

**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

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**TECHNICAL CONFERENCE UNDERTAKINGS  
RESPONSE OF GRIMSBY POWER INCORPORATED (GRIMSBY POWER)**

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Filed: July 8, 2016

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**UNDERTAKING NO. JT1.1: TO EXPLAIN THE INCREASE IN CCA CLASS 47****Response:**

Table 1 below represents the differences in the UCC for the Historical year. The PILs model is not designed to accommodate two fiscal years in one calendar year

In the PILs model submitted with the settlement proposal on tab H8 Sch 8 Historical the amounts in Class 1 and Class 6 include NWTC UCC as of December 31, 2014 in the amount of \$4,494,154 and \$21,998 respectively. This was done so the UCC Regulated Historical Year in tab B8 Schedule 8 CCA Bridge year would include NWTC UCC as of December 31, 2014

In the PILs model submitted as additional evidence two tabs were added to accommodate two fiscal years (September 30, 2015 & December 31, 2015). The NWTC amounts of \$4,494,154 and \$21, 988 were added to Class 1 and Class 6 respectively in tab B8 Sch8 CCA Bridge Year 3 mths tab.

Also within the PILs model submitted with the settlement proposal the \$2,473,461 balance of contributed capital as of December 31, 2014 is deducted from Class 47. In the PILs model submitted with additional evidence Class 47 is not reduced by the contributed capital balance to match the December 31, 2014 corporate tax return. For regulatory purposes the settlement model reduced the additions in the schedule 8 CCA table. For tax purposes there is not reduction in schedule 8 for contributed capital addition. Based on Modified International Financial Reporting Standards (MIFRS) each year contributed capital additions are recorded as deferred revenue. The depreciation of the deferred revenue is recognized as revenue and included in the accounting income before taxes.

**Table 1 – Difference in UCC Historical Year**

Class	Class Description	UCC End of Year Historical per Tax Returns- Settlement Proposal	UCC End of Year Historical per Tax Returns- Additional Evidence	Differences
1	Distribution System - post 1987	12,365,870	7,871,716	4,494,154
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election			-
2	Distribution System - pre 1988	378,083	378,083	-
8	General Office/Stores Equip	224,687	224,687	-
10	Computer Hardware/ Vehicles	150,091	150,091	-
10.1	Certain Automobiles			-
12	Computer Software			-
13 <sub>1</sub>	Lease # 1			-
13 <sub>2</sub>	Lease #2			-
13 <sub>3</sub>	Lease # 3			-
13 <sub>4</sub>	Lease # 4			-
14	Franchise			-
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs			-
42	Fibre Optic Cable			-
43.1	Certain Energy-Efficient Electrical Generating Equipment			-
43.2	Certain Clean Energy Generation Equipment			-
45	Computers & Systems Software acq'd post Mar 22/04	212	212	-
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)			-
47	Distribution System - post February 2005	7,734,382	10,207,843	(2,473,461)
50	Data Network Infrastructure Equipment - post Mar 2007	37,903	37,903	-
52	Computer Hardware and system software			-
95	CWIP			-
6	Building	21,998		21,998
	SUB-TOTAL - UCC	20,913,226	18,870,535	2,042,691

UNDERTAKING NO. JT1.2: TO CONFIRM THAT THERE IS NO CHANGE, BUT IF THERE IS A CHANGE, EXPLAIN THE CHANGE IN THE CCA FOR THE HISTORICAL YEAR

**Response:**

The CCA for the historical year did not change. In the PILs model submitted with the Settlement Proposal in tab H1 Adj. Taxable Income Historic T2S1 line # 403 was \$1,360,843. In the PILs model submitted as additional evidence in tab H1 Adj. Taxable Income Historic T2S1 line # 403 was \$1,360,843.

UNDERTAKING NO. JT1.3: TO FILE THE TAX FILINGS FROM 2015 THROUGH TO THEIR LAST TAX FILING, SEPTEMBER 30TH, 2005 TO 2015.

**Response:**

NWTC tax returns from 2005 to 2015 have been attached as Appendix A.

UNDERTAKING NO. JT1.4: TO RECONCILE THE DIFFERENCE BETWEEN THE SUM OF THE ADDITIONS SHOWN IN THE BRIDGE YEAR NINE-MONTH AND BRIDGE YEAR THREE-MONTH WITH THE 1.296-MILLION SHOWN IN THE SETTLEMENT PROPOSAL.

**Response:**

The difference between the additions in the bridge year nine month plus the bridge year 3 months and the \$1,296,757 shown in the settlement proposal is \$1,314,603 in contributed capital.

In the PILs model submitted with the settlement proposal the \$1,314,603 of additions in contributed capital is deducted from the additions in the Bridge Year. In the PILs model submitted with additional evidence the contributed capital of \$1,314,603 is not deducted to match the 2015 corporate tax returns. In the corporate tax returns contributed capital is not included as a reduction to additions in schedule 8.

The difference is shown in Table 2 below.

**Table 2 – Difference in CCA Additions Bridge Year**

Class	Class Description	Settlement Proposal	Additional Evidence					Differences
		12 months Additions	9 months Additions	3 months Additions	NWTC Transfers/ Adjustments	12 months Additions	12 months Additions	
1	Distribution System - post 1987		45,009	1,218,270	(1,575)	1,261,704	(1,261,704)	
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election							
2	Distribution System - pre 1988							
8	General Office/Stores Equip	142,382	143,391	1,831		145,222	(2,840)	
10	Computer Hardware/ Vehicles							
10.1	Certain Automobiles							
12	Computer Software	33,246	33,626		(380)	33,246	-	
13 1	Lease # 1							
13 2	Lease #2							
13 3	Lease # 3							
13 4	Lease # 4							
14	Franchise							
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs							
42	Fibre Optic Cable							
43.1	Certain Energy-Efficient Electrical Generating Equipment							
43.2	Certain Clean Energy Generation Equipment							
45	Computers & Systems Software acq'd post Mar 22/04							
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)							
47	Distribution System - post February 2005	1,104,904	898,756	256,208		1,154,964	(50,059)	
50	Data Network Infrastructure Equipment - post Mar 2007	16,224	13,894	2,330		16,224	-	
52	Computer Hardware and system software							
95	CWIP							
6	Building							
	TOTAL	\$ 1,296,757	\$1,134,676	\$1,478,639	-\$ 1,955	\$2,611,360	(1,314,603)	

The Niagara West MTS was built and put into service prior to February 2005 (and after 1987). The amalgamation between Grimsby Power Inc and NWTC does not change the classification of the CCA for the Niagara West MTS from Class 1 to Class 47. The CCA asset Class 1 should be retained for the amount of \$4,358,124.

Additions to Class 1 post February 2005 should be included in Class 47 even if the original asset is included in Class 1. Some of the assets acquired by NWTC post February 2005 have been included in Class 1 instead of Class 47. Grimsby Power has filed a PILs model revising the 2016 Test Year T8 Update Sch 8 CCA Test Year (Grimsby\_Tech\_Conf\_Test\_Year\_Income\_Tax\_PILs\_Workform\_Draft\_20160708) to amend Class 1 and Class 47 with the change in class for the additions of 2015 Bridge Year and 2016 Test Year. This change represents the value of the HAF Wind Project assets put into service in 2015.

Table 3 below shows the changes to tab T8 Update Sch 8 CCA Test Year.

### Table 3 - Update Sch 8 CCA Test Year

Class	Class Description	Working Paper Reference	UCC Test Year Opening Balance	Additions	Disposals (Negative)	Amend 2015 Additions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %
1	Distribution System - post 1987	B8	\$13,129,424			-1,218,270	\$ 11,911,154	\$ -	\$11,911,154	4%
Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	B8	\$ -				\$ -	\$ -	\$ -	6%
2	Distribution System - pre 1988	B8	\$ 355,655				\$ 355,655	\$ -	\$ 355,655	6%
8	General Office/Stores Equip	B8	\$ 309,207	9,000			\$ 318,207	\$ 4,500	\$ 313,707	20%
10	Computer Hardware/ Vehicles	B8	\$ 92,983	356,000			\$ 448,983	\$ 178,000	\$ 270,983	30%
10.1	Certain Automobiles	B8	\$ -				\$ -	\$ -	\$ -	30%
12	Computer Software	B8	\$ 6,055	177,000			\$ 183,055	\$ -	\$ 183,055	100%
13.1	Lease # 1	B8	\$ -				\$ -	\$ -	\$ -	
13.2	Lease #2	B8	\$ -				\$ -	\$ -	\$ -	
13.3	Lease # 3	B8	\$ -				\$ -	\$ -	\$ -	
13.4	Lease # 4	B8	\$ -				\$ -	\$ -	\$ -	
14	Franchise	B8	\$ -				\$ -	\$ -	\$ -	
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than	B8	\$ -				\$ -	\$ -	\$ -	8%
42	Fibre Optic Cable	B8	\$ -				\$ -	\$ -	\$ -	12%
43.1	Certain Energy-Efficient Electrical Generating Equipment	B8	\$ -				\$ -	\$ -	\$ -	30%
43.2	Certain Clean Energy Generation Equipment	B8	\$ -				\$ -	\$ -	\$ -	50%
45	Computers & Systems Software acq'd post Mar 22/04	B8	\$ 125				\$ 125	\$ -	\$ 125	45%
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	B8	\$ -				\$ -	\$ -	\$ -	30%
47	Distribution System - post February 2005	B8	\$10,511,443	931,180		1,218,270	\$ 12,660,893	\$ 465,590	\$ 12,195,303	8%
50	Data Network Infrastructure Equipment - post Mar 2007	B8	\$ 30,893	37,000			\$ 67,893	\$ 18,500	\$ 49,393	55%
52	Computer Hardware and system software	B8	\$ -				\$ -	\$ -	\$ -	100%
95	CWIP	B8	\$ -				\$ -	\$ -	\$ -	0%
6	Building		\$ 19,840				\$ 19,840	\$ -	\$ 19,840	10%
			\$ -				\$ -	\$ -	\$ -	0%
			\$ -				\$ -	\$ -	\$ -	0%
			\$ -				\$ -	\$ -	\$ -	0%
			\$ -				\$ -	\$ -	\$ -	0%
			\$ -				\$ -	\$ -	\$ -	0%
			\$ -				\$ -	\$ -	\$ -	0%
			\$ -				\$ -	\$ -	\$ -	0%
			\$ -				\$ -	\$ -	\$ -	0%
			\$ -				\$ -	\$ -	\$ -	0%
			\$ -				\$ -	\$ -	\$ -	0%
	TOTAL		\$ 24,455,623	\$ 1,510,180	\$ -	\$ -	\$ 25,965,803	\$ 666,590	\$ 25,299,213	



# UNDERTAKING NO. JT1.6: TO UPDATE TABLES 1 AND 2 TO ADD A COLUMN THAT SHOWS THE T2S1 LINE FROM THE PILS MODEL

## **Response:**

Table 1 and Table 2 referenced in the materials for oral hearing have been updated with the T2S1 line # and are shown below as Table 4 and Table 5.

**Table 4 – Updated Table 1 from Materials for Oral Hearing**

T2S1 line #	ITEM	2015 ACTUAL	2015 PILS Model Settlement Proposal	Differences	Comments
	<b>Accounting Net Income before Taxes</b>	<b>412,213</b>	<b>195,848</b>	<b>216,365</b>	
	Current Tax	(48,209)		(48,209)	
	Future Tax	(128,168)		(128,168)	
	<b>Accounting Net Income after Taxes</b>	<b>235,836</b>	<b>195,848</b>	<b>39,988</b>	* Please see below
	Additions:			-	
101	Provisions for Income Taxes - Current	48,209		48,209	N/A
102	Provisions for Income Taxes - Deferred	128,168		128,168	N/A
104	Amortization of Tangible Assets	910,805	910,805	-	
121	Non-Deductible Meals and Entertainment Expenses	2,534	2,534	-	
125	Other Reserves from Schedules 13	672,897	672,897	-	
126	Reserves @ End of the Year	752,846	6,500	746,346	**Please see below
	Subtotal of additions	2,515,459	1,592,736	922,723	
	Other Additions			-	
600	Opening Regulatory Assets Balance	738,802		738,802	Regulatory accounts balance
603	Inducement - ITA 12(1)(x)	17,479	17,479	-	
604	Capital Assets Additions Included in Regulatory Balance	399,728		399,728	604 offset by 700
199	Subtotal of other additions	1,156,009	17,479	1,138,530	
<b>500</b>	<b>Total Additions:</b>	<b>3,671,468</b>	<b>1,610,215</b>	<b>2,061,253</b>	
	Deductions			-	
401	Gain on Disposal of Assets	15,824	15,824	-	
403	Capital Cost Allowance from Schedule 8	1,390,499	1,323,949	66,550	Contributed Capital not included in the UCCA calculation
413	Other Reserves from Schedules 13	746,346	746,346	-	
414	Reserves @ Beginning of the Year	679,397	6,500	672,897	**Please see below
	Subtotal of deductions	2,832,066	2,092,619	739,447	
	Other Deductions			-	
700	Capital Assets Deductions Included in Regulatory Balance	399,728		399,728	
700	Unrealized interest rate adjustment	31,466	31,466	-	
702	Closing Regulatory Assets	54,946		54,946	Regulatory accounts balance
499	Subtotal of other deductions	486,140	31,466	454,674	
<b>510</b>	<b>Total Deductions:</b>	<b>3,318,206</b>	<b>2,124,085</b>	<b>1,194,121</b>	
	<b>Income for Tax Purpose before Losses</b>	<b>589,098</b>	<b>(318,022)</b>	<b>907,120</b>	
	<b>Non Capital Loss</b>	<b>(234,927)</b>	<b>(373,573)</b>	<b>138,646</b>	
	<b>Income for Tax Purpose</b>	<b>354,171</b>	<b>(691,595)</b>	<b>1,045,766</b>	

* Deferred Revenue (4245)		85,857
Depreciation Expenses		85,857
Deemed Interest		(666,376)
Interest Expense		479,756
Other Donations		1,721
Loss(Gain) on change in the fair value of interest rate swap		(31,466)
		(130,508)
Net Income before taxes		216,365
Income Taxes		176,377
<b>Difference</b>		<b>\$ 39,988</b>

\*\*

Difference is attributed to Customer and Developer deposits that are not included in taxable income as the related services/goods have not yet been supplied. As these amounts as not included in accounting income, they are offset by lines 125 and 413.

**Table 5 - Updated Table 2 from Materials for Oral Hearing**

T2S1 line #	ITEM	2015 PILS Model Settlement Proposal
	<b>Accounting Net Income</b>	<b>195,848</b>
	<u>Additions:</u>	
104	Amortization of Tangible Assets	910,805
121	Non-Deductible Meals and Entertainment Expenses	2,534
125	Other Reserves from Schedules 13	672,897
126	Reserves @ End of the Year	6,500
	Subtotal of additions	1,592,736
	<u>Other Additions</u>	
603	Inducement - ITA 12(1)(x)	17,479
199	Subtotal of other additions	17,479
<b>500</b>	<b>Total Additions:</b>	<b>1,610,215</b>
	<u>Deductions</u>	
401	Gain on Disposal of Assets	15,824
403	Capital Cost Allowance from Schedule 8	1,323,949
413	Other Reserves from Schedules 13	746,346
414	Reserves @Beginning of the Year	6,500
	Subtotal of deductions	2,092,619
	<u>Other Deductions</u>	
700	Unrealized interest rate adjustment	31,466
499	Subtotal of other deductions	31,466
<b>510</b>	<b>Total Deductions:</b>	<b>2,124,085</b>
	<b>Net Income for Tax Purposes Per Settlement PILs Model</b>	<b>(318,022)</b>
		<b>Additions Deductions</b>
	*Accounting Net Income before Taxes	39,988
	<u>Additions:</u>	
101	**Provisions for Income Taxes - Current	48,209
102	**Provisions for Income Taxes - Deferred	128,168
126	*Reserves @ End of the Year	746,346
	Subtotal of additions	922,723
	<u>Other Additions</u>	
600	**Opening Regulatory Assets Balance	738,802
604	**Capital Assets Additions Included in Regulatory Balance	399,728
199	Subtotal of other additions	1,138,530
<b>500</b>	<b>Total Additions:</b>	<b>2,061,253</b>
	<u>Deductions</u>	
403	*Capital Cost Allowance from Schedule 8	66,550
414	*Reserves @Beginning of the Year	672,897
	Subtotal of deductions	739,447
	<u>Other Deductions</u>	
700	**Capital Assets Deductions Included in Regulatory Balance	399,728
702	**Closing Regulatory Assets	54,946
499	Subtotal of other deductions	454,674
<b>510</b>	<b>Total Deductions:</b>	<b>1,194,121</b>
	<b>Net Income for Tax Purposes Not Included in Settlement PILs Model</b>	<b>907,120</b>

\* Difference between Actual Corporate Tax and Settlement PILs Model

\*\* Not included in Settlement PILs Model

UNDERTAKING NO. JT1.7: TO SHOW THE CALCULATION OF THE \$998,958 SHOWN IN LINE 126 OF THE UPDATED TAXABLE INCOME FOR THE TEST YEAR.

**Response:**

The calculation of the \$998,958 shown in line 126 of the taxable income for the test year is shown below.

General reserve for bad debts	\$	6,500
Reserves from Part 2 of Schedule 13 as of Dec 31, 2014	\$	672,897
Change in Reserves During the 2015 Bridge Year	\$	73,449
Change in Reserves During the 2016 Test Year	\$	<u>246,112</u>
	\$	998,958

UNDERTAKING NO. JT1.8: TO DO THREE DIFFERENT CALCULATIONS, BEING THE THREE OTHER POTENTIAL OUTCOMES THAT ARE RELATED TO PILS for BOTH 2015 AND '16, THE COMPLETE PILS WORK FORM.

**Response:**

Table 6 provides a summary of the B1 tab from each of the submitted PILs models in response to JT1.8 as well as the PILs model submitted with additional evidence.

Table 7 provides a summary of the B0 tab from each of the submitted PILs models in response to JT1.8 as well as the PILs model submitted with additional evidence.

**Table 6 – Summary of B1 Tab from each of the PILs Model**

		Tab B1	Tab B1	Tab B1	Tab B1
	T2S1 line #	Additional Evidence NWTC Out/Reg Acc In	Technical Conference NWTC In/Reg Accounts In	Technical Conference NWTC In/Reg Accounts Out	Technical Conference NWTC Out/Reg Accounts Out
<b>Net Income Before Taxes</b>	<b>A</b>	412,213	412,213	412,213	412,213
<b>Additions:</b>					
Interest and penalties on taxes	103				
Amortization of tangible assets 2-4 ADJUSTED ACCOUNTING DATA P489	104	788,092	788,092	788,092	788,092
Amortization of intangible assets 2-4 ADJUSTED ACCOUNTING DATA P490	106	122,713	122,713	122,713	122,713
Recapture of capital cost allowance from Schedule 8	107				
Gain on sale of eligible capital property from Schedule 10	108				
Income or loss for tax purposes- joint ventures or partnerships	109				
Loss in equity of subsidiaries and affiliates	110				
Loss on disposal of assets	111				
Charitable donations	112				
Taxable Capital Gains	113				
Political Donations	114				
Deferred and prepaid expenses	116				
Scientific research expenditures deducted on financial statements	118				
Capitalized interest	119				
Non-deductible club dues and fees	120				
Non-deductible meals and entertainment expense	121	2,534	2,534	2,534	2,534
Non-deductible automobile expenses	122				
Non-deductible life insurance premiums	123				
Non-deductible company pension plans	124				
Tax reserves beginning of year	125	672,897	672,897	672,897	672,897
Reserves from financial statements- balance at end of year	126	752,846	752,846	752,846	752,846
Soft costs on construction and renovation of buildings	127				
Realized Income from Deferred Credit Accounts	291				
Pensions	292				
Non-deductible penalties	293	17,479	17,479	17,479	17,479
ARO Accretion expense					
Capital Contributions Received (ITA 12(1)(x))					
Lease Inducements Received (ITA 12(1)(x))					
Deferred Revenue (ITA 12(1)(a))					
Opening Regulatory Assets Balance	392	738,802	738,802		
<b>Total Additions</b>		<b>3,095,362</b>	<b>3,095,362</b>	<b>2,356,560</b>	<b>2,356,560</b>

	T2S1 line #	Additional Evidence NWTC Out/Reg Acc In	Technical Conference NWTC In/Reg Accounts In	Technical Conference NWTC In/Reg Accounts Out	Technical Conference NWTC Out/Reg Accounts Out
<b>Deductions:</b>					
Gain on disposal of assets per financial statements	401	15,824	15,824	15,824	15,824
Dividends not taxable under section 83	402				
Capital cost allowance from Schedule 8	403	1,390,499	1,390,499	1,390,499	1,390,499
Terminal loss from Schedule 8	404				
Cumulative eligible capital deduction from Schedule 10 CEC	405				
Allowable business investment loss	406				
Deferred and prepaid expenses	409				
Scientific research expenses claimed in year	411				
Tax reserves end of year	413	746,346	746,346	746,346	746,346
Reserves from financial statements - balance at beginning of year	414	679,397	679,397	679,397	679,397
Contributions to deferred income plans	416				
Book income of joint venture or partnership	305				
Equity in income from subsidiary or affiliates	306				
<i>Other deductions: (Please explain in detail the nature of the item)</i>					
Interest capitalized for accounting deducted for tax	390				
Capital Lease Payments	391	31,466	31,466	31,466	31,466
Non-taxable imputed interest income on deferral and variance accounts	392				
ARO Payments - Deductible for Tax when Paid					
ITA 13(7.4) Election - Capital Contributions Received					
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds					
Deferred Revenue - ITA 20(1)(m) reserve					
Principal portion of lease payments					
Lease Inducement Book Amortization credit to income					
Closing Regulatory Assets Balance		54,946	54,946		
<b>Total Deductions</b>		<b>2,918,478</b>	<b>2,918,478</b>	<b>2,863,532</b>	<b>2,863,532</b>
<b>NET INCOME FOR TAX PURPOSES</b>		<b>589,098</b>	<b>589,098</b>	<b>(94,758)</b>	<b>(94,758)</b>
Charitable donations	311				
Taxable dividends received under section 112 or 113	320				
Non-capital losses of preceding taxation years from Schedule 7-1	331	(234,927)	(373,573)	(373,573)	(234,927)
Net-capital losses of preceding taxation years (Please show calculation)	332				
Limited partnership losses of preceding taxation years from Schedule 4	335				
<b>REGULATORY TAXABLE INCOME</b>		<b>354,171</b>	<b>215,525</b>	<b>(468,331)</b>	<b>(329,685)</b>

**Table 7 – Summary of B0 Tab from each of the PILs Models**

	Tab B0	Tab B0	Tab B0	Tab B0	
	Additional Evidence NWTC Out/Reg Acc In	Technical Conference NWTC In/ Reg Accounts In	Technical Conference NWTC In/ Reg Accounts Out	Technical Conference NWTC Out/ Reg Accounts Out	
<b>Regulatory Taxable Income</b>	354,171	215,525	(468,331)	(329,685)	<b>A</b>
<b>Combined Tax Rate and PILs</b>					
Effective Ontario Tax Rate 11.50% B					
Federal tax rate (Maximum 15%) 15.00% C					
Combined tax rate	26.50%	26.50%	26.50%	26.50%	<b>D = B + C</b>
<b>Total Income Taxes</b>	<b>93,855</b>	<b>57,114</b>	<b>(124,108)</b>	<b>(87,367)</b>	<b>E = A * D</b>
Investment Tax Credits					<b>F</b>
Miscellaneous Tax Credits					<b>G</b>
<b>Total Tax Credits</b>	-	-	-	-	<b>H = F + G</b>
<b>Corporate PILs/Income Tax Provision for Bridge Year</b>	<b>93,855</b>	<b>57,114</b>	-	-	<b>I = H + E</b>

UNDERTAKING NO. JT1.9: TO BREAK OUT THE COSTS WHICH ARE GOING UP BY 28 PER CENT DESPITE HAVING LOWER FTES, LABOUR-RELATED AND NON-LABOUR-RELATED.

**Response:**

In the materials for the oral hearing a table was provided with actual OM&A expenses which included periods from January 1 to May 31 for both 2015 and 2016. This was noted as Table 3 on page 9 of 12.

As noted in the question there are significant differences in costs between the two periods where more cost has been incurred in 2016 compared with 2015. The table below indicates the major drivers in cost differences between the two periods. This is in the format of a cost driver table.

**Table 8 – Major Drivers in Cost Differences between May 31, 2015 & May 31, 2016**

Expense	YTD May 2015 GPI	YTD May 2016 GPI	Difference
<b>Maintenance</b>	122,215.00	268,423.00	146,208.00
Annual Tree Trimming by Grid	-	103,125.00	103,125.00
Management Short Term Incentive	-	9,387.00	9,387.00
Sub Total			112,512.00
Miscellaneous Expenses			33,696.00
<b>Administrative and General</b>	510,701.00	651,086.00	140,385.00
Differences in Short Term Incentives	30,677.00	61,451.00	30,774.00
Differences in Wages	84,998.00	129,946.00	44,948.00
Legal Advice (HR Related)	2,403.00	27,272.00	24,869.00
ESA Public Awareness Survey	-	9,500.00	9,500.00
Recruiting Services	-	7,000.00	7,000.00
ERP Software Service Fees	-	7,920.00	7,920.00
Sub Total			125,011.00
Miscellaneous Expenses			15,374.00

Comments regarding the various line items are as follows:

- Annual Tree Trimming by Grid –In 2015 tree trimming was scheduled for December 2015. Due to an issue with the Contractor this project was not



completed. It was however carried into 2016. 2016 costs were incurred to complete tree trimming for both years 2015 and 2016.

- Management Incentive – No incentive was paid in 2015 due to the way this management position was staffed.
- Differences in Short Term Incentives – Short term incentives vary from year to year depending on performance and the number of management employees included in that given year.
- Differences in Wages – Wages change from year to year due to vacancies in positions, increases within each positions salary grid, and economic increases.

GPI budgets annually on a calendar basis (January 1 to December 31) and within any given period within the calendar year different aspects of spending can be executed. This means that due to timing differences costs from one year to the next for periods of less than 12 months (as in this case from January to May) will be different.

UNDERTAKING NO. JT1.10: TO CONFIRM THE VALUES DISCUSSED.

**Response:**

On page 3 of the KPMG report the sentence reads “As a result of the updates noted above, the revenue requirement for the test year was reduced from \$6,273,356 in the initial application to \$6,272,238, a reduction of \$118.” The reduction should have been \$1,118.

UNDERTAKING NO. JT1.11: TO CONFIRM WHICH REGULATORY DECISIONS WERE READ AND TO SPECIFY WHETHER IT WAS JUST THE DECISION OR THE EVIDENCE AS WELL THAT WAS READ.

**Response:**

EB-2014-0344 Decision and Order dated March 25, 2015 was reviewed in the preparation of the KPMG report.

UNDERTAKING NO. JT1.12: TO ADVISE PILS ARE INCLUDED IN THE AMOUNT OF LOSS CARRY FORWARD

**Response:**

Notwithstanding the wording of the undertaking, it is Grimsby Power's understanding based on the recollection of its witnesses and on the transcript that the request was that Grimsby Power demonstrate the amount of PILs that would have been included in NWTC's 2011 application for electricity transmission transformation connection rates (EB-2010-0345) assuming no loss carry forward was available.

NWTC's intention in that proceeding was to obtain approval of a transmission rate equal to the Uniform Transmission Rate. As NWTC indicated in its application, PILs were not included in its proposed rate. In order to maintain the \$1.77 transformation rate as set out in the UTR tariff, NWTC proposed to reduce its ROE to 7.00%. The OEB approved that approach.

In preparing its response to this undertaking, Grimsby Power has proceeded on the basis that the NWTC transmission rate would continue to equal the UTR rate of \$1.77. For the purpose of the PILs calculation, and in order to accommodate PILs within that rate, Grimsby Power has reduced the ROE from 7.00% as approved in that application to 5.43%. Using this reduced rate of return, the PILs value is \$37,312. The Board's Cost of Capital Parameter for ROE in 2011 was 9.85%. The resultant rate of return of 5.43% would have been significantly below the OEB dead band of three hundred basis points. Grimsby Power cannot speculate on what the Board's response to, or disposition of an application that contemplated an ROE of 5.43% may have been.

UNDERTAKING NO. JT1.13: TO LINK THE DOCUMENTS AND THUS DEEM THEM ON THE RECORD.

**Response:**

- [2006 Electricity Distribution Rates Handbook, Chapter 7 - Taxes / PILs, Section 7.2.3 - Loss carry-forwards](#)
- [RP-2004-0139, EB-2004-0219 "Application by NWTC for renewal of its electricity transmission licence" Decision and Order – March 28, 2005](#)
- [EB-2007-0780 "Application by NWTC for renewal of its electricity transmission licence" Decision and Order – February 19, 2008](#)
- [EB2010-0294 "Application by NWTC for renewal of its electricity transmitter licence" Decision and Order – December 24, 2010](#)
- [EB-2010-0345 "Application by NWTC to the OEB for an Order or Orders for 2011 electricity rates for transmission transformation connection service" – November 9, 2010](#)
- [EB-2010-0345 "Application by NWTC to the OEB for an Order or Orders for Approval of 2011 Revenue Requirement and Change to the Uniform Electricity Transmission Transformation Connection Rate" Decision and Order – August 25, 2011](#)
- [EB-2015-0072 "Application by GPI 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" – December 23, 2015](#) Exhibit 1 page 24 of 122 and PILs Work Forms
- [EB-2013-0321 "Ontario Power Generation Inc. \("OPG"\) Payment amounts for Prescribed Generation Facilities commencing for 2014 and 2015" Decision with Reason – November 20, 2014](#)
- [EB-2007-0744 "Application by Great Lakes Power Limited for an Order or Orders approving just and reasonable rates and other service charges for the distribution of electricity, effective September 1, 2007" Decision and Order – October 30, 2008](#)
- [EB-2014-0344 Decision and Order March 25, 2015](#)

**UNDERTAKING NO. JT1.14: TO PROVIDE THE LABOUR COSTS AS PROPOSED WITHOUT THE NORMALIZATION.**

**Response:**

The following table provides information on the normalized labour costs in GPI's application. For clarity the explanations are provided with respect to the information provided in each column.

- Rate Application – 2016 Test Year – Normalized Expense (\$) – These values represent the dollar values in GPI's application for all labour costs by position that have been normalized. These costs are identified in the application in Exhibit 4 – Page 82 of 108 in Table 4-50. Note that labour costs include direct wages only.
- Rate Application – 2016 Test Year – Not Normalized (\$) - These values represent the full cost for all labour by position that have been normalized in the application. The full cost is based on the cost that would be incurred annually for the position. Note that labour costs include direct wages only.

Position Description	Rate Application	Rate Application
	2016 Test Year	2016 Test Year
	Normalized Expense (\$)	Not Normalized (\$)
Director of Customer Accounts	13,482	67,410
Journeyman Lineman 24to36	46,904	78,173

UNDERTAKING NO. JT1.15: TO PROVIDE THE IMPACT ON TAXES OF NWTC  
LOSSES CARRIED FORWARD.

**Response:**

Please see response to JT 1.8.

UNDERTAKING NO. JT1.16: TO UPDATE THE CALCULATION.

**Response:**

Please see response to JT 1.8.



UNDERTAKING NO. JT1.17: TO FILE THE IR RESPONSE IN THE MAADS APPLICATION.

**Response:**

In proceeding EB-2014-0344 the “Application for approval of the amalgamation of Niagara West Transformation Corporation and Grimsby Power Inc.” an interrogatory was asked about how tax benefits, such as NWTC non-capital losses, would be allocated to consumers. This interrogatory is NPEI Interrogatory # 2 (k) from the file “NWTC\_GPI\_IRR\_20150206” located via the link below:

[http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/465269/view/NWTC\\_GPI\\_IRR\\_20150206.PDF](http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/465269/view/NWTC_GPI_IRR_20150206.PDF)

The specific response from Pages 20 and 21 of 22 are attached as Appendix B.

## APPENDIX A – NWTC TAX RETURNS 2005 TO 2015

APPENDIX B – EB-2014-0344 GPI & NWTC RESPONSE TO NPEI  
INTERROGATORIE NPEI NO. 2K

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

**Answer:**

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

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

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

**Answer:**

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

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

**Answer:**

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

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

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