

**EB-2015-0072**

**Grimsby Power Inc.**

**Application for electricity distribution rates and other charges  
beginning May 1, 2016**

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**ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")  
CROSS-EXAMINATION COMPENDIUM**

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**Table 4-4**  
**Appendix 2-JB**  
**Recoverable OM&A Cost Driver Table**  
**2012 OEB Approved to 2016 Test Year**

OM&A	Last Rebasing Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
<i>Reporting Basis</i>					
<b>Opening Balance</b>	2,407,163	2,935,572	2,681,285	2,779,745	3,233,500
Decommission 8KV Stations			\$ 8,065	\$ (8,065)	\$ -
Cable Locates Services			\$ 44,397	\$ 39,603	\$ (11,924)
Maintenance Expenses Transferred from Reg Acc - Smart Meter Project	\$ 155,528	\$ (155,528)			
Customer Information System SAP Fixed and Variable Fees	\$ 51,762	\$ (16,021)	\$ 3,644	\$ 11,795	\$ 2,136
Automated Meter Readings and Verifications	\$ 77,554	\$ 14,952	\$ 4,973	\$ (6,713)	\$ 18,232
Use of Recruiting and Talent Search Specialists			\$ 21,750	\$ (21,750)	
Legal & Consulting Fees (Economic Evaluation, Promissory Note, Regulatory Accounts Review)	\$ 16,101	\$ (27,197)	\$ 3,808	\$ (13,062)	\$ 1,535
Cost of Service Application Costs	\$ 173,368	\$ (198,368)			\$ 60,765
Customer Surveys			\$ 20,500	\$ (20,500)	\$ 22,075
Niagara West MTS Operational and Maintenance Expenses				\$ 158,510	\$ 30,825
Repairs to the Main Gate				\$ 12,250	\$ (9,800)
Management Wages, Incentives & Benefits	\$ 39,484	\$ 64,815	\$ 24,384	\$ 33,050	\$ 154,397
Non-Management Wages, Overtime and Benefits	\$ (15,821)	\$ 73,466	\$ (1,019)	\$ 19,566	\$ 59,066
Additional Staff - New FTE - Wages, Incentives, Overtime & Benefits				\$ 205,215	\$ (827)
Succession Plan - Additional Staff - Partial FTE - Wages, Incentives, Overtime & Benefits					\$ 408,894
Bad Debts Expenses	\$ 4,208	\$ 8,731	\$ (14,588)	\$ 17,149	\$ 473
Miscellaneous Items	\$ 26,224	\$ (19,137)	\$ (17,453)	\$ 26,707	\$ (43,984)
<b>Closing Balance</b>	2,935,572	2,681,285	2,779,745	3,233,500	3,925,363

Table 4-4 Appendix 2-JB Recoverable OM&A Cost Driver Table 2012 BA to 2016 Test Year

OM&A	Last Rebasings Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Test Year
<b>Reporting Basis</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>
<b>Opening Balance</b>	2,407,163	2,935,572	2,681,285	2,779,745	2,918,395
Decommission 8KV Stations			\$ 8,065	\$ (8,065)	\$ -
Cable Locates Services			\$ 44,397	\$ 1,314	\$ 26,365
Maintenance Expenses Transferred from Reg Acc - Smart Meter Project	\$ 155,528	\$ (155,528)			
Customer Information System SAP Fixed and Variable Fees	\$ 51,762	\$ (16,021)	\$ 3,644	\$ 7,223	\$ 6,708
Automated Meter Readings and Verifications	\$ 77,554	\$ 14,952	\$ 4,973	\$ (3,694)	\$ 15,213
Use of Recruiting and Talent Search Specialists			\$ 21,750	\$ (21,750)	
Legal & Consulting Fees (Economic Evaluation, Promissory Note, Regulatory Accounts Review)	\$ 16,101	\$ (27,197)	\$ 3,808	\$ 1,494	\$ (13,021)
Cost of Service Application Costs	\$ 173,368	\$ (198,368)			\$ 60,765
Customer Surveys			\$ 20,500	\$ (20,500)	\$ 22,075
Niagara West MTS Operational and Maintenance Expenses				\$ 58,461	\$ 130,874
Repairs to the Main Gate				\$ 2,291	\$ 159
Management Wages, Incentives & Benefits	\$ 39,484	\$ 64,815	\$ 24,384	\$ 33,179	\$ 154,268
Non-Management Wages, Overtime and Benefits	\$ (15,821)	\$ 73,466	\$ (1,019)	\$ (6,927)	\$ 85,560
Additional Staff - New FTE - Wages, Incentives, Overtime & Benefits				\$ 104,631	\$ 99,758
Succession Plan - Additional Staff - Partial FTE - Wages, Incentives, Overtime & Benefits					\$ 408,894
Bad Debts Expenses	\$ 4,208	\$ 8,731	\$ (14,588)	\$ 7,255	\$ 10,367
Miscellaneous Items	\$ 26,224	\$ (19,137)	\$ (17,453)	\$ (16,261)	\$ (1,016)
<b>Closing Balance</b>	2,935,572	2,681,285	2,779,745	2,918,395	3,925,363

Table 4-5 Appendix 2-JC OM&A Programs Table with Variances 2012 BA to 2016 Test Year

Programs	Last Rebasings Year (2012 Board-Approved)	Last Rebasings Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Test Year	Variance (Test Year vs. 2014 Actuals)	Variance (Test Year vs. Last Rebasings Year (2012 Board-Approved))
<b>Reporting Basis</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>
<b>OPERATIONS</b>								
Overhead Distribution Lines and Feeders	\$ 2,960	\$ 5,093	\$ 5,834	\$ 5,533	\$ 4,560	\$ 5,316	(217)	2,356
Underground Distribution Lines and Feeders	\$ 2,200	\$ 4,132	\$ 4,846	\$ 3,634	\$ 1,163	\$ 1,627	(2,007)	(573)
Distribution Meters	\$ 62,263	\$ 88,622	\$ 89,805	\$ 95,793	\$ 107,727	\$ 96,812	1,019	34,549
Customer Premises	\$ 1,960	\$ 2,250	\$ 2,546	\$ 1,171	\$ 2,522		(24)	562
Miscellaneous Operations	\$ 6,712	\$ 21,590	\$ 21,578	\$ 22,169	\$ 20,982	\$ 21,384	(785)	14,672
Decommission 8KV Substations				\$ 8,065			(8,065)	-
Cable Locates Services				\$ 44,397	\$ 45,711	\$ 72,076	27,679	72,076
Niagara West MTS Operational Expenses					\$ 41,120	\$ 152,103	152,103	152,103
<b>Sub-Total</b>	\$ 76,095	\$ 119,437	\$ 124,313	\$ 182,136	\$ 222,433	\$ 351,840	169,703	275,745
<b>MAINTENANCE</b>								
Maintenance of Poles, Towers & Fixtures	\$ 23,870	\$ 22,856	\$ 17,783	\$ 17,760	\$ 15,167	\$ 17,524	(236)	(6,346)
Maintenance Overhead	\$ 103,753	\$ 95,104	\$ 66,608	\$ 58,945	\$ 39,601	\$ 57,701	(1,244)	(46,052)
Maintenance Underground	\$ 8,297	\$ 15,007	\$ 16,055	\$ 16,724	\$ 12,051	\$ 12,492	(4,232)	4,195
Maintenance Line Transformers	\$ 23,379	\$ 23,230	\$ 23,712	\$ 25,540	\$ 23,795	\$ 22,256	(3,284)	(1,123)
Maintenance Expenses Transferred from Reg Acc - Smart Meter Project		\$ 155,528					-	-
Niagara West MTS Maintenance Expenses					\$ 17,341	\$ 37,233	37,233	37,233
<b>Sub-Total</b>	\$ 159,299	\$ 311,725	\$ 124,158	\$ 118,969	\$ 107,955	\$ 147,206	28,237	(12,094)
<b>BILLING &amp; COLLECTING</b>								
Customer Service and Billing	\$ 34,074	\$ 33,337	\$ 39,869	\$ 41,901	\$ 44,656	\$ 51,462	9,562	17,389
Customer Information System SAP Fixed and Variable Fees	\$ 45,900	\$ 97,662	\$ 81,641	\$ 85,285	\$ 92,508	\$ 99,216	13,931	53,316
Automated Meter Reading & Verification	\$ 31,824	\$ 109,378	\$ 124,330	\$ 129,302	\$ 125,608	\$ 140,821	11,518	108,997
Bad Debts Expenses	\$ 6,000	\$ 10,208	\$ 18,939	\$ 4,351	\$ 11,606	\$ 21,973	17,622	15,973
<b>Sub-Total</b>	117,798	250,585	264,778	260,838	274,377	313,472	52,633	195,674
<b>ADMINISTRATIVE &amp; GENERAL EXPENSES</b>								
General Expenses	\$ 361,609	\$ 322,106	\$ 342,737	\$ 340,533	\$ 360,205	\$ 341,980	1,448	(19,629)
Use of Recruiting and Talent Search Specialists				\$ 21,750			(21,750)	-
Legal & Consulting Fees (Economic Evaluation, Promissory Note, Regulatory Accounts Review)	\$ 26,330	\$ 42,431	\$ 15,234	\$ 19,042	\$ 20,536	\$ 7,515	(11,527)	(18,815)
Cost of Service Application Costs	\$ 25,000	\$ 198,368				\$ 60,765	60,765	35,765
Customer Surveys				\$ 20,500		\$ 22,075	1,575	22,075
Repairs to the Main Gate					\$ 2,291	\$ 2,450	2,450	2,450
<b>Sub-Total</b>	\$ 412,939	\$ 562,905	\$ 357,971	\$ 401,825	\$ 383,032	\$ 434,785	32,961	21,846
<b>HUMAN RESOURCES</b>								
Management Wages, Incentives and Benefits	\$ 725,693	\$ 765,177	\$ 829,992	\$ 854,377	\$ 887,555	\$ 1,041,823	187,447	316,131
Non-Management Wages, Overtime and Benefits	\$ 915,339	\$ 899,519	\$ 972,985	\$ 971,965	\$ 965,038	\$ 1,050,598	78,633	135,259
Additional Staff - New Management FTE - Wages, Incentives & Benefits					\$ 104,631	\$ 134,662	134,662	134,662
Additional Staff - New Non-Management FTE - Wages, Overtime & Benefits						\$ 69,726	69,726	69,726
Succession Plan - Additional Management Staff - Partial FTE - Wages, Incentives & Benefits						\$ 183,916	183,916	183,916
Succession Plan - Additional Non-Management Staff - Partial FTE - Wages, Overtime & Benefits						\$ 224,977	224,977	224,977
<b>Sub-Total</b>	\$ 1,641,032	\$ 1,664,696	\$ 1,802,977	\$ 1,826,342	\$ 1,957,224	\$ 2,705,703	879,361	1,064,671
<b>Miscellaneous</b>		\$ 26,224	\$ 7,087	\$ (10,366)	\$ (26,627)	\$ (27,643)	(17,277)	(27,643)
<b>Total</b>	\$ 2,407,163	\$ 2,935,572	\$ 2,681,285	\$ 2,779,745	\$ 2,918,395	\$ 3,925,363	\$ 1,145,618	\$ 1,518,200

#### 4-Energy Probe-23

Ref: Exhibit 4, Table 4-4

##### Interrogatory:

- a) Please confirm that the actual cost of service application cost for the last COS application was \$173,368 and this is the amount shown in the actual 2012 column. If this cannot be confirmed, please provide the actual cost and the relationship to the \$173,368.
- b) What was the amount included in the Board approved 2012 OM&A costs for the cost of service application? Was this amount amortized over a four year period? If not, please explain.
- c) Please explain the reduction of \$198,368 in the cost of service application costs shown in 2013. Please show how this amount is related to the actual and Board approved cost of service application costs.

##### Response:

- a) The actual cost of service application cost for the last COS application was \$ 198,368. The amount of \$ 173,368 represents the difference between actual amounts spend and the approved 2012 amount (\$ 198,368 - \$25,000).
- b) The amount included in the Board Approved 2012 OM&A was \$ 100,000. This amount was intended to be expensed over four years or \$ 25,000/year. However, management made a decision to expense the entire actual amount in 2012 year.
- c) The variance of \$ 198,368 shown in 2013 is the result of spending the total cost of the last COS application in 2012. From a cost driver perspective these costs are expensed in 2012 and the whole amount is a reduction in 2013. As noted the actual cost for the cost of service application was \$198,368 and the Board Approved cost was \$100,000. The difference in value is a result of a poor estimate of cost of service application costs in the application (\$100,000) vs actual (\$198,368). This

## EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

### 1-Staff-4

Ref: Exhibit 1, Tab 2, Schedule 1

#### **Interrogatory:**

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

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

#### **Response:**

- a) Grimsby Power did not engage in any customer engagement activities with respect to its proposed rate application. As the Board is aware Grimsby Power was late in filing its application which was due on April 24, 2015. In its review of other cost of service applications some utilities had engaged in extensive customer engagement activities while others took a less intensive approach. For Example:

**EB-2015-0110 – Wellington North Power (WNP) – Exhibit 1 – Page 59 of 230 – 3731**

**Customers**

WNP states that two public meetings were organized to present Capital Expenditure projects and to promote energy conservation. WNP states that there were no attendees from the public at either meeting.

**EB-2015-0107 – Wasaga – Exhibit 1 - Page 62 of 98 – 12,985 Customers**

Wasaga indicates they informed their customers of the rate increases sought as a result of the first draft of the application however, the application does not indicate how this information was derived.

**EB-2015-0108 – Waterloo North Hydro Inc. – Exhibit 1 – Page 87 of 139 – 54,674**

**Customers**

Waterloo North states that it utilized the services of a third party to engage its customers. Throughout the exhibit customer engagement activities appear to be very thorough and extensive.

**EB-2014-0105 – Ottawa River Power Corporation – Exhibit 1 – Page 31 of 73 – 10,820**

**Customers**

Ottawa River states that it held a public meeting but it does not indicate the outcomes from this public meeting.

**EB-2015-0090 – Milton Hydro Distribution Inc. – Exhibit 1 – Page 65 of 108 – 35,111 -**

**Customers**

Milton Hydro states that it utilized the services of a third party to engage its customers. Throughout the exhibit customer engagement activities appear to be very thorough and extensive.

**EB-2015-0074 – Halton Hills Hydro Inc. – Exhibit 1 – Page – 21,534 Customers**

It is unclear if Halton Hills engaged its customers on with respect to the content of its application.

**EB-2015-0073 – Guelph Hydro Electric Systems Inc. – Exhibit 1 – Tab 4 – Schedule 4 -  
Page 50 of 77 – 52,963 Customers**

Guelph Hydro states that it utilized the services of a third party to engage its customers. Throughout the exhibit customer engagement activities appear to be very thorough and extensive.

With its late filing Grimsby Power was faced with the decision to organize and perform its customer engagement activities to meet the filing requirements or to proceed and file the application without this step. Based on informal inquiries with industry peers and the information provided above this customer engagement activity was, in many cases, not that informative (in some certainly not all cases).

Based on this information Grimsby Power made the decision to file its rate application without having executed this step. This decision is further supported by the above references where some utilities received considerable feedback and others received very little feedback. In three of the cases above this feedback was a result of extensive activities performed by a third party firm to ascertain how customers perceived the proposed rate application. Furthermore, customer engagement activities with the smaller utilities is not well supported by customers which in Grimsby Power's opinion makes the information received not statistically relevant.

Although Grimsby Power did not perform this customer engagement activity it knew that customers would have full access to the application and full opportunity to provide input, through the interrogatory process.

In terms of the current needs of customers this is explained in detail in Exhibit 1 Pages 63 to 68 in the section titled "Grimsby Power's Response to Customer Focus".

b) Not applicable based on answer to (a) above.

UNDERTAKING NO. JT1.5: TO CONFIRM THE CLASS FOR THE DISTRIBUTION ASSETS.

**Response:**

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
	<u>Additions:</u>			-	
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	
				-	
	<u>Other Additions</u>			-	
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>	
				-	
	<u>Deductions</u>			-	
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	
				-	
	<u>Other Deductions</u>			-	
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	589,098
	** Not included in Settlement PILs Model	

216,365

73,449

683,856

0

-66,550

## Non-Capital Loss Continuity Workchart

### Part 6 – Analysis of balance of losses by year of origin

#### Non-capital losses – losses that can be carried forward over 20 years

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
1st preceding taxation year 2015-09-30		N/A	53,239	N/A			53,239
2nd preceding taxation year 2014-12-31		N/A	26,690	N/A			26,690
3rd preceding taxation year 2013-12-31		N/A		N/A			
4th preceding taxation year 2012-12-31		N/A	344	N/A			344
5th preceding taxation year 2011-12-31		N/A	46,358	N/A			46,358
6th preceding taxation year 2010-12-31		N/A	118,425	N/A			118,425
7th preceding taxation year 2009-12-31		N/A		N/A			
8th preceding taxation year 2008-12-31		N/A	128,090	N/A			128,090
9th preceding taxation year 2007-12-31		N/A		N/A			
10th preceding taxation year 2006-12-31		N/A	157,321	N/A	138,646		18,675
11th preceding taxation year 2005-12-31		N/A		N/A			
12th preceding taxation year 2004-12-31		N/A		N/A			
13th preceding taxation year 2003-12-31		N/A		N/A			
14th preceding taxation year 2002-12-31		N/A		N/A			
15th preceding taxation year 2001-12-31		N/A		N/A			
16th preceding taxation year		N/A		N/A			
17th preceding taxation year		N/A		N/A			
18th preceding taxation year		N/A		N/A			
19th preceding taxation year		N/A		N/A			
20th preceding taxation year		N/A		N/A			*
<b>Total</b>			530,467		138,646		391,821

\* This balance expires this year and will not be available next year.

## Non-Capital Loss Continuity Workchart

### Part 6 – Analysis of balance of losses by year of origin

#### Non-capital losses – losses that can be carried forward over 20 years

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A	53,239			N/A		53,239
1st preceding taxation year 2014-12-31	26,690	N/A		N/A			26,690
2nd preceding taxation year 2013-12-31		N/A		N/A			
3rd preceding taxation year 2012-12-31	344	N/A		N/A			344
4th preceding taxation year 2011-12-31	46,358	N/A		N/A			46,358
5th preceding taxation year 2010-12-31	118,425	N/A		N/A			118,425
6th preceding taxation year 2009-12-31		N/A		N/A			
7th preceding taxation year 2008-12-31	128,090	N/A		N/A			128,090
8th preceding taxation year 2007-12-31		N/A		N/A			
9th preceding taxation year 2006-12-31	157,321	N/A		N/A			157,321
10th preceding taxation year 2005-12-31		N/A		N/A			
11th preceding taxation year 2004-12-31		N/A		N/A			
12th preceding taxation year 2003-12-31		N/A		N/A			
13th preceding taxation year		N/A		N/A			
14th preceding taxation year		N/A		N/A			
15th preceding taxation year		N/A		N/A			
16th preceding taxation year		N/A		N/A			
17th preceding taxation year		N/A		N/A			
18th preceding taxation year		N/A		N/A			
19th preceding taxation year		N/A		N/A			
20th preceding taxation year		N/A		N/A			*
<b>Total</b>	477,228	53,239					530,467

**Non-capital losses – losses that can be carried forward over 10 years**

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A	N/A		N/A	N/A	N/A	N/A
1st preceding taxation year 2014-12-31		N/A		N/A			
2nd preceding taxation year 2013-12-31		N/A		N/A			
3rd preceding taxation year 2012-12-31		N/A		N/A			
4th preceding taxation year 2011-12-31		N/A		N/A			
5th preceding taxation year 2010-12-31		N/A		N/A			
6th preceding taxation year 2009-12-31		N/A		N/A			
7th preceding taxation year 2008-12-31		N/A		N/A			
8th preceding taxation year 2007-12-31		N/A		N/A			
9th preceding taxation year 2006-12-31		N/A		N/A			
10th preceding taxation year 2005-12-31	206,925	N/A		N/A			206,925 *
<b>Total</b>	206,925	N/A		N/A			206,925

\* This balance expires this year and will not be available next year.

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. JT1.12: 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.

# Net Income (Loss) for Income Tax Purposes

## SCHEDULE 1

Corporation's name	Business Number	Tax year end Year Month Day
NIAGARA WEST TRANSFORMATION CORPORATION	87681 9301 RC0001	2014-12-31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- All legislative references are to the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125 ..... -98,462 A

### Add:

Amortization of tangible assets	104	181,969	
Subtotal of additions		181,969	▶ 181,969

### Other additions:

#### Miscellaneous other additions:

600 UNREALIZED INTEREST RATE ADJUSTMENT	290	79,503	
604			
Total	294		
Subtotal of other additions	199	79,503	▶ 79,503
Total additions	500	261,472	▶ 261,472 B

Amount A plus amount B ..... 163,010

### Deduct:

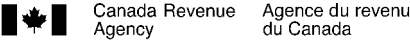
Capital cost allowance from Schedule 8	403	189,700	
Subtotal of deductions		189,700	▶ 189,700

### Other deductions:

#### Miscellaneous other deductions:

704			
Total	394		
Subtotal of other deductions	499	0	▶ 0
Total deductions	510	189,700	▶ 189,700

Net income (loss) for income tax purposes – enter on line 300 of the T2 return ..... -26,690



**Capital Cost Allowance (CCA)**

Corporation's name	Business Number	Tax year end Year Month Day
NIAGARA WEST TRANSFORMATION CORPORATION	87681 9301 RC0001	2014-12-31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

Is the corporation electing under *Regulation 1101(5q)*? **101** 1 Yes ☐ 2 No ☒

1 Class number (See Note)	Description	2 Undepreciated capital cost at the beginning of the year (amount from column 12 of last year's schedule 8)	3 Cost of acquisitions during the year (new property must be available for use)*	4 Adjustments and transfers**	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)***	7 Reduced undepreciated capital cost	8 CCA rate % ****	9 Recapture of capital cost allowance***** (line 107 of Schedule 1)	10 Terminal loss (line 404 of Schedule 1)	11 Capital cost allowance (for declining balance method, column 7 <b>multiplied</b> by column 8, or a lower amount) (line 403 of Schedule 1) *****	12 Undepreciated capital cost at the end of the year (column 6 <b>plus</b> column 7 <b>minus</b> column 11)
<b>200</b>		<b>201</b>	<b>203</b>	<b>205</b>	<b>207</b>	<b>211</b>		<b>212</b>	<b>213</b>	<b>215</b>	<b>217</b>	<b>220</b>
1. 1		4,681,410			0		4,681,410	4	0	0	187,256	4,494,154
2. 6	FENCE	24,442			0		24,442	10	0	0	2,444	21,998
<b>Totals</b>		<b>4,705,852</b>					<b>4,705,852</b>				<b>189,700</b>	<b>4,516,152</b>

**Note:** Class numbers followed by a letter indicate the basic rate of the class taking into account the additional deduction allowed.  
Class 1a: 4% + 6% = 10% (class 1 to 10%), class 1b: 4% + 2% = 6% (class 1 to 6%).

\* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see *Regulation 1100(2)* and (2.2).

\*\* Enter in column 4, "Adjustments and transfers", amounts that increase or reduce the undepreciated capital cost. Items that **increase** the undepreciated capital cost include amounts transferred under section 85, or transferred on amalgamation or winding-up of a subsidiary. Items that **reduce** the undepreciated capital cost include government assistance received or entitled to be received in the year, or a reduction of capital cost after the application of section 80. See the *T2 Corporation Income Tax Guide* for other examples of adjustments and transfers to include in column 4.

\*\*\* The net cost of acquisitions is the cost of acquisitions (column 3) **plus** or **minus** certain adjustments and transfers from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

\*\*\*\* Enter a rate only if you are using the declining balance method. For any other method (for example the straight-line method, where calculations are always based on the cost of acquisitions), enter N/A. Then enter the amount you are claiming in column 11.

\*\*\*\*\* For every entry in column 9, the "Recapture of capital cost allowance" there must be a corresponding entry in column 5, "Proceeds of dispositions during the year". The recapture and terminal loss rules do not apply to passenger vehicles in Class 10.1.

\*\*\*\*\* If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.