

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

**ORAL HEARING UNDERTAKINGS
RESPONSE OF GRIMSBY POWER INCORPORATED (GRIMSBY POWER)**

Filed: July 21, 2016

Table of Contents

UNDERTAKING J1.1 (REVISED): TO PROVIDE A REVISED 2016 FORECAST OF THE ENTIRE OM&A ON THE SAME BASIS AS THE 3.9; IF YOU HAD THE FORECAST OF MAY, TO INCLUDE SIX MONTHS ACTUAL UP TO JUNE AND THEN A SIX MONTH FORECAST, SO SIX AND SIX	3
UNDERTAKING NO. J1.2: TO ADVISE HOW MUCH OF THE \$103,000 THAT YOU'VE INCURRED YEAR-TO-DATE MAY IS FOR TREE-TRIMMING THAT YOU HAD ORIGINALLY PLANNED TO DO IN DECEMBER OF 2015. ALSO: TO ADVISE HOW MUCH IS IN YOUR 2016 REQUEST FOR OM&A	7
UNDERTAKING NO. J1.3: TO PROVIDE THE COST TO INCREASE STAFFING FROM 18.5 FTES TO 25.5 BOTH IN 2016 AND IN EACH YEAR FOLLOWING UNTIL THE NEXT REBASING.	8

UNDERTAKING J1.1 (REVISED): TO PROVIDE A REVISED 2016 FORECAST OF THE ENTIRE OM&A ON THE SAME BASIS AS THE 3.9; IF YOU HAD THE FORECAST OF MAY, TO INCLUDE SIX MONTHS ACTUAL UP TO JUNE AND THEN A SIX MONTH FORECAST, SO SIX AND SIX

Response:

Grimsby Power has reviewed its budget vs. actual expenses (January to June) for 2016 and has created a forecast to December 31, 2016. Table 1 below provides a forecast for OM&A for 2016 based on actual data to end of June 2016 and remaining expenses to be incurred to the end of the year. Some line items have been forecasted to be less expensive than originally proposed. As a result, the forecast is less than the proposed OM&A of \$3,925,363. Explanations have been provided for each adjustment and are detailed below. An updated Table 2 with actual expenses to the end of June 2016 has been prepared as shown below.

**Table 1
Revised OM&A Forecast for 2016 Test Year**

	Original Proposed OM&A Less Removals	Revised Forecasted OM&A	Variances
Original Proposed OM&A	3,925,363		
OM&A Less Removals		2,852,721	
Vacancies in FTE & Succession Planning from J1.3	947,100	817,325	(129,775)
Notification of Locates	6,132	1,999	(4,133)
Cable Locate Services	85,848	49,744	(36,104)
O.L.S. Surveyor	5,110	1,000	(4,110)
Support Service Help Desk Services	18,396	8,859	(9,537)
Website Development Expense	6,132	2,000	(4,132)
Third Party IT Services	3,924	-	(3,924)
Revised Forecasted OM&A	2,852,721	3,733,648	(191,715)

Table 2
OM&A Expenses with June 2016 Year to Date Figures and Revised Forecast for
2016 Test Year

	Last Rebasings Year (2012 Board-Approved)	Last Rebasings Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Test Year	YTD June 2016	Revised Forecast 2016
<i>Reporting Basis</i>	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	453,574	411,623	522,827	594,775	648,822	885,613	375,955	814,728
Maintenance	431,965	726,934	519,678	436,218	505,940	757,383	383,608	727,714
SubTotal	885,539	1,138,556	1,042,505	1,030,993	1,154,763	1,642,996	759,563	1,542,442
%Change (year over year)			-8.4%	-1.1%	12.0%	42.3%		33.6%
%Change (Test Year vs Last Rebasings Year - Actual)						44.3%		35.5%
Billing and Collecting	507,013	517,463	512,576	534,276	547,425	686,380	281,571	650,168
Community Relations	12,500	471	6,250	500	1,500	2,044	4,500	2,044
Administrative and General	1,002,111	1,279,082	1,119,954	1,213,975	1,214,707	1,593,943	761,779	1,538,994
SubTotal	1,521,624	1,797,016	1,638,780	1,748,751	1,763,632	2,282,367	1,047,851	2,191,206
%Change (year over year)			-8.8%	6.7%	0.9%	29.4%		24.2%
%Change (Test Year vs Last Rebasings Year - Actual)						27.0%		21.9%
Total	2,407,163	2,935,572	2,681,285	2,779,745	2,918,395	3,925,363	1,807,414	3,733,648
%Change (year over year)			-8.7%	3.7%	5.0%	34.5%		27.9%

	Last Rebasings Year (2012 Board-Approved)	Last Rebasings Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Test Year	YTD June 2016	Revised Forecast 2016
Operations	453,574	411,623	522,827	594,775	648,822	885,613	375,955	814,728
Maintenance	431,965	726,934	519,678	436,218	505,940	757,383	383,608	727,714
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%Change (year over year)			-8.7%	3.7%	5.0%	34.5%		27.9%

	Last Rebasings Year (2012 Board-Approved)	Last Rebasings Year (2012 Actuals)	Variance 2012 BA - 2012 Actuals	2013 Actuals	Variance 2013 Actuals vs. 2012 Actuals	2014 Actuals	Variance 2014 Actuals vs. 2013 Actuals	2015 Actuals	Variance 2015 Actuals vs. 2014 Actuals	2016 Test Year	Variance 2016 Test vs. 2015 Actual	YTD June 2016	Revised Forecast 2016	Variance 2016 Test Revised vs. 2015 Actual
Operations	453,574	411,623	41,951	522,827	111,204	594,775	71,948	648,822	54,047	885,613	236,791	375,955	814,728	165,906
Maintenance	431,965	726,934	294,969	519,678	207,256	436,218	83,460	505,940	69,722	757,383	251,443	383,608	727,714	221,774
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	281,571	650,168	102,743
Community Relations	12,500	471	12,029	6,250	5,779	500	5,750	1,500	1,000	2,044	544	4,500	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	761,779	1,538,994	324,287
Total OM&A Expenses	2,407,163	2,935,572	528,409	2,681,285	254,288	2,779,745	98,460	2,918,395	138,650	3,925,363	1,006,968	1,807,414	3,733,648	815,253
Adjustments for Total non-recoverable items (from Appendices 2-JA and 2-JB)														
Total Recoverable OM&A Expenses	2,407,163	2,935,572	528,409	2,681,285	254,288	2,779,745	98,460	2,918,395	138,650	3,925,363	1,006,968	1,807,414	3,733,648	815,253
Variance from previous year					254,288	98,460		138,650		1,006,968			815,253	
Percent change (year over year)					-8.7%	3.7%		5.0%		34.5%			27.9%	
Percent Change: Test year vs. Most Current														
Simple average of % variance for all years										8.6%				7.0%
Compound Annual Growth Rate for all years										6.0%				4.9%
Compound Growth Rate (2014 Actuals vs. 905 945 5437 x 258 Actuals)								-0.2%						

Detail on Reductions in Expenses

Variance Due to Current Vacancies in FTE and Succession Planning from J1.3 – This value has been explained in undertaking J1.3 below. A reduction of \$129,775 is forecasted.

Notification of Locates – This expense relates to services provided by Ontario One Call for locates in Ontario. A monthly average cost of actual expenses is utilized to forecast the remaining portion of 2016. This calculation is noted in Table 3 below. A reduction of \$4,133 is forecasted.

Cable Locates – As explained in interrogatories 4-VECC-35 cable locates was budgeted as \$85,848 in 2016. This value was based on activity in 2014. In 2015 cable locates cost \$43,211 and in 2016 to date have cost \$20,782. From these values we have determined that locate activity has declined since 2014. In order to forecast 2016 we have taken an average monthly cost from previously know values from 2014 to 2016 and created the forecast as shown below in Table 3. A reduction of \$36,104 is forecasted.

Table 3

	2016 Actual @ June 30, 2016	2016 6-Months at 3- Year (2014-2016) Monthly Average	Forecast 2016 Notification & Locate Services
Notification of Locates	975	1,024	1,999
Cable Locate Services	20,807	28,937	49,744
Total	21,782	29,961	51,743

O.L.S Surveyor (title searches of easements) – In 2014 a number of title searches were required to execute distribution projects. Typically these costs arise suddenly and depend on the specific work being carried out. As a result, it is difficult to forecast expenses for this service. A value of \$5,000 was carried in the 2016 budget. However, costs for title searches have been less than projected and therefore, a smaller allowance will be carried for 2016. A reduction of \$4,110 is forecasted.

Support Service Help Desk Services – A detailed review of our support services indicates that expenses since 2012 have been highly variable but from 2013 onward are more consistent (see Table 4 below). Utilizing the average annual spend from 2013 to 2015 we have revised the 2016 forecast to \$8,859. A reduction of \$9,537 is forecasted.

Table 4

	2012	2013	2014	2015
Variable Support Service Help Desk Services	\$ 28,389	\$ 13,986	\$ 8,339	\$ 8,706

	2016 Actual @ June 30, 2016	2016 6-Months at 3-Year (2013-2015) Monthly Average	Forecast 2016 Variable Support Service
Variable Support Service Help Desk Services	\$ 3,688	\$ 5,172	\$ 8,859

Website Development (third party) – In the past web site development was conducted by a third party. Grimsby Power plans to hire an Applications Systems Support Technician who will be responsible for this activity. Certain aspects of the website are vendor protected and therefore, the entire expense cannot be eliminated but a significant reduction can be made. A reduction of \$4,132 is forecasted.

Third Party IT Services - In the past third party IT services were provided by a third party. Grimsby Power plans to hire an Applications Systems Support Technician and the need for third party services should be very minimal. A reduction of \$3,924 is forecasted.

UNDERTAKING NO. J1.2: TO ADVISE HOW MUCH OF THE \$103,000 THAT YOU'VE INCURRED YEAR-TO-DATE MAY IS FOR TREE-TRIMMING THAT YOU HAD ORIGINALLY PLANNED TO DO IN DECEMBER OF 2015. ALSO: TO ADVISE HOW MUCH IS IN YOUR 2016 REQUEST FOR OM&A.

Response:

Planned grid tree trimming for 2015 was budgeted at \$40,000. As stated in the oral hearing this grid tree trimming was deferred into 2016. Actual costs for the 2015 grid tree trimming were \$38,550 (took place in 2016). In the 2016 request for OM&A the grid tree trimming was budgeted at \$40,000. Actual costs incurred in 2016 for 2016 grid tree trimming were \$64,575. These figures are detailed below.

2016 Tree Trimming Budget in 2016 Test Year	2015 Tree Trimming Costs Incurred in 2016	2016 Tree Trimming Costs Incurred in 2016	Total Costs Incurred in 2016	2016 Variance from Budget
\$ 40,000	\$ 38,550	\$ 64,575	\$ 103,125	\$ 63,125

UNDERTAKING NO. J1.3: TO PROVIDE THE COST TO INCREASE STAFFING FROM 18.5 FTES TO 25.5 BOTH IN 2016 AND IN EACH YEAR FOLLOWING UNTIL THE NEXT REBASING.

Response:

Grimsby Power is providing the following Table 5 which shows the costs associated with adding FTE's in positions which are currently vacant. The expense values shown include wages and benefits. As shown in the years from 2017 to 2020 no inflationary factors have been added and costs in these years within each category are identical. In the position description column vacancies have been divided into three categories:

- Positions that are new to the company
- Positions as a result of retirements and succession planning, and
- Current vacancies in existing positions

The "Rate Application" section shows the costs as presented in Grimsby Power's application, the "Forecast 2016 Not Normalized" section shows the costs expected given the projected start dates noted in Table 6 below, and the "Forecast 2016 Normalized" section shows the forecasted OM&A for 2016. All vacancies are projected to be filled by December 31, 2016 based on the projected hiring dates. Due to the timing of this rate proceeding (rates will be effective after the beginning of the Test Year – January 1, 2016) and Grimsby's difficulty in resourcing its recruitment efforts, human resource costs will be different than originally proposed in Grimsby's Application. The "Forecast 2016 Normalized" cost is a "normalized" cost. The normalized cost is the average cost of the resource over the five year rate period. The forecasted cost represents 1/5th of the total cost (the sum of five years) which would have been expensed over the five year rate period. This method is not an attempt to create forward test years for these costs but simply to make sure the costs in the test year are not overstated. If full costs were utilized in the test year the costs over the five year rate period would be overstated.

Table 5

Position Description	FTE	Rate Application	Forecast 2016 Not Normalized	2017	2018	2019	2020	Forecast 2016 Normalized
<i>As of June 27, 2016</i>	17.94							
CEO	- 1.00							
<i>As of August 1, 2016</i>	16.94							
Positions that are new to company	4.02	415,412	49,524	415,412	415,412	415,412	415,412	342,234
Positions as a result of retirements & succession planning	2.20	266,996	52,191	266,996	266,996	266,996	266,996	224,035
Current Vacancies in Existing Positions	2.00	264,692	196,508	264,692	264,692	264,692	264,692	251,055
TOTAL	25.16	\$ 947,100	\$ 298,223	\$947,100	\$947,100	\$ 947,100	\$947,100	\$ 817,325

In order to reconcile the FTE count with Grimsby Power's response to Energy Probe Materials for Oral Hearing filed on June 30, 2016 OM&A Question 2 the following Table 6 has been provided. The actual count of 17.94 has been reduced by 1 to allow for the fact that Grimsby Power only has one CEO and currently there is an overlap between the incoming and outgoing CEO. The forecasted date of hire has been used to determine the actual expected expenses to be incurred in 2016 as shown in Table 5 above.

Table 6

Position Description	FTE	Forecasted Start Date
<i>As of June 27, 2016</i>	17.94	
CEO	- 1.00	
<i>As of August 1, 2016</i>	16.94	
Positions that are new to company		
<i>Waiting for Cost of Service Decision</i>		
Accounting Supervisor	1.00	01-Dec-16
Customer Account Representative	1.00	01-Dec-16
Storekeeper	0.52	01-Dec-16
<i>Actively Recruiting in 2016</i>		
Applications/Systems Support Professional	1.00	01-Oct-16
Executive Assistant (0.5 FTE)	0.50	01-Dec-16
Positions as a result of retirements & succession planning		
<i>Waiting for Cost of Service Decision</i>		
Lineman Apprentice - No 2	1.00	01-Dec-16
<i>Actively Recruiting in 2016</i>		
Director of Customer Accounts (outgoing)		N/A
Customer Accounts Supervisor (incoming)	0.20	01-Oct-16
Lineman Apprentice - No 1	1.00	01-Oct-16
Current Vacancy in the existing positions		
Director of Asset Management	1.00	01-Oct-16
Engineering Technician	1.00	01-Sep-16
TOTAL	25.16	