

**EB-2015-0072**

**Ontario Energy Board**

**IN THE MATTER OF** Application for electricity  
distribution rates beginning May 1, 2016.

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**VULNERABLE ENERGY CONSUMERS COALITION  
("VECC")  
CROSS-EXAMINATION COMPENDIUM**

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**July 8 2016**

## TAB 1

#### 4-Energy Probe-21

Ref: Exhibit 4

#### Interrogatory:

Please update Tables 4-1, 4-3, 4-4, 4-5, 4-6, 4-7 and 4-8 to reflect actual data for 2015. If actual data for all of 2015 is not yet available or audited, please update the tables to reflect the most recent estimate for 2015.

#### Response:

The requested tables have been updated with 2015 actual data as follows:

Table 4-1 Summary of OM&A Increases 2012 Actuals to 2016 Test Year

OM&A	2012 Board Approved	2012 Actuals	2013 Actuals	2014 Actuals	2015 Actual	2016 Test Year
Operations, Maintenance and Administration	2,407,163	2,935,572	2,681,285	2,779,745	2,918,395	3,925,363
LEAP	4,117	4,662	4,662	4,662	4,662	7,528
Property Tax	27,540	24,915	25,586	25,780	25,803	27,594
Depreciation	692,103	564,326	553,677	626,207	708,667	1,000,584
PILs	37,898	343,820	283,579	175,829	176,377	69,211
Interest	436,171	344,453	376,118	402,892	470,964	627,153
<b>TOTAL</b>	<b>3,604,992</b>	<b>4,217,749</b>	<b>3,924,906</b>	<b>4,015,116</b>	<b>4,304,868</b>	<b>5,657,433</b>

Table 4-3  
Appendix 2-JA  
Summary of Recoverable OM&A Expenses

	Last Rebasings	Last Rebasings	2013 Actuals	2014 Actuals	2015 Actuals	2016 Test Year
<i>Reporting Basis</i>	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	453,574	411,623	522,827	594,775	648,822	885,613
Maintenance	431,965	726,934	519,678	436,218	505,940	757,383
<b>SubTotal</b>	<b>885,539</b>	<b>1,138,556</b>	<b>1,042,505</b>	<b>1,030,993</b>	<b>1,154,763</b>	<b>1,642,996</b>
%Change (year over year)			-8.4%	-1.1%	12.0%	42.3%
%Change (Test Year vs Last Rebasings Year - Actual)						44.3%
Billing and Collecting	507,013	517,463	512,576	534,276	547,425	686,380
Community Relations	12,500	471	6,250	500	1,500	2,044
Administrative and General	1,002,111	1,279,082	1,119,954	1,213,975	1,214,707	1,593,943
<b>SubTotal</b>	<b>1,521,624</b>	<b>1,797,016</b>	<b>1,638,780</b>	<b>1,748,751</b>	<b>1,763,632</b>	<b>2,282,367</b>
%Change (year over year)			-8.8%	6.7%	0.9%	29.4%
%Change (Test Year vs Last Rebasings Year - Actual)						27.0%
<b>Total</b>	<b>2,407,163</b>	<b>2,935,572</b>	<b>2,681,285</b>	<b>2,779,745</b>	<b>2,918,395</b>	<b>3,925,363</b>
%Change (year over year)			-8.7%	3.7%	5.0%	34.5%

	Last Rebasings Year (2012 Board-Approved)	Last Rebasings Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Test Year
Operations	453,574	411,623	522,827	594,775	648,822	885,613
Maintenance	431,965	726,934	519,678	436,218	505,940	757,383
Billing and Collecting	507,013	517,463	512,576	534,276	547,425	686,380
Community Relations	12,500	471	6,250	500	1,500	2,044
Administrative and General	1,002,111	1,279,082	1,119,954	1,213,975	1,214,707	1,593,943
<b>Total</b>	<b>2,407,163</b>	<b>2,935,572</b>	<b>2,681,285</b>	<b>2,779,745</b>	<b>2,918,395</b>	<b>3,925,363</b>
%Change (year over year)			-8.7%	3.7%	5.0%	34.5%

	Last Rebasings Year (2012 Board-Approved)	Last Rebasings Year (2012 Actuals)	Variance BA - Actuals	2013 Actuals	Variance -2 Actuals vs. Actuals	2014 Actuals	Variance -1 Actuals vs. -2 Actuals	2015 Actuals	Variance Bridge vs. -1 Actuals	2016 Test Year	Variance 2016 Test vs. 2015 Bridge
Operations	453,574	411,623	41,951	522,827	111,204	594,775	71,948	648,822	54,047	885,613	236,791
Maintenance	431,965	726,934	294,969	519,678	207,256	436,218	83,460	505,940	69,722	757,383	251,443
Billing and Collecting	507,013	517,463	10,450	512,576	4,887	534,276	21,700	547,425	13,149	686,380	138,955
Community Relations	12,500	471	12,029	6,250	5,779	500	5,750	1,500	1,000	2,044	544
Administrative and General	1,002,111	1,279,082	276,971	1,119,954	159,128	1,213,975	94,021	1,214,707	732	1,593,943	379,236
<b>Total OM&amp;A Expenses</b>	<b>2,407,163</b>	<b>2,935,572</b>	<b>528,409</b>	<b>2,681,285</b>	<b>254,288</b>	<b>2,779,745</b>	<b>98,460</b>	<b>2,918,395</b>	<b>138,650</b>	<b>3,925,363</b>	<b>1,006,968</b>
Adjustments for Total non-recoverable items (from Appendices 2-JA and 2-JB)											
<b>Total Recoverable OM&amp;A Expenses</b>	<b>2,407,163</b>	<b>2,935,572</b>	<b>528,409</b>	<b>2,681,285</b>	<b>254,288</b>	<b>2,779,745</b>	<b>98,460</b>	<b>2,918,395</b>	<b>138,650</b>	<b>3,925,363</b>	<b>1,006,968</b>
Variance from previous year				254,288		98,460		138,650		1,006,968	
Percent change (year over year)				-8.7%		3.7%		5.0%		34.5%	
Percent Change: Test year vs. Most Current Actual						41.2%					
Simple average of % variance for all years						33.7%				8.6%	
Compound Annual Growth Rate for all years										6.0%	
Compound Growth Rate (2014 Actuals vs. Actuals)						-1.8%					

## TAB 2

**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

## TAB 3

**1-Energy Probe-5**

Ref: Exhibit 1, Appendix 1-B, page 9

**Interrogatory:**

- a) Please provide a table that shows for 2015 and 2016 the costs incurred by Grimsby Power associated with the Niagara West MTS broken down into three line items - total OM&A expenses, depreciation and cost of capital.
- b) Does the cost of capital included in the response above include only debt related costs, or does it include an amount for the return on equity? If it does not, please add a fourth and fifth line to the table requested in part (a) that shows the return on equity associated with the NWTS now being a distribution asset, along with the associated PILs.
- c) Please provide a table for 2011 through 2015 that shows the costs paid to NWTS for transmission service. If these figures are different from those shown in Appendix 1-A, page 27, please explain fully.
- d) Was any analysis of the impact on Grimsby Power customers done of moving the NWTS from a separate company to a distribution asset within Grimsby Power? If yes, please provide the analysis. If no, please explain why not.

**Response:**

- a) Costs specifically for Niagara West MTS including 2015 actual incurred from October 1, 2015 to December 31, 2015 and budget costs for the 2016 Test Year are as follows:



**Summary of NWTC OM&A 2015 Actuals and 2016 Test Year expenses**

<b>OM&amp;A</b>	<b>2015 Actual (3 months)</b>	<b>2016 Test Year (12 months)</b>
Operations, Maintenance and Administration	64,576	217,738
Depreciation	65,570	209,993
Cost of Capital	103,066	478,981
<b>TOTAL</b>	<b>168,636</b>	<b>688,973</b>

- b) The “Cost of Capital” line item in the above table includes both debt costs and return on equity.
- c) The actual costs paid by Grimsby Power for Transmission service from Niagara West MTS from 2012 to 2014 are those shown in Exhibit 1 Appendix 1-A page 27. 2011 and 2015 actual costs are shown in the table below. For ease of reference 2012 through 2014 values have been added as well.

<b>Revenue Description</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Grimsby Power Inc - Transmission \$	415,076	452,853	428,978	346,047	304,987
Grimsby Power Inc - Transmission \$ as per Appendix 1-A page 27	-	452,853	428,978	346,047	359,457
		-	-	-	(54,470)

- d) The amalgamation of Grimsby Power and Niagara West Transformation Corporation was the subject of an OEB MAAD proceeding EB-2014-0344 and a decision was provided by the OEB on March 26, 2015 as noted in Exhibit 1 on Page 102 of 122.

The impact to Grimsby Power customers was analyzed and included in Grimsby Power’s MAAD application. The MAAD application has been included in this response as Appendix 1-Energy Probe-5. The analysis is contained in Section 1.6 – Consumer Protection and in particular Section 1.6.2 beginning on page 8 of 17.

**TAB 4**

## Employee Compensation Breakdown

Grimsby Power employee costs are detailed in Appendix 2-K below.

**Table 4-19**  
**Appendix 2-K**  
**Employee Costs**  
**2012 OEB Approved – 2016 Test Year**

	Last Rebasing Year - 2012- Board Approved	Last Rebasing Year - 2012- Actual	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
<b>Number of Employees (FTEs including Part-Time)<sup>1</sup></b>						
Management (including executive)	7.00	6.83	6.91	6.91	8.79	10.61
Non-Management (union and non-union)	11.50	11.64	11.60	11.19	11.02	14.54
<b>Total</b>	<b>18.50</b>	<b>18.47</b>	<b>18.51</b>	<b>18.10</b>	<b>19.81</b>	<b>25.15</b>
<b>Total Salary and Wages including overtime and incentive pay</b>						
Management (including executive)	\$ 543,313	\$ 605,941	\$ 663,416	\$ 685,615	\$ 891,536	\$ 1,096,873
Non-Management (union and non-union)	\$ 691,844	\$ 705,176	\$ 765,367	\$ 774,583	\$ 785,764	\$ 1,056,276
<b>Total</b>	<b>\$ 1,235,157</b>	<b>\$ 1,311,117</b>	<b>\$ 1,428,783</b>	<b>\$ 1,460,198</b>	<b>\$ 1,677,300</b>	<b>\$ 2,153,149</b>
<b>Total Benefits (Current + Accrued)</b>						
Management (including executive)	\$ 182,379	\$ 159,237	\$ 166,576	\$ 168,762	\$ 201,106	\$ 263,528
Non-Management (union and non-union)	\$ 223,495	\$ 194,343	\$ 207,618	\$ 197,382	\$ 205,768	\$ 289,025
<b>Total</b>	<b>\$ 405,875</b>	<b>\$ 353,579</b>	<b>\$ 374,194</b>	<b>\$ 366,144</b>	<b>\$ 406,874</b>	<b>\$ 552,554</b>
<b>Total Compensation (Salary, Wages, &amp; Benefits)</b>						
Management (including executive)	\$ 725,693	\$ 765,177	\$ 829,992	\$ 854,377	\$ 1,092,642	\$ 1,360,402
Non-Management (union and non-union)	\$ 915,339	\$ 899,519	\$ 972,985	\$ 971,965	\$ 991,532	\$ 1,345,302
<b>Total</b>	<b>\$ 1,641,032</b>	<b>\$ 1,664,696</b>	<b>\$ 1,802,977</b>	<b>\$ 1,826,342</b>	<b>\$ 2,084,173</b>	<b>\$ 2,705,703</b>

## Assumptions and Definitions – Appendix 2-K - Employee Costs

- Last Approved Rebasing Year – 2012: Numbers in this column are the numbers approved by the OEB in the last Cost of Service Application "EB-2011- 0273;
- Last Rebasing Year – Actual 2012: All numbers are based on 2012 Actuals.
- Historical Year 2013: All numbers are based on 2013 Actuals.
- Historical Year 2014: All numbers are based on 2014 Actuals.
- Bridge Year 2015: All numbers are based on the 2015 Budget.
- Test Year 2016: All numbers are based on the 2016 Budget.
- Appendix 2-K Employee Costs and Inter-Company Agreements: In 2013, 2014, and 2015 Grimsby Power contracted out administrative services to its affiliate NWTC. This service was necessary to operate the transformer station and to facilitate a station upgrade to enable the connection of renewable generation. These costs are not included in the actual (2013 & 2014) and budgeted (2015) figures. This sharing of services was an efficient way for both parties to benefit from the knowledge of Grimsby Power resources. With the amalgamation of Grimsby Power and NWTC this

#### 4-Energy Probe-22

Ref: Exhibit 4, Table 4-19

#### Interrogatory:

Please provide an updated and revised Table 4-19 that includes actuals or the most recent estimate for 2015, along with additional lines that show the amount, by year, of employee costs included in OM&A and the amount capitalized.

#### Response:

The revised Table 4-19 including 2015 actual, OM&A Expense, and the amount capitalized is as follows:

**Table 4-19  
 Appendix 2-K  
 Employee Costs**

	Last Rebasing Year - 2012- Board Approved	Last Rebasing Year - 2012- Actual	2013 Actuals	2014 Actuals	2015 Actuals	2016 Test Year
<b>Number of Employees (FTEs including Part-Time)<sup>1</sup></b>						
Management (including executive)	7.00	6.83	6.91	6.91	8.43	10.61
Non-Management (union and non-union)	11.50	11.64	11.60	11.19	11.05	14.54
Total	18.50	18.47	18.51	18.10	19.48	25.15
<b>Total Salary and Wages including overtime and incentive pay</b>						
Management (including executive)	\$ 543,313	\$ 605,941	\$ 663,416	\$ 685,615	\$ 805,218	\$ 1,096,873
Non-Management (union and non-union)	\$ 691,844	\$ 705,176	\$ 765,367	\$ 774,583	\$ 775,013	\$ 1,056,276
Total	\$ 1,235,157	\$ 1,311,117	\$ 1,428,783	\$ 1,460,198	\$ 1,580,231	\$ 2,153,149
<b>Total Benefits (Current + Accrued)</b>						
Management (including executive)	\$ 182,379	\$ 159,237	\$ 166,576	\$ 168,762	\$ 186,968	\$ 263,528
Non-Management (union and non-union)	\$ 223,495	\$ 194,343	\$ 207,618	\$ 197,382	\$ 190,025	\$ 289,025
Total	\$ 405,875	\$ 353,579	\$ 374,194	\$ 366,144	\$ 376,993	\$ 552,554
<b>Total Compensation (Salary, Wages, &amp; Benefits)</b>						
Management (including executive)	\$ 725,693	\$ 765,177	\$ 829,992	\$ 854,377	\$ 992,186	\$ 1,360,402
Non-Management (union and non-union)	\$ 915,339	\$ 899,519	\$ 972,985	\$ 971,965	\$ 965,038	\$ 1,345,302
Total	\$ 1,641,032	\$ 1,664,696	\$ 1,802,977	\$ 1,826,342	\$ 1,957,224	\$ 2,705,703
OM&A Expense	\$ 1,560,617	\$ 1,562,465	\$ 1,673,385	\$ 1,689,242	\$ 1,821,128	\$ 2,534,697
Capitalized amount	\$ 80,415	\$ 102,231	\$ 129,592	\$ 137,101	\$ 136,096	\$ 171,006

**4-VECC-34**

Ref: Exhibit 4, Page 46, 82, Table 4-50

**Interrogatory:**

- a) In what year(s) are the two linemen whose positions are being backfilled by apprentices forecast to retire?
- b) How many of the forecast 25.16 2016 FTE positions are currently vacant?
- c) At page 52 Grimsby explains that a number of overlap positions have been “normalized” over the five year rate period. Is the amount normalized the \$46,904 shown at Table 4-50? If yes please explain how this figure was calculated.

**Response:**

- a) Please refer to OEB Staff IR’s **4-Staff-37 d)**. Specifically, the two Journeyman Lineman are forecasted to retire in 2018 and 2023.
- b) Please refer to OEB Staff IR’s **4-Staff-37 b)**. Specifically the following FTE positions are currently vacant:
  - Accounting Supervisor – 1.0 FTE
  - Applications/Systems Support Technician – 1.0 FTE
  - Customer Account Representative – 1.0 FTE
  - Executive Assistant – 0.5 FTE
  - Storekeeper – 0.521 FTE
  - Customer Account Supervisor – 1.0 FTE
  - Journeyman or Journeyman Apprentice – 2.0 FTE
- c) In Table 4-50 the \$46,904 represents the normalized costs for one Journeyman Lineman 24 to 36 month rate. This is calculated as follows -  $\$31.56/\text{hour} \times 2477 \text{ hours worked (regular and overtime hours)} \times 3/5$ .

#### 4-Staff-37

Ref: Exhibit 4, page 6 – Human Resource Requirements  
Exhibit 1, Appendix 1-B, page 14

#### Interrogatory:

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

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

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

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

**Response:**

- a) Grimsby Power's staffing strategy is based on an analysis of the business environment which looks forward to the year 2023. This analysis is documented in Grimsby Power's report titled "Succession Planning Analysis and Recommendations" dated June 26, 2015. These recommendations have been approved by the Grimsby Power Board of Directors and GPI's 2016 Cost of Service Budget reflects the recommendations in the Budget. This report is included as part of the answer to **1-SEC-9**. In its preparation of this analysis Management considers workforce demand, workforce supply, and a workforce gap analysis. This analysis is used to produce the recommendations.

b) The table requested is shown below:

Status of Positions and Position within Status	2015	2016	2017	2018	2019	2020
<b>Positions with No Changes over period from 2015 to 2020</b>						
CEO	1	1	1	1	1	1
Director of Asset Management	1	1	1	1	1	1
Director of Finance	1	1	1	1	1	1
Executive Assistant	1	1	1	1	1	1
Operations Supervisor	1	1	1	1	1	1
Finance and Regulatory Analyst	0.915	0.915	0.915	0.915	0.915	0.915
Foreman	1	1	1	1	1	1
Journeyman	3	3	3	3	3	3
Engineering Technician	1	1	1	1	1	1
Design Technician	1	1	1	1	1	1
Accounting Assistant	1	1	1	1	1	1
Accounting and Settlement Clerk	1	1	1	1	1	1
Customer Account Representatives	2	2	2	2	2	2
Cashier	0.543	0.543	0.543	0.543	0.543	0.543
<b>Positions That are New to the Company</b>						
Engineering Supervisor (added in 2015)	1	1	1	1	1	1
Accounting Supervisor (to be added in 2016)	1	1	1	1	1	1
Applications Systems Support Professional (added in 2015)	0.877	1	1	1	1	1
Customer Account Representative	0	1	1	1	1	1
Executive Assistant	1	0.5	0.5	0.5	0.5	0.5
Storekeeper	0	1	1	1	1	1
<b>Positions as a Result of Retirements and Succession Planning</b>						
Director of Customer Accounts	1	1	0	0	0	0
Customer Account Supervisor	0	1	1	1	1	1
Journeyman or Journeyman Apprentice	0	2	2	2	1	1
<b>Positions Changing or being eliminated</b>						
Supply Chain Representative	0.479	0	0	0	0	0
<b>Total FTE Count</b>	<b>21.814</b>	<b>25.958</b>	<b>24.958</b>	<b>24.958</b>	<b>23.958</b>	<b>23.958</b>

c) The status of recruiting as of the current date is as follows:

Engineering Supervisor – Hired January 2015

Executive Assistant – Hired November 2015

Applications Systems Support Technician – Presently Recruiting

Note – This position is also referred to in the Application as Applications Systems Support Professional – The position is the same but the name has been changed since the application has been filed.

Journeyman or Journeyman Apprentice – Presently Recruiting One position

Customer Accounts Supervisor – Recruiting to begin in Q2 of 2016



*Full Time Equivalent Variance Analysis*

**Table 4-20**  
**Full Time Equivalent Employees by Department with Variances**  
**2012 OEB Approved to 2016 Test Year**

Department	2012 Board Approved	2012 Actuals	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year	Change 2016 vs. 2012 Actual	Change 2016 vs. 2012 Board Approved
<b>Operations</b>								
Operations Administration	1.00	1.00	1.00	1.00	1.00	1.00	-	-
Lines	4.00	4.00	4.00	4.00	4.00	6.00	2.00	2.00
Stores	1.00	1.00	1.00	0.66	0.48	1.00	-	-
<b>Total</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>5.66</b>	<b>5.48</b>	<b>8.00</b>	<b>2.00</b>	<b>2.00</b>
							-	-
<b>Engineering</b>								
Engineering	2.00	2.00	2.00	2.00	3.00	3.00	1.00	1.00
<b>Total</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>3.00</b>	<b>3.00</b>	<b>1.00</b>	<b>1.00</b>
							-	-
<b>Finance</b>								
Accounting/Finance	3.00	2.83	2.91	2.83	2.92	3.92	1.09	0.92
Billing	3.50	3.64	3.61	3.62	3.54	4.74	1.10	1.24
<b>Total</b>	<b>6.50</b>	<b>6.47</b>	<b>6.52</b>	<b>6.45</b>	<b>6.46</b>	<b>8.66</b>	<b>2.19</b>	<b>2.16</b>
<b>Administration</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.88</b>	<b>5.50</b>	<b>1.50</b>	<b>1.50</b>
<b>TOTAL</b>	<b>18.50</b>	<b>18.47</b>	<b>18.52</b>	<b>18.11</b>	<b>19.81</b>	<b>25.16</b>	<b>6.69</b>	<b>6.66</b>
Increase Over Prior Year			0.05	- 0.41	1.70	5.34		
Increase 2016 Over 2012 Board Approved		- 0.03	0.02	- 0.39	1.31	6.66		

2012 Board Approved vs. 2012 Actual

The total variance equals negative 0.03. The Accounting/Finance change is due to the difference in time funded by the OPA. The Billing variance is due to the number of hours worked for the part time employee which is variable between 20 and 24 hours per week.

Note – Board approved counts included 8 Management and 11 Non-Management. Within the spreadsheet the 8 was actually 7.5 and this 7.5 included 7 Management and 0.5 Non-Management (Part Time – Non-Union). Therefore, the total Management should have been listed as 7. When the 0.5 Non-Management is added to the Non-Management the total should have been 11.5.

## TAB 5

## Recoverable OM&A Cost Per Customer and Per Full Time Equivalent

Table 4-6 below presents the OM&A cost per customer/connection including street lighting and unmetered scattered load connections.

**Table 4-6**  
**Appendix 2-L**  
**Recoverable OM&A Cost per Customer and per FTE**  
**(including Street Lighting and Unmetered Scattered Load Connections)**  
**2012 OEB Approved to 2016 Test Year**

	Last Rebasings Year - 2012- Board Approved	Last Rebasings Year - 2012- Actual	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
<b>Reporting Basis</b>						
Number of Customers <sup>2,4</sup>	13,114	13,088	13,208	13,531	13,725	13,923
Total Recoverable OM&A from Appendix 2-JB	\$ 2,407,163	\$ 2,935,572	\$ 2,681,285	\$ 2,779,745	\$ 3,233,500	\$ 3,925,363
OM&A cost per customer	\$ 183.56	\$ 224.29	\$ 203.00	\$ 205.44	\$ 235.59	\$ 281.93
Number of FTEs <sup>3,4</sup>	18.50	18.47	18.51	18.10	19.81	25.15
Customers/FTEs	708.86	708.61	713.56	747.57	692.83	553.60
OM&A Cost per FTE	130,117	158,937	144,856	153,577	163,226	156,078

## Capitalized Overhead

Table 4.7, Appendix 2-D Overhead Expense provides a breakdown of OM&A before capitalization. In any given year the percentage of OM&A that is capitalized is dependent where Grimsby Power's Line staff spends their working hours – either on capital work or OM&A work. The allocation percentage for Lineman Expenses (capital vrs. OM&A) is calculated by taking the sum total of hours for the Lines staff booked to capital and OM&A and deriving the percentage split between the two. For example if Lines staff booked 1000 hours to capital and 1000 hours to OM&A the percentage split used to allocate the expense would be 50% capital and 50% OM&A. The same logic is used to calculate the Truck Expenses by utilizing booked truck hours. The percentage of OM&A capitalized varies from a low in 2013 of 35% to a high of 55% in 2014. This range reflects the actual work performed in any given year.

**1-Staff-6**

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

**Interrogatory:**

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

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

**Response:**

- a) Grimsby Power will begin this answer with cost drivers beginning in 2012 and were known during the 2012 rate application. In EB-2011-0273 – in the transcript of the oral hearing dated December 12, 2011 on page 14 by Ms. Domokos testified that:

*It should be noted that since Grimsby Power budget has been approved by our board of directors, a number of new costs have been identified that were not previously available.*

*Grimsby Power is not seeking to recover these costs in the rate application, but they are relevant to this proceeding.*

Residential:

Residential											
Niagara Region LDC's	2011 Monthly Cost for 800 kWh	2012 Monthly Cost for 800 kWh	2013 Monthly Cost for 800 kWh	2014 Monthly Cost for 800 kWh	2015 Monthly Cost for 800 kWh	2016 Monthly Cost for 800 kWh	2011 Ontario Rank	2012 Ontario Rank	2013 Ontario Rank	2014 Ontario Rank	2015 Ontario Rank
Grimsby Power Inc.	\$21.99	\$24.39	\$24.63	\$24.99	\$25.37	\$32.23	16	32	27	23	24
Horizon Utilities Corporation	\$25.81	\$25.97	\$26.29	\$26.68	\$28.12	\$28.48	45	41	41	42	53
Welland Hydro-Electric System Corp.	\$25.68	\$25.89	\$26.30	\$26.70	\$27.09	\$27.16	46	43	44	43	45
Niagara-on-the-Lake Hydro Inc.	\$28.22	\$28.46	\$28.63	\$28.02	\$28.41	\$28.90	59	58	56	50	55
Niagara Peninsula Energy Inc.	\$28.18	\$28.40	\$28.56	\$28.94	\$33.23		61	59	57	56	71
Canadian Niagara Power Inc. - Fort Erie	\$30.09	\$30.33	\$34.36	\$35.02	\$35.59	\$35.60	68	70	76	75	77
Canadian Niagara Power Inc. - Port Colborne	\$32.98	\$33.17	\$36.09	\$35.87	\$35.80	\$35.60	74	77	81	78	80
Hydro One Networks Inc. - Urban		\$37.86	\$32.81	\$33.18	\$35.71	\$35.25		81	73	72	79
Hydro One Networks Inc. - Medium Density		\$46.26	\$46.61	\$47.27	\$52.51	\$54.03		86	87	85	89
Minimum	\$ 21.99	\$ 24.39	\$ 24.63	\$ 24.99	\$ 25.37	\$ 27.16					
Average	\$ 27.56	\$ 31.19	\$ 31.59	\$ 31.85	\$ 33.54	\$ 34.66					
Median	\$ 28.18	\$ 28.46	\$ 28.63	\$ 28.94	\$ 33.23	\$ 33.74					
Maximum	\$ 32.98	\$ 46.26	\$ 46.61	\$ 47.27	\$ 52.51	\$ 54.03					

**4-Staff-35**

Ref: Exhibit 4, Table 4-3

**Interrogatory:**

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

- a) Please explain all productivity achievements put in place to reduce costs since Grimsby Power's last rebasing. Please provide an estimate of the cost savings to customers. If there have been no demonstrable improvements, please explain the factors that have prevented Grimsby Power from demonstrating productivity in its operations.
- b) Please describe all planned productivity investments over the upcoming five-year term, and the expected savings that will be achieved through these investments. Please explain how any barriers to performance improvement have been identified and addressed.
- c) What are Grimsby Power's objectives for continuous improvement over the upcoming rate term? Where will improvements be made to realize those objectives? Please provide details of the plan to deploy, measure and report on improvements across the organization.

**Response:**

- a) Grimsby Power has thoroughly explained its productivity activities in Exhibit 1 – Page 69 thru 76 in the section titled “Past Efforts to Achieve Cost Reductions and Productivity Improvements”. Grimsby Power has also explained cost reductions and productivity improvements for the Test Year in Exhibit 1 – Page 76 thru 77 in the section titled “Efforts to Achieve Cost Reductions and Productivity Improvements in the Test Year”. Customer Service improvements are noted in Exhibit 1 – Page 77 thru 78 in the section titled “Customer Service Improvements”. Continuous

improvement is discussed in Exhibit 1 – Page 78 thru 79 in the section titled “Building a Culture of Continuous Improvement”.

In terms of real costs savings or a reduction in OM&A expenses the following table includes Grimsby Power’s recorded savings from 2013 to 2015:

	<b>2015 Savings</b>	<b>2014 Savings</b>	<b>2013 Savings</b>
<b>Switch from Bell to Branttel</b>	\$ 3,183.89	\$ 3,039.12	\$ 3,200.10
<b>Transformer Refurbishment</b>	\$ 17,212.53		\$ 8,613.00
<b>Use of One Call Now for Reminders</b>	\$ 2,807.89	\$ 4,324.44	
<b>E-Billing Contest Savings</b>	\$ 1,580.42	\$ 9,840.60	
<b>Total</b>	<b>\$ 24,784.73</b>	<b>\$ 17,204.16</b>	<b>\$ 11,813.10</b>

- b) Grimsby Power’s planned productivity investments for the rate term are provided in Exhibit 1 – Page 76 thru 77 in the section titled “Efforts to Achieve Cost Reductions and Productivity Improvements in the Test Year”. Grimsby Power has not quantified savings measures going forward. However, the information contained in the table above will continue throughout the rate term from 2016 to 2020.
- c) Grimsby Power has not created specific objectives for cost savings and productivity improvements over the next rate term. Grimsby Power has not created a formal plan to execute cost savings and productivity improvements. Grimsby Power is constantly looking for cost savings and productivity improvements. The cost savings and productivity improvements as they have been presented in Exhibit 1 – Page 69 thru 76 in the section titled “Past Efforts to Achieve Cost Reductions and Productivity Improvements” were not part of a formal plan nor were they part of any specific performance measurement criteria. However, they did happen and they happened through the normal course of business. Implementation of the Board’s Renewed Regulatory Framework for Electricity is an ongoing process not only for the Board but for electricity distributors. Grimsby Power acknowledges that it will need to formalize a process to capture savings and productivity improvements so that it can demonstrate (and report) to the Board and its customers that it has achieved improvements. This will be one of many priorities in the next rate rebasing period.

**4-Staff-36**

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

**Interrogatory:**

Grimsby Power implemented a short term incentive program in 2012.

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

**Response:**

- a) In order to create a short term incentive program management utilized information provided by FortisOntario/Canadian Niagara Power on their STI program and on information from the “2011/2012 Management Salary Survey” by The Mearie Group. FortisOntario is a Shareholder of Grimsby Power and also has one Director on the Grimsby Power Board of Directors. Grimsby Power did not use a third party service provider to assist with the creation of the STI program. An analysis leading up to the program is contained in Grimsby Power Inc. CEO’s Report to the Board – Compensation Committee – Specific Report Number #01-2012. This report is attached as Appendix 4-Staff-36. In summary the report provides average incentive target information as a percentage of base salary from the MEARIE survey and information from FortisOntario regarding the STI targets of 50%, 100%, and 150%.

Grimsby Power has provided a copy of its Management Base Salary Review and Recommendations – Addendum (Revised) as Appendix 4-STAFF 36. Portions of the document have been redacted as they contain information about the salaries and bonuses of specific identifiable individuals. The disclosure of that information could reasonably be expected to prejudice the economic interest of, significantly



prejudice the competitive position of, cause undue financial loss to, and be injurious to the financial interest of those individuals as it may impair those individuals' abilities to negotiate compensation with other employers.

Moreover, the redacted information constitutes personal information and the disclosure of this sensitive information related to individuals' incomes would constitute an unjustified invasion of privacy under the Freedom of Information and Protection of Privacy Act ("FIPPA"). The OEB's Practice Direction recognizes that these are among the factors that the Board will take into consideration when addressing the confidentiality of filings. They are also addressed in section 17(1) and section 21 of FIPPA. Grimsby Power does not intend to provide the redacted information to any person, regardless of whether that person has executed the Board's Declaration and Undertaking with respect to confidentiality. Grimsby Power is filing a confidential unredacted version of the document (with the subject information highlighted for the Board's reference) in a sealed envelope marked "Confidential - Personal Information" in accordance with Rule 9A of the Board's Rules of Practice and Procedure.

- b) The 2011/2012 Management Salary Survey" by The Mearie Group was filed with the OEB by London Hydro (EB-2012-0146 – pdf page 408) and can be found at:  
<http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/365922/view>
- c) The 2011/2012 Management Salary Survey" by The Mearie Group references 47 utilities that participated in the survey. A participant list is included on pages 4 and 5 of the report. No other comparator organizations were used including FortisOntario who provided no further information on their program other than that mentioned in part (a) above.
- d) Grimsby Power is providing the maximum potential payout and actual total paid in the table below. Note that the maximum payout is based on Annual Earnings X STI % Level X 150%. The Total Short Term Incentive Payout is the actual expense in each year.

	2012 (2011 Results)	2013 (2012 Results)	2014 (2013 Results)	2015 (2014 Results)	2016 (2015 Results)
Maximum Payout	66,658	91,166	115,152	93,635	138,552
Total Short Term Incentive Payout	36,720	47,650	64,674	49,471	81,945

## **TAB 6**

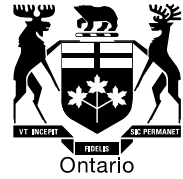
**Table 4-3**  
**Appendix 2-JA**  
**Summary of Recoverable OM&A Expenses**  
**2012 OEB Approved to 2016 Test Year**

	Last Rebasings Year (2012 Board-)	Last Rebasings Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
<i>Reporting Basis</i>	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	453,574	411,623	522,827	594,775	831,285	885,613
Maintenance	431,965	726,934	519,678	436,218	593,216	757,383
<b>SubTotal</b>	<b>885,539</b>	<b>1,138,556</b>	<b>1,042,505</b>	<b>1,030,993</b>	<b>1,424,500</b>	<b>1,642,996</b>
%Change (year over year)			-8.4%	-1.1%	38.2%	15.3%
%Change (Test Year vs Last Rebasings Year - Actual)						44.3%
Billing and Collecting	507,013	517,463	512,576	534,276	559,426	686,380
Community Relations	12,500	471	6,250	500	-	2,044
Administrative and General	1,002,111	1,279,082	1,119,954	1,213,975	1,249,574	1,593,943
<b>SubTotal</b>	<b>1,521,624</b>	<b>1,797,016</b>	<b>1,638,780</b>	<b>1,748,751</b>	<b>1,809,000</b>	<b>2,282,367</b>
%Change (year over year)			-8.8%	6.7%	3.4%	26.2%
%Change (Test Year vs Last Rebasings Year - Actual)						27.0%
<b>Total</b>	<b>2,407,163</b>	<b>2,935,572</b>	<b>2,681,285</b>	<b>2,779,745</b>	<b>3,233,500</b>	<b>3,925,363</b>
%Change (year over year)			-8.7%	3.7%	16.3%	21.4%

	Last Rebasings Year (2012 Board- Approved)	Last Rebasings Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Operations	453,574	411,623	522,827	594,775	831,285	885,613
Maintenance	431,965	726,934	519,678	436,218	593,216	757,383
Billing and Collecting	507,013	517,463	512,576	534,276	559,426	686,380
Community Relations	12,500	471	6,250	500	-	2,044
Administrative and General	1,002,111	1,279,082	1,119,954	1,213,975	1,249,574	1,593,943
<b>Total</b>	<b>2,407,163</b>	<b>2,935,572</b>	<b>2,681,285</b>	<b>2,779,745</b>	<b>3,233,500</b>	<b>3,925,363</b>
%Change (year over year)			-8.7%	3.7%	16.3%	21.4%

Ontario Energy  
Board

Commission de l'énergie  
de l'Ontario



EB-2011-0273

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

**AND IN THE MATTER OF** an application by Grimsby  
Power Inc. for an order approving or fixing just and  
reasonable rates and other charges for the distribution of  
electricity to be effective January 1, 2012.

**BEFORE:** Marika Hare  
Presiding Member

Cathy Spoel  
Member

## **DECISION AND ORDER**

### **BACKGROUND**

Grimsby Power Inc. ("Grimsby" or the "Applicant") filed a cost of service application (the "Application") with the Ontario Energy Board (the "Board") on August 16, 2011. The Application was filed under section 78 of the *Ontario Energy Board Act, 1998* (the "Act"), seeking approval for changes to the rates that Grimsby charges for electricity distribution to be effective January 1, 2012. The Board assigned the Application file number EB-2011-0273.

**OPERATIONS, MAINTENANCE & ADMINISTRATION (“OM&A”)**

Grimsby originally requested \$2,459,977 (including property taxes) for its 2012 OM&A expenses. In its AIC, Grimsby updated its 2012 OM&A to \$2,375,758<sup>1</sup> to reflect certain adjustments.

In its reply argument, Grimsby further adjusted its 2012 OM&A to \$2,350,586 to reflect the adjustments made in responses to undertakings.

The following table summarizes Grimsby's OM&A expenses.

	2006 Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Bridge	2012 Test (updated) <sup>2</sup>
<b>Operation</b>	\$207,528	\$187,438	\$187,089	\$200,472	\$197,350	\$179,324	\$271,866	\$272,481
<b>Maintenance</b>	\$219,107	\$225,316	\$271,420	\$409,935	\$380,246	\$397,852	\$418,385	\$489,114
<b>Billing and Collecting</b>	\$399,757	\$407,642	\$483,317	\$487,755	\$463,965	\$506,789	\$504,524	\$509,031
<b>Community Relations</b>	\$5,388	\$53,288	\$80,754	\$33,426	\$11,428	\$11,749	\$16,500	\$12,500
<b>Administrative and General</b>	\$719,186	\$635,882	\$695,452	\$661,546	\$717,486	\$710,002	\$869,244	\$1,067,460
<b>Total OM&amp;A</b>	\$1,550,966	\$1,509,565	\$1,718,034	\$1,793,136	\$1,770,474	\$1,805,717	\$2,080,519	\$2,350,586
<b>Year to year % change</b>			13.8%	4.4%	-1.3%	2.0%	15.2%	13.0%

Grimsby gave evidence, in its filed evidence and again at the oral hearing, that its OM&A ‘cost per customer’ comparison, based on 2010 statistics, indicates that it has the lowest cost per customer in its cohort. Grimsby also stressed, however, that the company’s low spending levels were not sustainable, stating that the objective of its “2012 budget was to identify tasks, activities and service levels which would allow Grimsby Power to operate at a sustainable level.”<sup>3</sup> In the words of its CEO, “the resetting of OM&A is viewed by Grimsby as a necessary step to bring the utility up to par with what I consider to be the basic needs of the company.”<sup>4</sup> Grimsby acknowledged that while the “resultant increase in costs is significant ... it represents an

<sup>1</sup> Tr. Vol.1, page 83/ line 27-28.

<sup>2</sup> Grimsby's reply argument, page 4.

<sup>3</sup> Tr. Vol.1, page 23/ line 27 – page 24/ line 1.

<sup>4</sup> Tr. Vol.1, page 23/ lines 15-17.