

ONTARIO ENERGY BOARD

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 rates and other service charges for the distribution of electricity as of May 1, 2016.

**CROSS-EXAMINATION COMPENDIUM OF THE
SCHOOL ENERGY COALITION
(OM&A)**

July 13, 2016

Jay Shepherd P.C.
2200 Yonge Street, Suite 1302
Toronto, ON M4S 2C6

Mark Rubenstein
Tel: 416-483-3300
Fax: 416-483-3305

Counsel for the School Energy Coalition

Appendix 2-JA
Summary of Recoverable OM&A Expenses

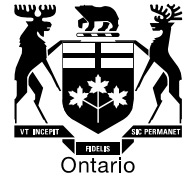
	Last Rebas Year (2012 Board- MIFRS)	Last Rebas Year (2012 Actuals) MIFRS	2013 Actuals MIFRS	2014 Actuals MIFRS	2015 Actuals MIFRS	2016 Test Year MIFRS
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	453,574	411,623	522,827	594,775	648,822	885,613
Maintenance	431,965	726,934	519,678	436,218	505,940	757,383
SubTotal	885,539	1,138,556	1,042,505	1,030,993	1,154,763	1,642,996
%Change (year over year)			-8.4%	-1.1%	12.0%	42.3%
%Change (Test Year vs Last Rebas 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
SubTotal	1,521,624	1,797,016	1,638,780	1,748,751	1,763,632	2,282,367
%Change (year over year)			-8.8%	6.7%	0.9%	29.4%
%Change (Test Year vs Last Rebas Year - Actual)						27.0%
Total	2,407,163	2,935,572	2,681,285	2,779,745	2,918,395	3,925,363
%Change (year over year)			-8.7%	3.7%	5.0%	34.5%

	Last Rebas Year (2012 Board- Approved)	Last Rebas 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
Total	2,407,163	2,935,572	2,681,285	2,779,745	2,918,395	3,925,363
%Change (year over year)			-8.7%	3.7%	5.0%	34.5%

	Last Rebas Year (2012 Board- Approved)	Last Rebas 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 Bridge vs. 2014 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
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
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
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:						41.2%					
Test year vs. Most Current Actual											
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. 2012 Actuals)						-1.8%					

Note:

- "BA" = Board-Approved
- If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
- Recoverable OM&A that is included on these tables should be identical to the recoverable OM&A that is shown for the corresponding periods on Appendix 2-JB.



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 \$2,375,758¹ 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) ²
Operation	\$207,528	\$187,438	\$187,089	\$200,472	\$197,350	\$179,324	\$271,866	\$272,481
Maintenance	\$219,107	\$225,316	\$271,420	\$409,935	\$380,246	\$397,852	\$418,385	\$489,114
Billing and Collecting	\$399,757	\$407,642	\$483,317	\$487,755	\$463,965	\$506,789	\$504,524	\$509,031
Community Relations	\$5,388	\$53,288	\$80,754	\$33,426	\$11,428	\$11,749	\$16,500	\$12,500
Administrative and General	\$719,186	\$635,882	\$695,452	\$661,546	\$717,486	\$710,002	\$869,244	\$1,067,460
Total OM&A	\$1,550,966	\$1,509,565	\$1,718,034	\$1,793,136	\$1,770,474	\$1,805,717	\$2,080,519	\$2,350,586
Year to year % change			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.”³ 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.”⁴ Grimsby acknowledged that while the “resultant increase in costs is significant ... it represents an

¹ Tr. Vol.1, page 83/ line 27-28.

² Grimsby's reply argument, page 4.

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

⁴ Tr. Vol.1, page 23/ lines 15-17.

accurate accounting of where Grimsby Power needs to be, provided that the utility environment is stable through the next four years.”⁵

Total OM&A

The intervenors each took a position that the applicant’s proposed 2012 OM&A expenses were too high and they each argued for reductions on an envelope basis. The test year OM&A expenses proposed by the intervenors ranged from \$2,206,692 to \$2,258,372.⁶

Energy Probe noted that the annual compound growth in actual OM&A costs between 2006 and 2010 was 4.6%; however, the requested level of \$2,375,758 of 2012 OM&A, represents a 31.6% increase over the last year of actual data (2010). Energy Probe observed that this is substantially in excess of the increases in recent years.

Energy Probe submitted that Grimsby’s historical and forecast OM&A follow a similar trajectory to Burlington Hydro Inc. (“Burlington”), Hydro One Brampton Networks Inc. (“Brampton”) and Horizon Utilities Corporation (“Horizon”). Energy Probe graphed OM&A in its submission and illustrated slow and steady increases in OM&A in the historical years, but significant increases in bridge and test years for most.

Energy Probe noted that, in these cases, the Board approved lower OM&A levels and found that the forecasts were not warranted based on customer growth, inflation and prevailing conditions. Based on analysis of the Burlington and Brampton decisions, and the Board’s continued expectations regarding cost control, Energy Probe submitted the Board should approve a 10% increase in OM&A between 2010 and 2012.

Energy Probe further submitted that unlike the Burlington and Brampton decisions, additional adjustments should be made to Grimsby’s 2010 OM&A before the application of the 10% increase. The adjustments are for compensation for the CEO who was hired in February 2010 and for capitalization changes which were implemented in 2011. Energy Probe calculated that the application of the 10% increase to the adjusted 2010 OM&A amount would result in 2012 OM&A expenses of \$2,151,091. Energy Probe also noted that since there are new costs related the LEAP and smart meters in 2012 that

⁵ Tr. Vol.1, page 24/ lines 2-5.

⁶ Intervenors’ submissions are based on the requested OM&A level of \$2,375,758 on a CGAAP basis as stated in AIC.

did not exist in 2010, these new costs should be included in the revenue requirement calculation. As a result, the 2012 OM&A expenses proposed by Energy Probe is \$2,206,692.

VECC observed that the increase in OM&A costs generally follow two cost drivers: inflation and customer growth. VECC stated that 2% per annum growth is a reasonable assumption for inflation as opposed to the annual (2006 to 2010) compound growth rate of the Canada consumer price index of 1.65% and is consistent with GDP IPI inflation figures used by the Board in IRM applications. Based on the growth between 2010 and 2012, VECC submitted a reasonable customer growth rate for the two years is 4%. VECC also submitted that changes in capitalization policy and the inclusion of two new FTEs in 2011 and 2012 are reasonable. Accordingly, VECC submitted that an overall 2012 OM&A expense of \$2,232,873 is appropriate.

SEC stated that the proposed increase, if approved, would be much more than the Board had ordered for any other utility. In its evidence, Grimsby indicated that its OM&A per customer comparison between its utility and others in its cohort showed its low spending. Noting this, SEC argued that a utility should not be free to cut back on spending in IRM years, in order to maximize ROE and catch up with an increased budget in the rebasing year. SEC further stated that some part of the increase in OM&A is spending that should have been incurred in prior years, funded by the rates already paid by ratepayers in those prior years. SEC stated that the Board could reach the optimal result simply by excluding \$117,386 in “miscellaneous” increases from OM&A, since this amount has not been properly explained. SEC submitted that based on an envelope approach, the OM&A for 2012 should be set at \$2,258,372, and rates should be established on that basis.

Board staff stated that the proposed 2012 OM&A represented an annual average increase of approximately 8.9% as compared to 2006 Board approved OM&A. The 2010 OM&A level represented an annual average increase of 4.1% as compared to 2006 approved level. Board staff submitted that if the Board reduced Grimsby’s OM&A for compensation and costs related to the third party service providers, the reduced 2012 OM&A would represent an annual increase of approximately 6.5% since 2006.

In its reply argument, Grimsby stated that it had prepared its evidence according to the Board’s filing requirements, “to enable the Board to make a determination as to whether

the proposed rates are just and reasonable”.⁷ Throughout the proceeding, Grimsby had agreed to various corrections to the evidence as proposed by intervenors and Board staff. Grimsby submitted that the resultant OM&A cost of \$2,350,586 is just and reasonable and should not be arbitrarily reduced further in order to conform to a range of increases approved in other cases.

Grimsby further stated that comparison with other utilities as suggested by various parties is not appropriate, since the cost pressures faced by Grimsby have no relationship to those of other utilities.

Components of OM&A

In support of the envelope proposals described above, several parties proposed specific reductions which are discussed below.

Human Resource Consultant

Grimsby has budgeted professional services to assist with collective bargaining and compensation reviews. Grimsby included \$26,880 in its 2012 OM&A for costs related to a third party Human Resource consultant to conduct such services. Board staff commented that this cost should not be constituted as an ongoing cost since the activities related to bargaining and compensation reviews would not necessarily take place every year; and submitted that this cost should be amortized over a four-year period. Energy Probe agreed with Board staff and indicated that the cost should therefore be reduced by \$20,160. VECC believed that this cost would not be spent after 2012 and proposed a reduction of 50% to reflect its non-recurring nature.

Grimsby replied that it has described its specific needs for the Human Resource consultant in 2012. Since Grimsby has not begun the planning for 2013 and beyond, it would be punitive to set the cost for each year at 25% of the 2012 cost.

Training

Grimsby forecasted an increase in its 2012 training program leading to a total of \$49,199 in its 2012 OM&A budget, which would include attendance at conferences,

⁷ Chapter 2 of the Board's Filing Requirements for Transmission and Distribution Applications, page 3.

workshops and executive education sessions. Board staff expressed no concerns with this cost. Energy Probe submitted that the level of 2011 training costs should be sufficient for the 2012 test year given the actual number of employees at Grimsby and consequently submitted that the 2012 budget should be reduced by \$15,000. VECC stated that the 2010 actual training costs were \$15,970, significantly lower than the proposed amount of \$49,199 for 2012. VECC submitted that Grimsby could reduce the proposed training costs by at least 50%.

In its reply argument, Grimsby stated that its evidence represented a sustainable level of training and education for its employees. Grimsby noted that in its response to undertaking J1.4, Grimsby had corrected the training costs by excluding salary, wages, and payroll burden and that result is consistent with the proposal by Energy Probe.

Network Security Audit

In its evidence, Grimsby stated that it has an internal network of computer servers and associated work stations; however it has never conducted a network security audit. Hence Grimsby forecasted \$10,000 for the network security audit in its 2012 OM&A budget. In its submission, Energy Probe stated that this cost should be amortized over 4 years as it is not an annual expense. As a result, \$7,500 should be reduced from the 2012 OM&A costs.

Grimsby replied that the audit would identify the areas of risk that the company would need to address; therefore, it anticipated that expenses would be required to address the findings of the audit. For that reason, Grimsby submitted that these expenses would be required on an ongoing basis.

CIS related costs

Energy Probe stated that Grimsby had provided justification for the increase related to the CIS costs for 2009 and 2010; however no justification had been provided for the \$6,000 increase in 2011 and 2012. Energy Probe submitted that this increase should be disallowed.

In reply, Grimsby explained that in order to accommodate new TOU rates, new reporting requirements and billing of renewable energy providers the additional cost is required to modify its CIS systems.

Process Meter Data

In its evidence, Grimsby stated that the incremental cost is to provide a consolidated end-to-end solution to process meter data. In response to undertaking J1.3, Grimsby changed the incremental increase for this cost from \$46,000 to \$37,740.

Energy Probe stated that this initiative would necessarily redirect some internal resources, but there was no evidence on where or how this would be done. Energy Probe submitted that one-half of the increase of \$37,740 should be disallowed by the Board. VECC stated that the response to undertaking J1.3 noted that this initiative would replace Grimsby's internal labour functions and labour savings of \$52,255 were identified by the Applicant. As a result, VECC submitted that an equivalent reduction in costs should be directed.

Grimsby replied that VECC had misinterpreted the value of \$52,255 as being the total amount of the internal labour assigned to the process meter data function. Grimsby explained that the labour component only represented part of the cost, not the total cost. Hence Grimsby disagreed with VECC's proposal and submitted that the incremental amount of \$37,740 is appropriate and supported by evidence. In response to Energy Probe's submission, Grimsby stated that the answer to undertaking J1.3 had accurately reflected the incremental cost to for this end-to-end solution.

Compensation

In its application, Grimsby proposed an increase of two FTEEs, a Line Maintainer and an Accounting Assistant. Board staff noted that by hiring the additional Line Maintainer, Grimsby stated that it would reduce its spending on line contracts by one full time equivalent lineman. Board staff requested Grimsby to identify the reductions in its reply argument. Grimsby replied that it could not quantify the impacts of this position into separate OM&A and capital cost components. However, it emphasized the importance of this position.

Board staff also noted that Grimsby proposed to mitigate the risk of instability in the Finance Department by hiring an Accounting Assistant. Board staff requested that Grimsby provide clarification of the needs of this position since, as stated in the evidence, a Director of Finance had been hired and already brought the much needed stability. In its reply argument, Grimsby explained that the stability was achieved by

hiring the Accounting Assistant and its role is to perform the day to day accounting functions of the business. Grimsby submitted that this additional position is just and reasonable.

BOARD FINDINGS

While the percentage increase in OM&A proposed by Grimsby for 2012 is considerably higher than its historical level, the Board finds the evidence compelling to justify a significant increase in OM&A. Grimsby has proven its case for the increase in staff and additional funds to enable the utility to operate in a sustainable manner and to adopt standard utility practices, which were found to be previously lacking.⁸ The Board accepts that there are needs to be addressed as identified by Grimsby.

The Board notes that while Grimsby's situation is unusual, its requested relief is not unreasonable. The utility has achieved an extraordinarily low OM&A cost per customer, but it has done so by foregoing certain basic needs of the company during a period of internal change, in terms of both its management and regulatory functions. The Board accepts that a resetting of OM&A expenses for 2012 is appropriate in order to bring Grimsby's operations, maintenance and administration practices closer to the established basic practices of other utilities.

The Board considers the comparisons to Burlington and Brampton to be informative; however these do not provide good comparators to Grimsby, a small utility that has been operating in a very lean manner, on an average OM&A per customer basis, and that has not rebased since 2006. As pointed out by Energy Probe, simply applying a 3% adjustment year over year to the OM&A cost per customer yields a result which is too low based on the needs of the utility. The other issue unique to a small utility is that percentage increases can appear large, when the dollar value is not. For example, the addition of two staff members increases the percentage in total compensation considerably in the case of Grimsby. Yet an increase in two staff members for the utility, appears reasonable to the Board. These small swings in dollar increases do not result in the same percentage increases for utilities such as Burlington or Brampton.

The Board has determined that the forecast 2012 OM&A will be \$2.275 million.

⁸ Tr. Vol.1, page 17/ lines 1 to 28.

The Board's conclusion will result in a reduction in OM&A of approximately \$75,000 from the amount proposed in Grimsby's reply argument. The reduction reflects the consideration of the following items:

- One time costs related to Human Resource consultant and Network Security Audit should be amortized over a four-year period;
- The proposed increase in training costs appears excessive and should be reduced; and
- There is no apparent reduction to line contractor costs that will occur as a result of the hiring of the additional Line Maintainer.

The Board finds that this is a significant increase (approximately 26% over 2010 actuals), but one necessary to ensure the appropriate operations of the distributor. As stated previously, the Board agrees that additional staffs are required, and also agrees that adequate and ongoing training is required. The Board will not stipulate where the reductions are to occur. This envelope approach is consistent with previous decisions which allow the distributor to effectively manage its operations. In the absence of a renewed framework, the Board encourages Grimsby to stay on a regular cycle of cost of service adjustments followed by 3 years of IRM.

EFFECTIVE DATE

Grimsby applied for rates effective January 1, 2012. The Settlement Agreement approved by the Board on December 9, 2011 stated that the participating parties agreed that rates be effective January 1, 2012.

In the event that rates cannot be implemented for the month of January, Grimsby requested that the Board approve a rate rider to recover foregone revenue.

BOARD FINDINGS

The Board approved Grimsby's new rates to be effective January 1, 2012 as part of the Settlement Agreement. The Board has also determined that the implementation date will be March 1, 2012.

The Board approves the recovery of forgone revenue for the stub period of January 1, 2012 to the implementation date. Accordingly, Grimsby is directed to calculate class



ONTARIO ENERGY BOARD

FILE NO.: EB-2011-0273

REDACTED – PUBLIC

VOLUME: 1

DATE: December 12, 2011

BEFORE: Marika Hare

Presiding Member

Cathy Spoel

Member

1 not claiming that additional amount in this application; is
2 that correct?

3 MS. DOMOKOS: No, we are not.

4 MR. SIDLOFSKY: Mr. Curtiss, could you provide an
5 overview of the material Grimsby Power has filed in respect
6 of its projected OM&A for the test year?

7 MR. CURTISS: Certainly. Exhibit 4, Grimsby Power's
8 prefiled evidence, contains an overview of its operating
9 costs for the 2012 test year and summaries of those costs
10 dating back to 2006 Board-approved and 2006 actual.

11 We have provided detailed expense tables showing
12 expenses in all areas of OM&A starting at page 17 of
13 Exhibit 4 of our application, and our cost driver table is
14 at page 19 of Exhibit 4. A detailed variance analysis
15 follows the cost driver table starting on page 24 of
16 Exhibit 4.

17 In Grimsby Power's case, the utility has not rebased
18 since 2006. So this application has been our first
19 opportunity to comprehensively consider the utility's needs
20 since our 2006 rate rebasing application.

21 Even then, the 2006 applications were based, for the
22 most part, on historical information from 2004. It was
23 only last year that the utility began using a bottom-up
24 approach budgeting process. This approach builds from all
25 known costs and adds in costs for all identified tasks,
26 activities and projects which were not previously detailed
27 at the task or activity level.

28 I will touch on some of the key areas in Grimsby

1 Power's OM&A budget in a moment, but before I do, I would
2 like to make a few general comments.

3 Grimsby Power's cohort comparison, as updated in
4 Energy Probe technical conference question 3, shows Grimsby
5 with an OM&A cost per customer of 177.89 based on 2010
6 statistics.

7 This is, by far, the lowest cost per customer in its
8 cohort. Grimsby has approximately 10,000 customers. The
9 nearest number of its cohort has OM&A per customer of
10 228.52, or 28.5 percent higher, and the utility with the
11 highest cost in the cohort is 60.3 percent higher at 285.14
12 per customer.

13 When Grimsby Power's costs in 2012 CGAAP are
14 calculated, Grimsby's cost per customer rises to 234.60,
15 and that is of course subject to the adjustments that
16 Mioara had mentioned earlier. This is still the second-
17 lowest cost per customer, even with this elevated level of
18 spend and compared with costs from other utilities which
19 are from 2010.

20 This graphic shows both the wide variability in costs
21 from utility to utility, and that Grimsby's 2010 cost base
22 is significantly lower than and possibly disparate from the
23 others.

24 For the period from early 2008 to 2010, this
25 organization functioned without a chief executive, and in
26 February 2010 I was brought on board to bring some
27 leadership to the organization.

28 After a short period of time, I quickly realized why

1 this utility was one of the lowest cost utilities. Things
2 that I recognized from my experience at other LDCs as being
3 standard utility practice were not to be found in this
4 organization.

5 These were basic practices, and needs, such as a
6 strong health and safety culture based on skill
7 development, meaningful health and safety meetings and
8 recurrent safety training for non-mandatory items, was not
9 being practiced.

10 Basic line department tools and equipment found in
11 most utilities were in disrepair or absent. Professional
12 development and attendance at utility forums, seminars and
13 conferences was virtually non-existent for most employees.
14 Basic upkeep of the building was limited to reactive as
15 opposed to proactive maintenance. Large mobile equipment
16 was old, and suggestions for repairs and upgrades were
17 often frowned upon.

18 Financial processes were so fractured that getting
19 basic financial information in a timely manner was not
20 possible. Staff were more focussed on transacting the
21 process than looking for efficiencies and better ways of
22 doing business.

23 These are the signs of an organization that would take
24 unnecessary risks to keep costs down, even if it meant not
25 meeting the basic needs of what most utilities would
26 consider the bare minimum.

27 This culture and way of operating the business was not
28 sustainable.

1 Grimsby Power, along with all other LDCs, have had a
2 tremendous amount of change in recent years, increasing
3 regulatory and reporting requirements, constant changes to
4 customer information systems, new CDM programs as a
5 condition of license, asset management plan requirements,
6 an increasing need to collect various pieces of asset data,
7 and the Green Energy Act in terms of the smart meter
8 program, to name a few.

9 Since the last rebasing in 2006 based on 2004 data,
10 the regulatory environment can be characterized as being in
11 a constant state of change. These conditions all add to
12 the cost of doing business.

13 Prior to 2011, Grimsby Power's budget were created
14 from a top-down approach. A predetermined OM&A budget was
15 set based on the results of the previous years, and only at
16 the general ledger level. This provided very little
17 visibility into where the expenditures were taking place.

18 In 2010, after I arrived, a new budgeting process was
19 created and implemented, which detailed all aspects of
20 expense on a task-, activity- and service-level basis.

21 The bottom line with this approach is that the budgets
22 reflect what we need to do to manage the assets as opposed
23 to setting an artificial spending limit by basing the
24 current year budget on historical spending patterns.
25 Reality is reflected in our budgets, plain and simple.

26 In addition to this, the budget took into
27 consideration appropriate accounting of expenses, as per
28 the guidelines and the uniform system of accounts. The new

1 budget created a complete view of the controllable
2 activities within OM&A, required activities of the past, as
3 well as new activities required to sustain a healthy
4 organization.

5 The budgets contained within the rate application for
6 the bridge year and the test year are fully supported by
7 our board of directors. Knowing full well that the
8 increase in costs are significant, it is supported because
9 it has been recognized that the past practice is not
10 conducive to a healthy organization, and carries with it
11 significant risk of failure.

12 I am aware that in other cases the Board has reduced
13 OM&A to a level of OM&A for the last complete year plus an
14 inflationary factor. In Grimsby's case, that would suggest
15 an increase in OM&A of approximately 10 percent.

16 This methodology assumes, to a certain degree, that
17 the previous spending levels were sustainable. I am
18 strongly advising that the previous level of spending was
19 not sustainable.

20 GPI has proposed an OM&A budget of 2.48 million in
21 2012 based on GAAP, and 2.64 million based on modified
22 IFRS, and once again are subject to change, as Mioara has
23 noted earlier.

24 The differences between CGAAP and modified IFRS are
25 shown in our response to Board Staff Technical Conference
26 Question No. 12(c). We have shown the major cost drivers
27 in our OM&A in table 4.8.

28 Cost drivers from 2010's actual OM&A of 1.81 million,

1 onward into 2012, would include five major items.

2 Staffing, including payroll and benefits, we have
3 increased our staffing costs by 189 K. This represents,
4 compared to 2010, the addition of two employees, bringing
5 our staff complement to 18.5. These employees, a line
6 maintainer and accounting assistant, were hired in 2011,
7 and the 2012 costs reflect the full payroll and benefits
8 over the 12-month period.

9 The additional line maintainer position was added to
10 make self-constructed projects and OM&A activities more
11 efficient.

12 A crew of three is much less versatile as compared
13 with a crew of four. It is less onerous on other staff in
14 terms of on-call duty, and two crews of two can be utilized
15 when needed.

16 This additional line maintainer also fits nicely with
17 succession planning for this department. This position
18 will offset the use of third-party contractors by an
19 equivalent FTE.

20 The timing of this addition was in conjunction with
21 the rebasing of rates.

22 The accounting assistant position was added to add
23 stability to our finance department. Prior to this,
24 accounting and regulatory tasks were completed solely by
25 the director of finance, with no backup or segregation of
26 duties.

27 This position was actually created in 2010 with the
28 hiring of a temporary position, and became permanent in

1 next week. Enhancements to the website will include new
2 customer interfaces, with on-line forms and additional
3 updates on Grimsby Power's activities.

4 The content of GPI's 2012 budget at the level of
5 2.64 million -- IFRS format -- is consistent with
6 established basic practices used by Ontario LDCs, and as
7 such, is necessary to enable GPI to fulfil its objective of
8 operating a safe, reliable and efficient electrical
9 distribution system.

10 MR. SIDLOFSKY: Just a couple of more questions, Mr.
11 Curtiss. From what you have said, the utility has gotten
12 into its current position over the course of several years.
13 Could you tell the Board why it is necessary to fix all of
14 this now?

15 MR. CURTISS: The resetting of OM&A is viewed by
16 Grimsby as a necessary step to bring the utility up to par
17 with what I consider to be the basic needs of the company.

18 A good portion of the costs are related to
19 reallocations, which don't represent additional costs to
20 the company. Some of the costs relate to smart meters, as
21 they are recognized outside of the deferral and variance
22 accounts for the first time, and some represent new costs
23 related to best practices.

24 MR. SIDLOFSKY: And Mr. Curtiss, finally, if the Board
25 grants your requested increase in OM&A, are you
26 anticipating similar increases in the coming years?

27 MR. CURTISS: The objective of our 2012 budget was to
28 identify tasks, activities and service levels which would

1 allow Grimsby Power to operate at a sustainable level. The
2 resultant increase in costs is significant, but I believe
3 it represents an accurate accounting of where Grimsby Power
4 needs to be, provided that the utility environment is
5 stable through the next four years.

6 I would not anticipate any increases of this magnitude
7 in the years to follow.

8 MR. SIDLOFSKY: Thank you, panel.

9 Madam Chair, the panel is now available for cross-
10 examination.

11 MS. HARE: Thank you. I have just two quick questions
12 of Ms. Domokos.

13 Looking at your resume, there is an overlap between
14 when you were an accounting manager at Yungbunzlauer, and
15 director of finance. Were you part-time at Grimsby Power?

16 MS. DOMOKOS: No. I started on the end of 2008.

17 MS. HARE: But on your CV, it indicates that you were
18 accounting manager til 2010.

19 MS. DOMOKOS: Oh, that is a mistake. Sorry, I
20 apologize.

21 MR. SIDLOFSKY: Ms. Domokos, could you turn your
22 microphone on, please?

23 MS. DOMOKOS: Sorry, I apologize.

24 MS. HARE: That's fine. I was just interested because
25 I thought maybe it was a part-time position initially,
26 which would be of relevance here.

27 And the other question that I have is you mentioned
28 some new cost drivers in the order of 87,000 that you said

1 seems like a big number. I certainly cannot recall another
2 utility that has spent at that level.

3 MR. CURTISS: Okay, I will agree with that number.

4 MR. SHEPHERD: Can you tell us why it is so high?

5 MS. HARE: Well, I think what Mr. Curtiss is saying is
6 he can't compare it to any other utility, because he
7 doesn't know what others are spending.

8 MR. SHEPHERD: No, I understand, but it still seems
9 like a lot of money, for every employee, to be spending
10 \$4,000 on seminars and conferences. My question is more of
11 a common sense question than, Let's compare the utilities.

12 MR. CURTISS: Still, without looking at some analysis,
13 I don't think I can answer that question properly.

14 MR. SHEPHERD: Then my second question is: You have a
15 substantial increase, give or take 650,000, from 2010 to
16 2012 in your OM&A budget, and I understand that some of
17 this is because until the company had a full-time CEO, it
18 was really not spending the way it should have. There was
19 things it should have been spending on and it wasn't;
20 right?

21 MR. CURTISS: That's correct.

22 MR. SHEPHERD: And so, in fact, we can see that if you
23 take a look at K1.3, the blue line there is your actual
24 OM&A per year. You see 2008, 2009 and 2010, you are static
25 in your spending. Presumably your customers were growing
26 and you needed to be spending more; correct?

27 MR. CURTISS: Yes.

28 MR. SHEPHERD: And so my question is: Of the budget

1 that you are proposing for the test year, how much of that
2 is a new normal, a new level that you have to maintain
3 going forward, and how much of that is catch-up for the
4 spending that should have been done in prior years? Have
5 you done any analysis of that?

6 MR. CURTISS: Not specifically, but what I can say,
7 that the 2012 budget reflects an ongoing sustainable level,
8 in our opinion.

9 MR. SHEPHERD: So how are you paying for catch-up
10 expenses? I mean, I'm looking at this chart and we put in
11 a trend line so it would be more easy to understand.

12 You see below the trend line you have a lot of
13 underspending in 2008, 2009 and 2010. Presumably all of
14 that stuff has to be done at some point; right?

15 MR. CURTISS: Yes, that's right.

16 MR. SHEPHERD: So isn't some of that in 2011 and 2012?

17 MR. CURTISS: Well, again, I will answer the same way
18 I answered before.

19 As far as we're concerned, 2012, the level it is at
20 will sustain us going forward. If some of that is catch-up
21 over the four-year period, then fine, you can call it
22 catch-up.

23 But we believe that that level of spend is what we
24 need to maintain our organization over that period of time.

25 MR. SHEPHERD: Okay. Then my last question is: You
26 said in your direct evidence that you are adding a new line
27 maintainer this year, right, 2011?

28 MR. CURTISS: That's correct.

1-SEC-6

Interrogatory:

Please provide a list of measurable outcomes that ratepayers can expect the Applicant to achieve during the Test Year. Please explain how those outcomes are incremental and commensurate with the rate increase the Applicant is seeking in this application.

Response:

Grimsby Power's customer satisfaction rates, as evidenced by the 2014 Customer Satisfaction Survey conducted by UtilityPulse and its normal day to day interactions with customers, etc.) are very high. As indicated in the Application, Grimsby Power attained a UtilityPulse report card rating of "A" which is greater than the Ontario average of "B+". In addition to this 92% of electricity bill payers were very or fairly satisfied with Grimsby Power compared with the Ontario average of 83%. Grimsby Power's customers are much more satisfied, 9% more than your average customer in Ontario.

Please refer to Planning Objectives, under Exhibit 1, pages 15 to 19, for a list of improvements in services and outcomes that customers will experience in 2016 and during the subsequent 4-year IRM period as a result of increasing the provision for OM&A expenses.

Increasing the provision for OM&A will ensure that there is no degradation of services currently enjoyed and valued by customers and will allow Grimsby Power to make the necessary distribution system investments to help reduce outages, improve Grimsby Power's outage communications system, improve long term reliability and reduce time needed to restore power (a priority expressed by the majority of customers who participated in the CGC Educational Communications DSP Customer Survey).

Also please refer to the Corporate Performance Measures and Metrics under Exhibit 1, Table 4-39 page 67 of 108. This "Scorecard" will be used to measure corporate performance going forward and is approved by the Grimsby Power Board of Directors. The "Scorecard" measures outcomes and the efficiencies and productivity

improvements implemented by Management are reflected in the achievements recorded here.

The question seems to imply that an incremental increase in OM&A can be directly related to incremental improvements in outcomes. Grimsby Power submits that it is inherently misleading to suggest that this is reality. During the IRM periods Grimsby Power must operate with an inflation less stretch factor increase, or else provide sufficient justification for the “incremental” OM&A request. The fact of the matter is that the formulaic change during the IRM period will only reflect the utility’s true costs of serving its rate base if the utility finds efficiencies on an on-going basis, if its rate base is static, decreasing or growing because of significant increases in customer connections (expansions), which expansion would likely be accompanied by sizeable capital contributions. Grimsby Power is committed to continually improving its operations, and has provided detailed evidence on its efforts in Exhibit 1 pages 68 through 81. These efficiencies/productivity improvements have a direct impact on the improved outcomes for its customers. Accordingly the utility can only seek to recover prudently incurred costs during a re-basing period (notwithstanding the potential of a Z-factor application).

With respect to rate base, however, Grimsby Power’s rate base is not decreasing or static, and while Grimsby Power is experiencing reasonable growth, Grimsby Power’s distribution plant needs to be refurbished or replaced on an on-going basis. To this end, Grimsby Power’s rate base has grown between 2012 and 2016 from \$16,641,297 to a forecast \$24,959,518 a 50% change. It follows then that the costs required to serve this higher rate base will also grow particularly if service to customers is to be delivered in a safe and reliable manner. SEC’s question suggests that an increase in an LDC’s OM&A expenses will have a direct correlation between improved outcomes or additional services to be experienced by the LDC’s customers. The fact of the matter is that, in some cases, an increase in OM&A expenses is required simply to maintain the existing level of service provided by an LDC to its customers, or to avoid a reduction in service levels. Growth too can be experienced in a number of ways, including: an increase in customers serviced in an LDC’s service territory, an increase in load (both energy and

demand) to be supplied by an LDC to its customers, an increase in the complexity and timeliness of customer expectations to be serviced by Information Technology through its technology investments, an increase in the number of field intelligent field devices (such as electronic reclosers) required to manage and maintain its expanding distribution system and its foundational assets, among others.

Grimsby Power submits that it has provided extensive evidence in this application in Exhibit 4 – Pages 6 through 18 on the cost drivers that are underpinning the company's overall OM&A request of \$3,925,363 (excluding LEAP, property tax, depreciation, PIL's, and interest). For these reasons, Grimsby Power disagrees that the increase in OM&A can be somehow classified as incremental and all incremental increases need to be incrementally tied to specific outcomes or measures.

1-SEC-8

Ref: Exhibit 1, page76-77

Interrogatory:

Please provide details of what *incremental* productivity initiatives the Applicant plans to undertake in the Test Year.

Response:

Please refer to **1-SEC-6**.

- On-line approval processes eliminate paper approvals, provide instant visibility to job quotes & purchase orders, and eliminates manual paper signoffs.

13. As a regular course of business Grimsby Power carries out various maintenance inspections and maintenance work on distribution equipment. This includes visual inspection of transformers, poles, pole mounted equipment, transformer station equipment, maintenance of the same equipment, ultrasonic scans of the distribution system, and tree trimming. These activities include overhead, underground, and substation equipment. Any issues with these assets are categorized into the following categories, minor (addressed within 3 months), intermediate (addressed within 1 month), major (addressed within 1 week), and critical (addressed immediately). Grimsby Power corrects all issues within the recommended timelines. This program reduces un-planned outages, helps to manage overtime and improves efficiency and the safe performance of the distribution system.

Efforts to achieve cost reductions and productivity improvements in the Test Year

In the 2016 Test Year, Grimsby Power will continue to make cost reduction and productivity improvement measures a priority.

1. Grimsby Power will continue to utilize just in time delivery to manage stores and material levels.
2. Grimsby Power will continue to purchase materials through its alliance agreement with a local vendor.
3. Grimsby Power will continue to offer and promote e-Billing to maintain and potentially increase the number of customers using this billing option.
4. The efficiency and productivity improvement process in Grimsby Power's Engineering and Operations departments, as noted above will continue.
5. In 2016 and beyond Grimsby Power will continue to re-build its remaining 8 kV system currently supplied through step down transformers resulting in a more efficient electrical distribution system with the higher 27.6kV operating voltage and the removal of older less efficient distribution transformers. These potential efficiency

improvements will be incorporated into rates over time as part of future rate applications, as the efficiencies are achieved.

6. Grimsby Power will continue to automate payment processes for vendors reducing the need for manual payments by cheque. The cost savings and resource savings involved is minimal but the service provides flexibility to Vendors who wish to be paid in this way. These potential efficiency improvements will be incorporated into rates over time as part of future rate applications, as the efficiencies are achieved.

Customer Service Improvements

In addition to the above noted cost savings and productivity improvements, often efficiency efforts will result in customer service improvements, including:

1. During August 2012, Grimsby Power began offering a web-based customer portal to enable customers to monitor their electricity usage online so that they can take advantage of off-peak rates. This application makes it easier for customers to forecast their electricity use, letting them predict their bills online, and allowing them to set up alerts that address their specific needs. The application was designed to make it easier for customers to access their usage information; given them the updates they need to conserve power and save money each month. This service is available to all customers with a smart meter which includes all residential and general service less than 50kW rate classes.
2. As noted above Grimsby Power began offering e-billing in May of 2012. This has proven to be a popular and convenient service for customers to store information, review past consumption, and costs at their leisure. Paperless billing together with the Customer Portal is leveraging existing technology on the website to make doing business easier for the customer.
3. Grimsby Power maintains an open door policy for customers who would like to take advantage of face to face communication about the services Grimsby Power provides. The lobby and customer service area is open to customers daily from 8:30am to 4:30pm.

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.

Appendix 2-JC
OM&A Programs Table

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))
Reporting Basis								
OPERATIONS								
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	\$ 2,250	\$ 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
Sub-Total	\$ 76,095	\$ 119,437	\$ 124,313	\$ 182,136	\$ 222,433	\$ 351,840	169,703	275,745
MAINTENANCE								
Maintenance of Poles, Towers & Fixture:	\$ 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
Sub-Total	\$ 159,299	\$ 311,725	\$ 124,158	\$ 118,969	\$ 107,955	\$ 147,206	28,237	(12,094)
BILLING & COLLECTING								
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
Sub-Total	117,798	250,585	264,778	260,838	274,377	313,472	52,633	195,674
ADMINISTRATIVE & GENERAL EXPENSES								
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
Sub-Total	\$ 412,939	\$ 562,905	\$ 357,971	\$ 401,825	\$ 383,032	\$ 434,785	32,961	21,846
HUMAN RESOURCES								
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
Sub-Total	\$ 1,641,032	\$ 1,664,696	\$ 1,802,977	\$ 1,826,342	\$ 1,957,224	\$ 2,705,703	879,361	1,064,671
Miscellaneous		\$ 26,224	\$ 7,087	\$ (10,366)	\$ (26,627)	\$ (27,643)	(17,277)	(27,643)
Total	\$ 2,407,163	\$ 2,935,572	\$ 2,681,285	\$ 2,779,745	\$ 2,918,395	\$ 3,925,363	\$ 1,145,618	\$ 1,518,200
	2,407,163.00	2,935,572.14	2,681,284.52	2,779,744.59	2,918,394.72	3,925,362.85	1,145,618	1,518,200

Notes:

- Please provide a breakdown of the major components of each OM&A Program undertaken in each year. Please ensure that all Programs below the materiality threshold are included in the miscellaneous line. Add more Programs as required.
- The applicant should group projects appropriately and avoid presentations that result in classification of significant components of the OM&A budget in the miscellaneous category

Appendix 2-JB
Recoverable OM&A Cost Driver Table

OM&A	Last Rebasng Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Test Year
Reporting Basis					
Opening Balance	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				\$	\$ 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)
Closing Balance	2,935,572	2,681,285	2,779,745	2,918,395	3,925,363
	2,935,572	2,681,285	2,779,745	2,918,395	3,925,363

Notes:

- 1
- 2
- 3
- 4

For each year, a detailed explanation for each cost driver and associated amount is required in Exhibit 4.
For purposes of assessing incremental cost drivers, the closing balance for each year becomes the opening balance for the next year.
If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
Opening Balance for "Last Rebasng Year" (cell B15) should be equal to the Board-Approved amount.

File Number: EB-2015-0072
Exhibit: 4
Tab:
Schedule:
Page: 41
Date: May 5, 2016

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
Number of Employees (FTEs including Part-Time)¹						
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
Total Salary and Wages including overtime and incentive pay						
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
Total Benefits (Current + Accrued)						
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
Total Compensation (Salary, Wages, & Benefits)						
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

Note:

¹ If an applicant wishes to use headcount, it must also file the same schedule on an FTE basis.

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
Succession Planning:						
Position Title Incumbent						
Replacement 1						
Replacement 2						
Position Title Incumbent						
Replacement 1						
Replacement 2						
... etc						
New Positions:						
New Position Title						
New Position Title						
...etc.						
Continuing Positions:						
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
Positions with No Changes over period from 2015 to 2020						
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
Positions That are New to the Company						
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
Positions as a Result of Retirements and Succession Planning						
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
Positions Changing or being eliminated						
Supply Chain Representative	0.479	0	0	0	0	0
Total FTE Count	21.814	25.958	24.958	24.958	23.958	23.958

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

Customer Account Representative – Recruiting to begin following approval of application – 2016

Accounting Supervisor - Recruiting to begin following approval of application – 2016

Journeyman or Journeyman Apprentice - Recruiting to begin following approval of application – 2016

Executive Assistant – Recruiting to begin in Q4 of 2016

Storekeeper - Recruiting to begin following approval of application – 2016

- d) With reference to the overlapping positions please refer to the table in part (b) above under the subheading “Positions as a Result of Retirements and Succession Planning”. The Director of Customer Accounts position is being replaced with the Customer Account Supervisor position and there is one year of overlap budgeted for in 2016. The Journeyman or Journeyman Apprentice has a two position overlap for three years (2016, 2017, & 2018) and a one position overlap for two years (2019 & 2020). Grimsby Power confirms that based on our existing succession plan it is our clear intention to maintain a Journeyman compliment of four positions post 2023 when it is anticipated that one Journeyman will retire.
- e) Grimsby Power has considered its options of promoting within and this is part of the succession planning process. Some of the new positions have potential to be sourced internally and this will certainly be considered at the time of recruitment. However, this may or may not reduce costs. Considering internal salary costs only, staff in these positions can start anywhere on the salary grid (depends on experience and knowledge) and will eventually work towards the job rate. Savings during this progression are real but temporary in nature.
- f) Grimsby Power confirms that all of the new positions described in Exhibit 4 in the organizational chart in Appendix 1-B are included in this chart.
- g) Portions of the following response are being provided in confidence in accordance with the provisions of the OEB’s *Rules of Practice and Procedure* and the OEB’s

Practice Direction on Confidential Filings (the “Practice Direction”). The information relates to labour relations matters and its public disclosure could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons or organization within Grimsby Power; result in undue loss or gain to one or more persons; or reveal information supplied to or the report of a conciliation officer, mediator, labour relations officer or other person appointed to resolve a labour relations dispute. 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) of the Freedom of Information and Protection of Privacy Act (“FIPPA”), and the Practice Direction notes (at Appendix B of the Practice Direction) that third party information as described in subsection 17(1) of FIPPA is among the types of information previously assessed or maintained by the OEB as confidential.

Grimsby Power is prepared to provide an unredacted form of this response to individuals who have executed and delivered the OEB’s form of Declaration and Understanding with respect to confidential material, subject of Grimsby Power’s right to object to the OEB’s acceptance of a Declaration and Undertaking from any persons.

The redacted portion of section 9.1 of Appendix 1-B deals with [REDACTED]

[REDACTED] The text in this section is as follows:

A formal succession plan was approved by the Board in July 2015. 2016’s budget contains expenses to cover the application of this plan and all costs include a full year.

Currently GPI has [REDACTED]

_____. Management is currently reviewing its options with respect to both of these positions and this review may result in changes to the organizational structure.

The organizational structure is as follows:

[REDACTED]

[REDACTED]

Question 2

Please add a column to Table 4-20 (as found in the response to 4-VECC-33) that reflects the actual number of full time equivalents in 2016 as of the end of June.

Response:

The actual number of full time equivalents as of June 27, 2016 is shown below.

Table 4: Full Time Employees by Department

Department	2010 Actuals	2011 Actuals	2012 Board Approved	2012 Actuals	2013 Actuals	2014 Actuals	2015 Actuals	2016 Test Year	Change 2016 vs. 2012 Actual	Change 2016 vs. 2012 Board Approved	2016 Actual as of June 27, 2016
Operations											
Operations Administration	1.00	0.92	1.00	1.00	1.00	1.00	1.00	1.00	-	-	1.00
Lines	3.00	3.00	4.00	4.00	4.00	4.00	4.00	6.00	2.00	2.00	4.00
Stores	1.00	1.00	1.00	1.00	1.00	0.66	0.48	1.00	-	-	0.48
Total	5.00	4.92	6.00	6.00	6.00	5.66	5.48	8.00	2.00	2.00	5.48
									-	-	
Engineering											
Engineering	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	1.00	1.00	2.00
Total	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	1.00	1.00	2.00
									-	-	
Finance											
Accounting/Finance	2.00	2.97	3.00	2.83	2.91	2.83	2.92	3.92	1.09	0.92	2.92
Billing	3.50	3.50	3.50	3.64	3.61	3.62	3.54	4.74	1.10	1.24	3.54
Total	5.50	6.47	6.50	6.47	6.52	6.45	6.46	8.66	2.19	2.16	6.46
Administration	4.00	4.00	4.00	4.00	4.00	4.00	4.54	5.50	1.50	1.50	4.00
TOTAL	16.50	17.39	18.50	18.47	18.52	18.11	19.48	25.16	6.69	6.66	17.94

4-SEC-19

Ref: Exhibit 4, page 5

Interrogatory:

Please confirm that the Applicant's proposed 2016 OM&A expense of \$3,925,393 is 260.03% higher than its actual OM&A expense in 2006 of \$1,509,565. Please explain why such a large increase is reasonable.

Response:

In 2011 Grimsby Power applied to the Board in a Cost of Service proceeding for January 1, 2012 rates. At this time Grimsby Power demonstrated why the OM&A increase was required and the Board approved most of the OM&A from the application in its Decision and Order. In this Application Grimsby Power is again asking for a significant increase in OM&A based on the content of the application and further described in **1-Staff-6**. Grimsby Power believes that each Application should be reviewed based on the business conditions within each LDC's service territory. This is described in **4-Staff-38 c)**. Provided that Grimsby Power has taken the steps to properly plan for the upcoming rate period Grimsby Power believes that its OM&A is reasonable and should be approved.

Grimsby Power confirms that its OM&A proposed expense of \$3,925,363 is 260% higher than its 2006 actual expense of \$1,509,565 in 2006.

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:

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

- 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.

EXHIBIT 4 - OPERATING COSTS

4-Staff-33

Ref: Exhibit 4, Table 4-3

Interrogatory:

OEB staff notes that OM&A spending in 2012 exceeded the amount approved in 2012 by approximately 22%.

a) What measures has Grimsby Power management put in place to ensure any plan approved for 2016 will reflect Grimsby Power's actual spending?

Response:

As part of its annual review of performance Grimsby Power measures its actual OM&A performance against budget. The table below provides information with respect to actual OM&A against OM&A budget in the years 2012 through 2015. As shown on the line "%Actual/Budget" Grimsby Power's actual expenditure has been below budget in all years except 2012. This demonstrates that Grimsby Power is fully capable of executing a plan against budget and has been successful in accomplishing this for three years in a row – 2013 through 2015.

	2012 Actuals			2013 Actuals		2014 Actuals		2015 Bridge Year	
	Board Approved	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Operations	453,574	463,354	411,623	442,453	522,827	545,680	594,775	831,285	648,822
Maintenance	431,965	580,760	726,934	589,449	519,678	513,531	436,218	593,216	505,940
SubTotal	885,539	1,044,114	1,138,556	1,031,902	1,042,505	1,059,211	1,030,993	1,424,500	1,154,762
Actual/Budget Variance \$	253,017		94,443		10,603		- 28,218		- 269,738
%Actual/Budget	28.6%		9.0%		1.0%		-2.7%		-18.9%
Billing and Collecting	507,013	510,198	517,463	516,412	512,576	556,040	534,276	559,426	547,425
Community Relations	12,500		471	2,458	6,250	2,000	500	2,000	1,500
Administrative and General	1,002,111	1,082,548	1,279,082	1,166,045	1,119,954	1,303,565	1,213,975	1,249,574	1,214,707
SubTotal	1,521,624	1,592,746	1,797,016	1,684,915	1,638,780	1,861,605	1,748,751	1,811,000	1,763,632
Actual/Budget Variance \$	275,392		204,270		- 46,135		- 112,854		- 47,368
%Actual/Budget	18.1%		12.8%		-2.7%		-6.1%		-2.6%
Total	2,407,163	2,636,860	2,935,572	2,716,817	2,681,285	2,920,816	2,779,745	3,235,500	2,918,394
Actual/Budget Variance \$	528,409		298,712		- 35,532		- 141,071		- 317,106
%Actual/Budget	22.0%		11.3%		-1.3%		-4.8%		-9.8%

Table 9 – Proposed 2016 Distribution Rates

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

Evidence:

Application:

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

Interrogatory Responses:

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

Clarifying Questions:

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

Appendices to this Settlement Proposal:

- None

Supporting Parties: All

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

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

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

EXHIBIT 1- ADMINISTRATION

1. Ref: 1-Staff-6 e

Interrogatory:

Please update the three tables shown in the response to include NPEI figures for 2016 and include a column for the 2016 ranks.

Response:

Grimsby Power has updated the three tables utilizing the Decision and Rate Order of May 12, 2016 for NPEI as issued by the Board. The ranking information in these tables was obtained from the OEB's Rates Database's as posted on the OEB Electricity Distribution Rates web page. The 2016 Rates Database has not been released by the OEB and therefore, ranks for 2016 rates are not available.

Residential

Niagara Region LDC's	Residential										
	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	\$33.06	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	\$ 34.48					
Median	\$ 28.18	\$ 28.46	\$ 28.63	\$ 28.94	\$ 33.23	\$ 33.06					
Maximum	\$ 32.98	\$ 46.26	\$ 46.61	\$ 47.27	\$ 52.51	\$ 54.03					

General Service < 50kW

Niagara Region LDC's	GS<50										2016 Monthly Cost for 2000 kWh	2012 Ontario Rank	2013 Ontario Rank	2014 Ontario Rank	2015 Ontario Rank
	2011 Monthly Cost for 2000 kWh	2012 Monthly Cost for 2000 kWh	2013 Monthly Cost for 2000 kWh	2014 Monthly Cost for 2000 kWh	2015 Monthly Cost for 2000 kWh										
Welland Hydro-Electric System Corp.	\$41.78	\$ 42.20	\$ 44.23	\$ 44.86	\$43.53	\$ 46.43	15	15	15	15	17				
Grimsby Power Inc.	\$45.56	\$ 50.56	\$ 51.29	\$ 52.09	\$39.89	\$ 73.26	24	39	37	39	35				
Horizon Utilities Corporation	\$48.96	\$ 49.15	\$ 49.70	\$ 50.41	\$46.72	\$ 62.41	35	34	32	32	51				
Canadian Niagara Power Inc. - Port Colborne	\$59.48	\$ 59.89	\$ 68.55	\$ 71.18	\$61.36	\$ 74.26	65	64	74	77	79				
Niagara Peninsula Energy Inc.	\$63.57	\$ 64.09	\$ 64.47	\$ 65.39	\$55.43	\$ 65.85	69	69	68	69	68				
Canadian Niagara Power Inc. - Fort Erie	\$65.60	\$ 66.18	\$ 72.12	\$ 72.36	\$59.83	\$ 74.26	71	72	79	79	81				
Niagara-on-the-Lake Hydro Inc.	\$72.55	\$ 73.15	\$ 73.57	\$ 59.68	\$43.77	\$ 61.44	76	81	81	59	59				
Hydro One Networks Inc.- Urban		\$ 60.58	\$ 43.41	\$ 43.88	\$60.67	\$ 72.68		68	17	18	72				
Hydro One Networks Inc. - Medium Density		\$114.25	\$115.49	\$116.76	\$92.23	\$140.54		86	84	83	85				

Minimum	\$ 41.78	\$ 42.20	\$ 43.41	\$ 43.88	\$ 39.89	\$ 46.43
Average	\$ 56.79	\$ 64.45	\$ 64.76	\$ 64.07	\$ 55.94	\$ 74.57
Median	\$ 59.48	\$ 60.58	\$ 64.47	\$ 59.68	\$ 55.43	\$ 72.68
Maximum	\$ 72.55	\$ 114.25	\$ 115.49	\$ 116.76	\$ 92.23	\$ 140.54

General Service >50kW

Niagara Region LDC's	GS>50										2015 Monthly Cost for 250 kW	2016 Monthly Cost for 250 kW	2011 Ontario Rank	2012 Ontario Rank	2013 Ontario Rank	2014 Ontario Rank	2015 Ontario Rank
	2011 Monthly Cost for 250 kW	2012 Monthly Cost for 250 kW	2013 Monthly Cost for 250 kW	2014 Monthly Cost for 250 kW	2015 Monthly Cost for 250 kW												
Grimsby Power Inc.	\$ 518.48	\$ 588.48	\$ 596.02	\$ 605.26	\$ 614.04	\$1,073.77	7	7	6	7	7						7
Welland Hydro-Electric System Corp.	\$ 689.48	\$ 695.54	\$ 853.82	\$ 867.04	\$ 879.62	\$ 896.77	12	11	32	34	35						
Horizon Utilities Corporation	\$ 801.79	\$ 806.44	\$ 815.15	\$ 827.80	\$ 965.17	\$1,012.31	24	26	26	28	45						
Niagara-on-the-Lake Hydro Inc.	\$ 956.94	\$ 965.37	\$ 970.01	\$ 792.05	\$ 802.33	\$ 816.77	45	46	43	22	24						
Canadian Niagara Power Inc. - Port Colborne	\$1,242.26	\$1,250.70	\$1,532.93	\$1,686.13	\$1,794.39	\$1,824.01	63	65	75	75	84						
Niagara Peninsula Energy Inc.	\$1,221.85	\$1,224.58	\$1,222.48	\$1,239.58	\$ 943.04	\$ 948.66	65	66	63	66	44						
Canadian Niagara Power Inc. - Fort Erie	\$1,930.71	\$1,947.71	\$1,987.43	\$1,874.16	\$1,794.39	\$1,824.01	74	78	77	77	84						
Hydro One Networks Inc.- Urban		\$2,076.87	\$1,756.90	\$1,776.21	\$1,989.07	\$2,241.49		80	76	76	88						
Hydro One Networks Inc. - Medium Density		\$2,672.47	\$2,894.20	\$2,926.02	\$3,368.52	\$3,832.00		81	79	79	89						

Minimum	\$ 518.48	\$ 588.48	\$ 596.02	\$ 605.26	\$ 614.04	\$ 816.77
Average	\$ 1,051.64	\$ 1,358.68	\$ 1,403.21	\$ 1,399.36	\$ 1,461.17	\$ 1,607.75
Median	\$ 956.94	\$ 1,224.58	\$ 1,222.48	\$ 1,239.58	\$ 965.17	\$ 1,073.77
Maximum	\$ 1,930.71	\$ 2,672.47	\$ 2,894.20	\$ 2,926.02	\$ 3,368.52	\$ 3,832.00