to this Settlement Proposal:

- Appendix B

**Supporting Parties: All**

**2.2** *Has the Base Revenue Requirement been accurately determined based on these elements?*

**Partial Settlement:** With the exception of the unsettled issues (OM&A and PILs) and subject to the adjustments expressly noted in this Settlement Proposal, the Parties accept the evidence of Grimsby Power that the proposed Base Revenue Requirement has been accurately determined based on these elements. The following Table 5 sets out Grimsby Power's base revenue requirement calculation for the 2016 Test Year.

**Table 5 – Calculation of Base Revenue Requirement – 2016 Test Year**

	Initial Application A	Interrogatories & Clarifying Questions B	Difference C=B-A	Settlement Proposal 1.1 D	Difference E=D-B	Settlement Proposal 2.1 d) F	Difference G=F-D	Total Difference from Interrogatories & Clarifying H=F-B
OM&A	3,925,363	3,925,363	-	3,925,363	-	3,925,363	-	-
LEAP	7,528	7,528	-	7,528	-	7,528	-	-
Property Tax	27,594	27,594	-	27,594	-	27,594	-	-
Depreciation	1,000,584	1,001,258	674	998,481	- 2,777	998,481	-	- 2,777
Total Distribution Expenses	4,961,069	4,961,743	674	4,958,966	- 2,777	4,958,966	-	- 2,777
Regulated Return on Rate Base	1,544,665	1,523,615	- 21,050	1,517,541	- 6,074	1,353,237	- 164,304	- 170,378
PIL's	69,211	88,467	19,256	89,043	576	89,043	-	576
<b>Service Revenue Requirement</b>	<b>6,574,945</b>	<b>6,573,825</b>	<b>1,120</b>	<b>6,565,550</b>	<b>8,276</b>	<b>6,401,246</b>	<b>- 164,304</b>	<b>- 172,579</b>
Less: Revenue Offsets	301,588	301,588	-	301,588	-	301,588	-	-
<b>Gross Revenue Requirement for Rates</b>	<b>6,273,356</b>	<b>6,272,236</b>	<b>- 1,120</b>	<b>6,263,962</b>	<b>- 8,276</b>	<b>6,099,657</b>	<b>- 164,304</b>	<b>- 172,579</b>

**Evidence:**

Application:

- EXHIBIT 1, page 20, Revenue Requirement;
- EXHIBIT 2, Rate Base in its entirety;
- EXHIBIT 5, Cost of Capital and Capital Structure in its entirety;

Interrogatory Responses:

- 3-Energy Probe-20, 5-Energy Probe-32 to 5-Energy Probe-36;
- 5.0-Staff-70;
- 5.0-VECC-35

Clarifying Questions:

- Energy Probe 7.0 Ref: 5.0-Staff-70, Energy Probe 8. Ref: 5.0-Staff-70 & 5-Energy Probe-33

Appendices to this Settlement Proposal:

- Appendix B

**Supporting Parties: All**

1   **3.   LOAD FORECAST, COST ALLOCATION AND RATE DESIGN**

2   **3.1** *Are the proposed load and customer forecast, loss factors, CDM adjustments and*  
3   *resulting billing determinants appropriate, and, to the extent applicable, are they an*  
4   *appropriate reflection of the energy and demand requirements of the applicant's*  
5   *customers?*

6    **Complete Settlement:** The Parties accept the evidence of Grimsby Power that the  
7    customer forecast, loss factors, CDM adjustments and the resulting billing determinants  
8    are appropriate and are an appropriate reflection of the energy and demand  
9    requirements of the Applicant's customers. The load forecast for the Embedded  
10   Distributor has been adjusted to account for gross billing. The load forecast of 139,279  
11   kW formed the billing determinant for the Embedded Distributor. The 139,279 kW was  
12   derived from the sum of the actual 2015 demand supplied from the Niagara West MTS to  
13   NPEI plus the demand supplied to NPEI from embedded generation (ie. gross load) on  
14   the circuit supplying NPEI. This information has been supplied to Grimsby Power from  
15   NPEI. The following Table 6 sets out the agreed to load forecast for all of the rate classes  
16   except the Embedded Distributor rate class which has been adjusted as noted above.

17

1

**Table 6 – 2016 Load Forecast**

	Initial Application A	Interrogatories & Clarifying Questions B	Difference C=B-A	Settlement Proposal D	Difference E=D-B
<b>Load Forecast By Class</b>	<b>A</b>	<b>B</b>	<b>C=B-A</b>	<b>D</b>	<b>E=D-B</b>
<b>Residential</b>					
Customers	10,310	10,402	92	10,402	-
kWh	92,563,942	95,033,193	2,469,251	95,033,193	-
<b>General Service &lt;50 kW</b>					
Customers	751	772	21	772	-
kWh	18,812,265	19,517,850	705,585	19,517,850	-
<b>General Service &gt;50 to 4,999 kW</b>					
Customers	107	111	4	111	-
kWh	69,648,507	68,212,241	-1,436,266	68,212,241	-
kW	186,573	182,713	- 3,861	182,713	-
<b>Street Lighting</b>					
Connections	2,680	2,653	- 27	2,653	-
kWh	1,145,992	662,630	- 483,362	662,630	-
kW	3,429	1,983	- 1,446	1,983	-
<b>Unmetered Scattered Load</b>					
Connections	74	72	- 2	72	-
kWh	373,349	366,642	- 6,707	366,642	-
<b>Embedded Distributor</b>					
Customers	1	1	-	1	-
kW	126,624	122,498	- 4,126	139,279	16,781

2

3

**Evidence:**

4

Application:

5

- EXHIBIT 1, page 24 Load Forecast Summary;

6

- EXHIBIT 3, Operating Revenue in its entirety

7

Interrogatory Responses:

8

- 3-Staff-31;

9

- 3-Staff-32

1           • 3-Energy Probe-14

2           • 3-Energy Probe-18

3           • 3-VECC-23

4           • 3-VECC-24

5           Clarifying Questions:

6           • None

7           It was also agreed that Grimsby Power's LRAMVA Baseline calculation will be based on the  
8           assumed full year savings from 2016 programs only.

9           a) The following Table 7 breaks down the assumed full year 2016 savings by rate  
10           class. The expected kW savings has been provided for the GS >50 to 4,999 rate  
11           class using the average kW/kWh ratio from updated Table 3-20 in the Grimsby  
12           Power's response to 3-Energy Probe-17.

**Table 7 – 2016 LRAMVA Baseline Broken Down by Rate Class**

Year	Residential	GS <50 kW	GS >50 to 4,999 kW	Total
2016 LRAMVA kWh	1,122,360	374,120	374,120	1,870,600
2016 LRAMVA kW			1,002	1,002

**Evidence:**

Application:

- EXHIBIT 3, page 18 - 20

Interrogatory Responses:

- 3-VECC-22, 3-VECC-23

Appendices to this Settlement Proposal:

- None

**Supporting Parties: All**

**3.2** *Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios appropriate?*

**Complete Settlement:** The Parties accept the evidence of Grimsby Power, subject to the adjustments identified below, that the cost allocation methodology, allocations and revenue-to-cost ratios are appropriate for all rate classes except changes to the Embedded Distributor rate class as outlined below.

- Grimsby Power agrees to alter the cost allocation model so that 40% of the costs directly associated with Niagara West MTS are allocated to the Embedded Distributor by using the direct allocation method. The allocation of costs is based upon the capacity allocation for the Niagara West MTS. NPEI has been allocated 18MW of the 45 MW total allocated capacity. Grimsby Power agrees to remove the rate base components related to general plant indirect costs that were originally allocated to the Embedded Distributor class. This was accomplished by developing a new allocator to ensure that indirect general plant costs are not allocated to the Embedded Distributor class. The revenue to cost ratio for the Embedded Distributor class remains at 100%.

The following Table 8 sets out the results of the Cost Allocation model and Grimsby Power's proposed revenue to cost ratios. Both results are based on the revenue



requirement with the current assumptions accepted by the Parties and it is acknowledged that Grimsby Power's revenue requirement may be subject to change based on the OEB's determination on the unsettled issues.

**Table 8 – Proposed Revenue to Cost Ratios**

	Revenue to Cost Ratios from 2016 Cost Allocation Model	Proposed Revenue to Cost Ratio
Residential	112.22%	105.72%
GS <50 kW	102.30%	102.30%
GS >50 to 4,999 kW	64.48%	80.00%
Street Lighting	108.21%	105.72%
Unmetered Scattered Load	45.59%	80.00%
Embedded Distributor	86.62%	100.00%

**Evidence:**

Application:

- EXHIBIT 1, pages 38 – 42;
- EXHIBIT 7: Cost Allocation in its entirety

Interrogatory Responses:

- 7-Energy Probe-43;

Clarifying Questions:

- Question 7: Ref: 7-Energy Probe-43

Appendices to this Settlement Proposal:

- None

**Supporting Parties: All**

**3.3** *Are the applicant's proposals, including the proposed fixed/variable splits, for rate design appropriate?*

**Complete Settlement:** The Parties accept the evidence of Grimsby Power, subject to the adjustment identified below, that Grimsby Power's proposal for rate design, including the proposed fixed/variable splits is appropriate. The rate design for residential class

1 reflects the OEB's *New Distribution Rate Design for Residential Electricity Customers*  
2 (*EB-2014-0210*).

3 The following Table 9 sets out Grimsby Power's proposed fixed/variable rates subject to  
4 OEB determination on OM&A and PILS.

5 a) Grimsby Power agrees to a fixed/variable revenue proportion of 50% fixed and 50%  
6 variable for the Embedded Distributor class. As noted above the Embedded  
7 Distributor forecast is based upon the gross load on the circuits from the Niagara West  
8 MTS serving NPEI. The variable portion of this revenue is highly influenced by  
9 embedded generation and therefore the following policy will provide Grimsby Power  
10 with sufficient certainty of revenue.

11 i) The monthly billing demand for the variable rate is defined as the highest Non-  
12 Coincident peak demand (kW) which occurs in any hour of the month. The  
13 monthly billing demand will be the highest demand that occurs in any hour in  
14 the month from the sum of (a) the demand supplied from the Niagara West  
15 MTS to the customer plus (b) the demand that is supplied to the customer from  
16 embedded generation which have installed capacity of 2MW or more for  
17 renewable generation and 1MW or higher for non-renewable generation. The  
18 term renewable generation refers to a facility that generates electricity from the  
19 following sources: wind, solar, biomass, bio-oil, bio-gas, landfill gas, or water.

20 ii) The revenue generated from this variable rate in any calendar year will be trued  
21 up such that:

- 22 • If the sum of the billed demand for each month is less than the threshold of  
23 117,500kW per year the difference between the threshold (117,500kW) and  
24 the actual demand billed (lower than 117,500kW) will be multiplied by the  
25 current variable rate and owed by the Embedded Distributor to Grimsby  
26 Power (a true-up). This provides Grimsby Power assurance its revenue  
27 from the Embedded Distributor class will meet or exceed approximately  
28 84% of forecast gross demand (139,279) for the class. The 16% difference  
29 allows for reductions in demand within the Embedded Distributors customer  
30 base (supplied from Niagara West MTS) related to CDM programs, loss of  
31 customer load, impacts of generation below the 1MW and 2MW capacities  
32 noted in (i) above, and potential transfers of load by NPEI to other facilities.

- This true up, if necessary, will begin based on demands starting on January 1, 2017. The value of the true-up will be calculated in the first quarter of each year from 2018 to 2021 which covers the rate rebasing period except 2016.

- b) Grimsby Power agrees to set the monthly fixed charge for GS>50kW rates class as the minimum system with PLCC adjustment as reported in the cost allocation model for this class.

**Table 9 – Proposed 2016 Distribution Rates**

Customer Class	Connection	Customer	kW	kWh
Residential		22.90		0.0115
GS < 50 kW		27.53		0.0230
GS >50 to 4999 kW		219.98	3.4477	
Street Lighting	2.81		6.9991	
Unmetered and Scattered	48.00			0.0303
Embedded Distributor		16,219.13	1.3974	

**Evidence:**

Application:

- EXHIBIT 1, page 40-41
- EXHIBIT 8, pages 3 – 5, Fixed/Variable Proportion;

Interrogatory Responses:

- 8-Staff-448-VECC-54
- 8-SEC-28

Clarifying Questions:

- Question 7. Ref: 7-Energy Probe-43

Appendices to this Settlement Proposal:

- None

**Supporting Parties: All**

**3.4** *Are the proposed Retail Transmission Service Rates and Low Voltage service rates appropriate?*

**Complete Settlement:** Subject to the notations below, the Parties accept the evidence of Grimsby Power that the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates and Low Voltage service rates is appropriate.

- With respect to the Embedded Distributor rate class there is an issue related to the timing of the Retail Transmission Service Rates. Currently NPEI is the market participant for Retail Transmission Service Rates for this rate class. Under this rate application Grimsby Power would apply Retail Transmission Service Rates to the

newly created Embedded Distributor rate class pending the completion of certain steps below. It is the expectation that, through the IESO Market Participant processes, the market participant designation for Retail Transmission Service Rates will be transferred from NPEI to Grimsby Power. It is also expected that market participant processes applicable to wholesale metering at the Niagara West MTS will also be transferred from Niagara Peninsula Energy Inc. to Grimsby Power. At the date of transfer, and upon notification to the OEB, Grimsby Power will begin to apply the Retail Transmission Service Rates to the Embedded Distributor rate class. Grimsby Power's draft rate order will be structured such that these Retail Transmission Service Rates are included in the tariff sheets with a provision that a transfer of market participant (as described above) must take place prior to their application. Grimsby Power also agrees to work expeditiously with Niagara Peninsula Energy Inc. to create a "Connection Agreement" between the parties as contemplated by the Distribution System Code Section 6.3.2. The Retail Transmission Service Rates for the Embedded Distributor are based upon the proportion of NPEI station peak. The Retail Transmission Service Rates are set out in Table 10 below:

**Table 10 – Retail Transmission Service Rates**

Rate Class	RTSR-Network		RTSR-Connection	
	Per kWh	Per kW	Per kWh	Per kW
<b>Residential</b>	0.0057		0.0033	
<b>General Service Less Than 50 kW</b>	0.0053		0.0029	
<b>General Service 50 to 4,999 kW</b>		2.0981		1.1784
<b>General Service 50 to 4,999 kW – Interval Metered</b>		2.1250		1.2420
<b>Unmetered Scattered Load</b>	0.0053		0.0029	
<b>Street Lighting</b>		1.5824		0.9109
<b>Embedded Distributor</b>		2.8107		0.5033

**Evidence:**

Application:

- EXHIBIT 8, page 7 – 8, Retail Transmission Service Rates;
- EXHIBIT 8, pages 9 - 10, Low Voltage Service Rates.
- Appendix 8-B Retail Transmission Service Rate Work Form

Interrogatory Responses:

- 1           • 8-Staff-45
- 2           • 8-VECC-55
- 3           • 8-NPEI-7
- 4           • Grimsby\_IRR\_RTSMODEL\_V4\_0\_20160506

5           Appendices to this Settlement Proposal:

- 6           • None

7           **Supporting Parties: All**

1 **4. ACCOUNTING**

2 **4.1** *Have all impacts of any changes in accounting standards, policies, estimates and*  
3 *adjustments been properly identified and recorded, and is the rate- making treatment*  
4 *of each of these impacts appropriate?*

5 **Complete Settlement:** The Parties accept the evidence of Grimsby Power that any  
6 changes in accounting standards, policies, estimates and adjustments have been  
7 properly identified and recorded, and that the rate-making treatment of each of these  
8 impacts is appropriate.

9 **Evidence:**

10 Application:

- 11 • EXHIBIT 1, page 83 - 89, Audited Financial Statements and Reconciliation to
- 12 Regulatory Accounting;
- 13 • EXHIBIT 1, page 90 to 91, Accounting Orders and Standards;
- 14 • EXHIBIT 1, pages 100 to 101, Previous OEB Directives from OEB
- 15 Decisions;
- 16 • Appendix 1-G through 1-I, 2012 – 2014 Audited Financial Statements;

17 Interrogatory Responses:

- 18 • 1-Staff-8

19 Appendices to this Settlement Proposal:

- 20 • None

21 **Supporting Parties:** All

22 **4.2** *Are the applicant's proposals for deferral and variance accounts, including the balances*  
23 *in the existing accounts and their disposition, and the continuation of existing accounts,*  
24 *appropriate?*

25 **Complete Settlement:** The Parties accept the evidence of Grimsby Power that the  
26 proposed deferral and variance accounts, including the balances in the existing  
27 accounts and their disposition, and the continuation of existing accounts, are appropriate.

The Parties agree that in terms of the LRAMVA the future baseline will be split by rate class. See 3.1a.

**Evidence:**

Application:

- EXHIBIT 9: Deferral and Variance Accounts in its entirety
- ATTACHMENT 1-9. EDDVAR Model V2.6

Interrogatory Responses:

- 4.0-VECC-40 through 4.0-VECC-45
- 9-Energy Probe-46;
- 9-Staff-75 to 9-Staff-77

Clarifying Questions:

- None

Appendices to this Settlement Proposal:

- None

**Supporting Parties: All**



1   **5   OTHER**

2   **5.1   *Are rate mitigation proposals required for any rate classes?***

3       **Complete Settlement:** The Parties accept the evidence of Grimsby Power that rate  
4       mitigation is not required for any rate classes.

5       **Evidence:**

6       Application:

- 7           • EXHIBIT 1, pages 42 & 43;
- 8           • EXHIBIT 8, page 14, Rate Mitigation;

9       Interrogatory Responses:

- 10          • 8-VECC-57
- 11          • 8-NPEI-8 (e)

12       Appendices to this Settlement Proposal:

- 13          • None

14       **Supporting Parties:** All

15

## **APPENDIX A: REVISED 2016 FIXED ASSET CONTINUITY SCHEDULE**

**Appendix 2-BA**  
**Fixed Asset Continuity Schedule <sup>1</sup>**

Accounting Standard MIFRS  
Year 2016

CCA Class <sup>2</sup>	OEB Account <sup>3</sup>	Description <sup>3</sup>	Cost				Accumulated Depreciation					Net Book Value
			Opening Balance	Additions <sup>4</sup>	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
12	1611	Computer Software (Formally known as Account 1925)	\$ 774,616	\$ 177,000		\$ 951,616	\$ (524,256)	\$ (123,870)		\$ (648,126)	\$ 303,490	
CEC	1612	Land Rights (Formally known as Account 1906)	\$ -			\$ -	\$ -			\$ -	\$ -	
N/A	1805	Land	\$ 149,992			\$ 149,992	\$ -			\$ -	\$ 149,992	
47	1808	Buildings	\$ 1,256,185			\$ 1,256,185	\$ (296,721)	\$ (25,124)		\$ (321,845)	\$ 934,340	
13	1810	Leasehold Improvements	\$ -			\$ -	\$ -			\$ -	\$ -	
47	1815	Transformer Station Equipment >50 kV	\$ 7,492,068	\$ 45,000		\$ 7,537,068	\$ (1,920,760)	\$ (217,663)		\$ (2,138,422)	\$ 5,398,646	
47	1820	Distribution Station Equipment <50 kV	\$ -			\$ -	\$ -			\$ -	\$ -	
47	1825	Storage Battery Equipment	\$ -			\$ -	\$ -			\$ -	\$ -	
47	1830	Poles, Towers & Fixtures	\$ 4,218,716	\$ 23,196		\$ 4,241,911	\$ (519,320)	\$ (115,198)		\$ (634,519)	\$ 3,607,393	
47	1835	Overhead Conductors & Devices	\$ 3,137,348	\$ 173,701		\$ 3,311,049	\$ (206,052)	\$ (56,122)		\$ (262,174)	\$ 3,048,875	
47	1840	Underground Conduit	\$ 2,402,274	\$ 190,845		\$ 2,593,119	\$ (268,886)	\$ (62,509)		\$ (331,395)	\$ 2,261,724	
47	1845	Underground Conductors & Devices	\$ 2,039,261	\$ 144,669		\$ 2,183,930	\$ (257,544)	\$ (75,363)		\$ (332,907)	\$ 1,851,023	
47	1850	Line Transformers	\$ 4,475,724	\$ 354,435		\$ 4,830,159	\$ (645,972)	\$ (140,199)		\$ (786,171)	\$ 4,043,988	
47	1855	Services (Overhead)	\$ 221,574	\$ 7,297		\$ 228,872	\$ (14,037)	\$ (3,899)		\$ (17,936)	\$ 210,935	
47	1855	Services (Underground)	\$ 1,468,765	\$ 291,542		\$ 1,760,307	\$ (125,983)	\$ (46,324)		\$ (172,307)	\$ 1,588,000	
47	1860	Meters (Smart Meters)	\$ 1,796,134	\$ 79,817		\$ 1,875,951	\$ (498,216)	\$ (123,783)		\$ (621,999)	\$ 1,253,952	
47	1860	Meters >50	\$ 279,825	\$ 48,420		\$ 328,245	\$ (48,501)	\$ (13,739)		\$ (62,240)	\$ 266,004	
47	1860	Meters CT's & PT's	\$ 173,012	\$ 1,110		\$ 174,123	\$ (13,991)	\$ (5,198)		\$ (19,189)	\$ 154,933	
N/A	1905	Land	\$ 111,556			\$ 111,556	\$ -			\$ -	\$ 111,556	
47	1908	Buildings & Fixtures (50 years)	\$ 311,426			\$ 311,426	\$ (62,285)	\$ (12,457)		\$ (74,742)	\$ 236,684	
47	1908	Buildings & Fixtures (40 years)	\$ 55,127			\$ 55,127	\$ (7,350)	\$ (2,049)		\$ (9,399)	\$ 45,727	
47	1908	Buildings & Fixtures (25 years)	\$ 230,777	\$ 132,400		\$ 363,177	\$ (38,612)	\$ (11,882)		\$ (50,494)	\$ 312,683	
13	1910	Leasehold Improvements	\$ -			\$ -	\$ -			\$ -	\$ -	
8	1915	Office Furniture & Equipment (10 years)	\$ 128,285	\$ 9,000		\$ 137,285	\$ (39,386)	\$ (14,487)		\$ (53,873)	\$ 83,412	
8	1915	Office Furniture & Equipment (5 years)	\$ -			\$ -	\$ -			\$ -	\$ -	
10	1920	Computer Equipment - Hardware	\$ 153,123	\$ 37,000		\$ 190,123	\$ (105,214)	\$ (28,716)		\$ (133,929)	\$ 56,194	
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ -			\$ -	\$ -			\$ -	\$ -	
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ -			\$ -	\$ -			\$ -	\$ -	
10	1930	Transportation Equipment (8 years)	\$ 21,466			\$ 21,466	\$ (18,833)	\$ (449)		\$ (19,282)	\$ 2,185	
10	1930	Transportation Equipment (12 years)	\$ -			\$ -	\$ -			\$ -	\$ -	
10	1930	Transportation Equipment (15 years)	\$ 344,950	\$ 356,000		\$ 700,950	\$ (83,694)	\$ (35,391)		\$ (119,085)	\$ 581,864	
8	1935	Stores Equipment	\$ -			\$ -	\$ -			\$ -	\$ -	
8	1940	Tools, Shop & Garage Equipment	\$ 199,687			\$ 199,687	\$ (51,419)	\$ (20,199)		\$ (71,618)	\$ 128,069	
8	1945	Measurement & Testing Equipment	\$ 37,485			\$ 37,485	\$ (22,576)	\$ (4,442)		\$ (27,019)	\$ 10,466	
8	1950	Power Operated Equipment	\$ -			\$ -	\$ -			\$ -	\$ -	
8	1955	Communications Equipment	\$ 70,080			\$ 70,080	\$ (19,015)	\$ (7,008)		\$ (26,023)	\$ 44,057	
8	1955	Communication Equipment (Smart Meters)	\$ -			\$ -	\$ -			\$ -	\$ -	
8	1960	Miscellaneous Equipment	\$ -			\$ -	\$ -			\$ -	\$ -	
47	1970	Load Management Controls Customer Premises	\$ 16,439			\$ 16,439	\$ (2,182)	\$ (1,644)		\$ (3,826)	\$ 12,613	
47	1975	Load Management Controls Utility Premises	\$ -			\$ -	\$ -			\$ -	\$ -	
47	1980	System Supervisor Equipment	\$ -			\$ -	\$ -			\$ -	\$ -	
47	1985	Miscellaneous Fixed Assets	\$ -			\$ -	\$ -			\$ -	\$ -	
47	1990	Other Tangible Property	\$ -			\$ -	\$ -			\$ -	\$ -	
47	1995	Contributions & Grants	\$ -			\$ -	\$ -			\$ -	\$ -	
47	2440	Deferred Revenue <sup>5</sup>	\$ (3,788,064)	\$ (561,251)		\$ (4,349,315)	\$ 202,154	\$ 113,396		\$ 315,550	\$ (4,033,765)	
						\$ -				\$ -	\$ -	
		Sub-Total	\$ 27,777,831	\$ 1,510,180	\$ -	\$ 29,288,011	\$ (5,488,649)	\$ (1,034,320)	\$ -	\$ (6,522,970)	\$ 22,765,042	
		Less Socialized Renewable Energy Generation Investments (input as negative)				\$ -				\$ -	\$ -	
		Less Other Non Rate-Regulated Utility Assets (input as negative)				\$ -				\$ -	\$ -	
		Total PP&E	\$ 27,777,831	\$ 1,510,180	\$ -	\$ 29,288,011	\$ (5,488,649)	\$ (1,034,320)	\$ -	\$ (6,522,970)	\$ 22,765,042	
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable <sup>6</sup>										
		Total						\$ (1,034,320)				

10		Transportation
8		Stores Equipment

Less: Fully Allocated Depreciation  
Transportation \$ (35,840)  
  
Net Depreciation \$ (998,481)

## **APPENDIX B: REVENUE REQUIREMENT WORK FORM**

## Revenue Requirement Workform (RRWF) for 2016 Filers

## Tracking Form

The last row shown is the most current estimate of the cost of service data reflecting the original application and any updates provided by the applicant distributor (for updated evidence, responses to interrogatories, undertakings, etc.)

The last row shown is the most current estimate of the cost of service data reflecting the original application and any updates provided by the applicant and/or auditor (for updated evidence, responses to interrogatories, unduly).

(1) Short reference to evidence material (interrogatory response, undertaking, exhibit number, Board Decision, Code, Guideline, Report of the Board, etc.)

(2) **Short description of change, issue, etc.**

60 Tracking Rows have been provided below. If you require more, please contact Industry Relations @ [IndustryRelations@ontarioenergyboard.ca](mailto:IndustryRelations@ontarioenergyboard.ca).

### ***Summary of Proposed Changes***

		Cost of Capital		Rate Base and Capital Expenditures			Operating Expenses			Revenue Requirement			
Reference <sup>(1)</sup>	Item / Description <sup>(2)</sup>	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance (\$)	Amortization / Depreciation	Taxes/PILs	OM&A	Service Revenue Requirement	Other Revenues	Base Revenue Requirement	Grossed up Revenue Deficiency / Sufficiency
1	Original Application	\$ 1,544,665	6.19%	\$ 24,959,518	\$ 27,782,522	\$ 2,083,689	\$ 1,000,584	\$ 69,211	\$ 3,925,363	\$ 6,574,945	\$ 301,588	\$ 6,273,356	\$ 1,872,051
	Various Interrogatory requests (3-Staff-31)	Update 2015 Bridge Year Estimates to 2015 Actuals including Actual Purchases for Load Forecast Change	\$ 1,521,961 6.16% -\$ 22,704 -0.03%	\$ 24,707,585 \$ 251,933	\$ 27,758,164 -\$ 24,358	\$ 2,081,862 -\$ 1,827	\$ 1,001,258 \$ 674	\$ 88,111 \$ 18,900	\$ 3,925,363 \$ 0	\$ 6,571,815 -\$ 3,130	\$ 301,588 -\$ 0	\$ 6,270,227 -\$ 3,129	\$ 1,825,866 -\$ 46,185
	2-Staff-9	Update cost of power & working capital calculation based on 2016 UTR's and May 1/2016 Commodity Charges Change	\$ 1,520,931 6.16% -\$ 1,030 0.00%	\$ 24,691,872 \$ 15,713	\$ 27,535,322 -\$ 222,842	\$ 2,065,149 -\$ 16,713	\$ 1,001,258 \$ -	\$ 87,890 \$ 221	\$ 3,925,363 \$ -	\$ 6,570,564 -\$ 1,251	\$ 301,588 \$ -	\$ 6,268,976 -\$ 1,251	\$ 1,824,986 -\$ 880
3	3.0-VECC-22.3.0-VECC-23	Remove 2014 persistence from 2015 & 2016, change 2015 & 2016 CDM savings to match CDM Plan Change	\$ 1,523,615 6.16% \$ 2,684 0.00%	\$ 24,734,446 \$ 42,574	\$ 28,116,313 \$ 580,991	\$ 2,108,723 \$ 43,574	\$ 1,001,258 \$ -	\$ 88,467 \$ 577	\$ 3,925,363 \$ -	\$ 6,573,826 \$ 3,262	\$ 301,588 \$ -	\$ 6,272,238 \$ 3,262	\$ 1,822,499 -\$ 2,487
	4-VECC40-4-VECC-45	Updated LRAMVA Change	\$ 1,523,615 6.16% \$ - 0.00%	\$ 24,734,446 \$ -	\$ 28,116,313 \$ -	\$ 2,108,723 \$ -	\$ 1,001,258 \$ -	\$ 88,467 \$ -	\$ 3,925,363 \$ -	\$ 6,573,826 \$ -	\$ 301,588 \$ -	\$ 6,272,238 \$ -	\$ 1,822,499 \$ -
5	Settlement Proposal 1.1	Reduce Fixed Assets by \$200,000 Change	\$ 1,517,541 6.16% -\$ 6,074 0.00%	\$ 24,635,835 \$ 98,611	\$ 28,116,313 \$ -	\$ 2,108,723 \$ -	\$ 998,481 -\$ 2,777	\$ 89,043 \$ 576	\$ 3,925,363 \$ -	\$ 6,565,550 -\$ 8,276	\$ 301,588 \$ -	\$ 6,263,962 -\$ 8,276	\$ 1,814,223 -\$ 8,276
	Settlement Proposal 2.1 d)	Cost of Capital Change	\$ 1,353,237 5.49% -\$ 164,304 -0.67%	\$ 24,635,835 \$ -	\$ 28,116,313 \$ -	\$ 2,108,723 \$ -	\$ 998,481 \$ -	\$ 89,043 \$ -	\$ 3,925,363 \$ -	\$ 6,401,246 -\$ 164,304	\$ 301,588 \$ -	\$ 6,099,658 -\$ 164,304	\$ 1,649,919 -\$ 164,304
7	Settlement Proposal 3.1	Change in Load Forecast Embedded Distributor Change	\$ 1,353,237 \$ - 0.00%	\$ 24,635,835 \$ -	\$ 28,116,313 \$ -	\$ 2,108,723 \$ -	\$ 998,481 \$ -	\$ 89,043 \$ -	\$ 3,925,363 \$ -	\$ 6,401,246 \$ -	\$ 301,588 \$ -	\$ 6,099,658 \$ -	\$ 1,620,216 -\$ 29,703

## **APPENDIX C: APPENDIX 2-P COST ALLOCATION**

## Appendix 2-P Cost Allocation

Please complete the following four tables.

### A) Allocated Costs

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	\$ 3,100,569	67.65%	\$ 3,956,661	61.81%
GS < 50 kW	\$ 544,637	11.88%	\$ 695,681	10.87%
GS > 50 to 4,999 kW	\$ 730,000	15.93%	\$ 1,168,690	18.26%
Street Lighting	\$ 176,913	3.86%	\$ 106,679	1.67%
Unmetered Scattered Load (USL)	\$ 31,324	0.68%	\$ 73,067	1.14%
Embedded Distributor Class		0.00%	\$ 400,469	6.26%
<b>Total</b>	<b>\$ 4,583,443</b>	<b>100.00%</b>	<b>\$ 6,401,246</b>	<b>100.00%</b>

#### Notes:

- Customer Classification - If proposed rate classes differ from those in place in the previous Cost Allocation study, modify the rate classes to match the current application as closely as possible.
- Host Distributors - Provide information on embedded distributor(s) as a separate class, if applicable. If embedded distributor(s) are billed as customers in a General Service class, include the allocated costs and revenues of the embedded distributor(s) in the applicable class. Also complete Appendix 2-Q.
- Class Revenue Requirements - If using the Board-issued model, in column 7A enter the results from Worksheet O-1, Revenue Requirement (row 40 in the 2013 model). This excludes costs in deferral and variance accounts. Note to Embedded Distributor(s), it also does not include Account 4750 - Low Voltage (LV) Costs.

### B) Calculated Class Revenues

Classes (same as previous table)	Column 7B	Column 7C	Column 7D	Column 7E
	Load Forecast (LF) X current approved rates	L.F. X current approved rates X (1 + d)	LF X proposed rates	Miscellaneous Revenue
Residential	\$ 3,108,390	\$ 4,232,697	\$ 3,975,291	\$ 207,617
GS < 50 kW	\$ 502,755	\$ 684,601	\$ 684,601	\$ 27,084
GS > 50 to 4,999 kW	\$ 523,315	\$ 712,598	\$ 893,955	\$ 40,997
Street Lighting	\$ 78,316	\$ 106,642	\$ 103,980	\$ 8,799
Unmetered Scattered Load (USL)	\$ 20,142	\$ 27,427	\$ 52,571	\$ 5,883
Embedded Distributor Class	\$ 246,524	\$ 335,692	\$ 389,259	\$ 11,209
<b>Total</b>	<b>\$ 4,479,441</b>	<b>\$ 6,099,657</b>	<b>\$ 6,099,657</b>	<b>\$ 301,588</b>

#### Notes:

- Columns 7B to 7D - LF means Load Forecast of Annual Billing Quantities (i.e. customers or connections X 12, (kWh or kW, as applicable). Revenue Quantities should be net of Transformer Ownership Allowance. Exclude revenue from rate adders and rate riders.
- Columns 7C and 7D - Column total in each column should equal the Base Revenue Requirement
- Columns 7C - The Board cost allocation model calculates "1+d" in worksheet O-1, cell C21. "d" is defined as Revenue Deficiency/Revenue at Current Rates.
- Columns 7E - If using the Board-issued Cost Allocation model, enter Miscellaneous Revenue as it appears in Worksheet O-1, row 19.

### C) Rebalancing Revenue-to-Cost (R/C) Ratios

Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year: 2012	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	%	%	%	%
Residential	108.40	112.22	105.72	85 - 115
GS < 50 kW	96.30	102.30	102.30	80 - 120
GS > 50 to 4,999 kW	80.30	64.48	80.00	80 - 120
GS > xxx kW, if applicable				80 - 120
Large User, if applicable				85 - 115
Street Lighting	49.40	108.21	105.72	80 - 120
Sentinel Lighting				80 - 120
Unmetered Scattered Load (USL)	80.00	45.59	80.00	80 - 120
Embedded Distributor Class		86.62	100.00	

**Notes:**

- 1 Previously Approved Revenue-to-Cost Ratios - For most applicants, Most Recent Year would be the third year of the IRM 3 period, e.g. if the applicant rebased in 2009 with further adjustments over 2 years, the Most recent year is 2011. For applicants whose most recent rebasing year is 2006, the applicant should enter the ratios from their Informational Filing.
- 2 Status Quo Ratios - The Board's updated Cost Allocation Model yields the Status Quo Ratios in Worksheet O-1. Status Quo means "Before Rebalancing".

**D) Proposed Revenue-to-Cost Ratios**

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2016	2017	2018	
	%	%	%	%
Residential	105.72	105.72	105.72	85 - 115
GS < 50 kW	102.30	102.30	102.30	80 - 120
GS > 50 to 4,999 kW	80.00	80.00	80.00	80 - 120
GS > xxx kW, if applicable				80 - 120
Large User, if applicable				85 - 115
Street Lighting	105.72	105.72	105.72	80 - 120
Sentinel Lighting				80 - 120
Unmetered Scattered Load (USL)	80.00	80.00	80.00	80 - 120
Embedded Distributor Class	100.00	100.00	100.00	0
				0
0	-	-	-	

**Note:**

- 1 The applicant should complete Table D if it is applying for approval of a revenue to cost ratio in 2014 that is outside the Board's policy range for any customer class. Table (d) will show the information that the distributor would likely enter in the IRM model) in 2016. In 2017 Table (d), enter the planned ratios for the classes that will be 'Change' and 'No Change' in 2016 (in the current Revenue Cost Ratio Adjustment Workform, Worksheet C1.1 'Decision – Cost Revenue Adjustment', column d), and enter TBD for class(es) that will be entered as 'Rebalance'.



## **APPENDIX D: APPENDIX 2-PA RES RATE DESIGN**

## Appendix 2-PA New Rate Design Policy For Residential Customers

Please complete the following tables.

### A) Data Inputs

Test Year Billing Determinants for Residential Class	
Customers	10,402
kWh	95,033,193

Proposed Residential Class Specific Revenue Requirement <sup>1</sup>	\$ 3,975,291.02
--	-----------------

Residential Base Rates on Current Tariff	
Monthly Fixed Charge (\$)	15.69
Distribution Volumetric Rate (\$/kWh)	0.0121

### B) Current Fixed/Variable Split

	Base Rates	Billing Determinants	Revenue	% of Total Revenue
Fixed	15.69	10,402	\$ 1,958,488.56	63.01%
Variable	0.0121	95,033,193	\$ 1,149,901.63	36.99%
<b>TOTAL</b>	-	-	\$ 3,108,390.19	-

### C) Calculating Test Year Base Rates

Number of Required Rate Design Policy Transition Years <sup>2</sup>	4
---	---

	Test Year Revenue @ Current F/V Split	Test Year Base Rates @ Current F/V Split	Reconciliation - Test Year Base Rates @ Current F/V Split
Fixed	\$ 2,504,692.62	20.07	\$ 2,505,217.68
Variable	\$ 1,470,598.40	0.0155	\$ 1,473,014.49
<b>TOTAL</b>	\$ 3,975,291.02	-	\$ 3,978,232.17

	New F/V Split	Revenue @ new F/V Split	Final Adjusted Base Rates	Reconciliation @ Adjusted Rates
Fixed	72.25%	\$ 2,872,342.22	23.01	\$ 2,872,200.24
Variable	27.75%	\$ 1,102,948.80	0.0116	\$ 1,102,385.04
<b>TOTAL</b>	-	\$ 3,975,291.02	-	\$ 3,974,585.28

Checks <sup>3</sup>	
Change in Fixed Rate	\$ 2.94
Difference Between Revenues @ Proposed Rates and Class Specific Revenue Requirement	-\$ 705.74
	-0.02%

### Notes:

- The final residential class specific revenue requirement, as shown in Appendix 2-P, should be used (i.e. the revenue requirement after any proposed adjustments to R/C ratios).
- Default number of transition years for rate design policy change is 4. Where the change in the residential rate design will result in the fixed charge increasing by more than \$4/year, a distributor may propose an additional transition year.
- Change in fixed rate due to rate design policy should be less than \$4. The difference between the proposed class revenue requirement and the revenue at calculated base rates should be minimal (i.e. should be reasonably considered as a rounding error)

## **APPENDIX E: APPENDIX 2-V REV RECONCILIATION**

File Number: EB-2015-0072

Exhibit:

Tab:

Schedule:

Page:

Date: June-16-16

## Appendix 2-V Revenue Reconciliation

Rate Class	Customers/ Connections	Number of Customers/Connections			Test Year Consumption		Proposed Rates			Revenues at Proposed Rates	Class Specific Revenue Requirement	Transformer Allowance Credit	Total	Difference
		Start of Test Year	End of Test Year	Average	kWh	kW	Monthly Service Charge	Volumetric						
Residential	Customers	10,267.00	10,537.00	10,402.00	95,033,193		\$ 23.01	\$ 0.0116		\$ 3,974,585.28	\$ 3,975,291		\$ 3,975,291	\$ 706
GS < 50 kW	Customers	767.00	777.00	772.00	19,517,850		\$ 27.53	\$ 0.0220		\$ 684,430.62	\$ 684,601		\$ 684,601	\$ 171
GS > 50 to 4,999 kW	Customers	111.00	111.00	111.00		182,713	\$ 219.98		\$ 3.4477	\$ 922,952.74	\$ 893,955	\$ 28,999	\$ 922,954	\$ 2
Streetlighting	Connections	2,631.00	2,675.00	2,653.00		1,983	\$ 2.83		\$ 7.0351	\$ 103,979.57	\$ 103,980		\$ 103,980	\$ 0
Unmetered Scattered Load	Connections	70.00	74.00	72.00	366,642		\$ 48.00	\$ 0.0303		\$ 52,579.43	\$ 52,571		\$ 52,571	-\$ 9
Standby Power				-						\$ -			\$ -	\$ -
Embedded Distributor Class	Customers		1.00	1.00		139,279	\$ 16,219.13		\$ 1.3974	\$ 389,258.03	\$ 389,259		\$ 389,259	\$ 1
				-						\$ -			\$ -	\$ -
				-						\$ -			\$ -	\$ -
				-						\$ -			\$ -	\$ -
				-						\$ -			\$ -	\$ -
				-						\$ -			\$ -	\$ -
Total										\$ 6,127,785.68	\$ 6,099,657	\$ 28,999	\$ 6,128,657	\$ 871

**Note**

- The class specific revenue requirements in column N must be the amounts used in the final rate design process. The total of column N should equate to the proposed base revenue requirement.
- Rates should be entered with the number of decimal places that will show on the Tariff of Rates and Charges.

## **LIVE EXCEL MODELS**

The following live excel models have been filed together with and form an integral part of this settlement proposal:

- Grimsby\_SettlementP\_2016\_Load\_Forecast\_2016\_COP\_Forecast\_20160624
- Grimsby\_SettlementP\_2016\_Rev\_Reqt\_Work\_Form\_V6\_20160624
- Grimsby\_SettlementP\_Detailed\_CA\_Model\_Run3\_20160624
- Grimsby\_SettlementP\_Test\_year\_Income\_Tax\_PILs\_Workform\_DRAFT\_20160624