



**Ontario Energy Board  
Commission de l'énergie de l'Ontario**

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**REVISED DECISION AND ORDER  
EB-2015-0072**

**GRIMSBY POWER INC.**

**Application for electricity distribution rates beginning May 1, 2016**

**BEFORE: Allison Duff**  
Presiding Member

**Susan Frank**  
Member

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**September 22, 2016**

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# 1 INTRODUCTION AND SUMMARY

This is a Decision of the Ontario Energy Board (OEB) on an application filed by Grimsby Power Inc. (Grimsby Power) to change its electricity distribution rates effective May 1, 2016 (the Application). Under the OEB Act, distributors must apply to the OEB to change the rates they charge customers.

Grimsby Power provides electricity distribution services to about 14,000 customers in the Town of Grimsby. The rates approved in this Decision are set based on the OEB's determination of the revenue required to cover the cost of operating and maintaining Grimsby Power's distribution system at a level of service that meets the needs of its customers.

Grimsby Power and the intervenors filed a settlement proposal with the OEB on June 24, 2016 (Settlement Proposal). The Settlement Proposal reduced the 2016 proposed revenue required by about \$200,000.

The OEB indicated that it was not prepared to accept the settlement regarding deferral and variance accounts (DVA). A revised settlement proposal was filed on July 28, 2016 to address the OEB's concerns (Revised Settlement Proposal). Both settlement proposals indicated that the parties did not agree on three issues:

- (i) Operations, Maintenance and Administration (OM&A) expenses
- (ii) Payments in Lieu of Taxes (PILs)
- (iii) Effective date of 2016 rates

The OEB issued a Decision on August 18, 2016 to approve the Revised Settlement Proposal, OM&A expenses of \$3,134,546, a 2016 PILs provision based on the use of \$391,821 in tax loss carry forward from 2015, and a September 1, 2016 effective date for 2016 rates.

The OEB is issuing this Revised Decision to enable rate mitigation for the Unmetered Scattered Load (USL) class. Section 3.1 of the Decision dated August 18, 2016 is changed to reject section 5.1 of the Revised Settlement Proposal regarding rate mitigation.

## 2 THE PROCESS

Grimsby Power filed a cost of service application with the OEB on December 23, 2015, seeking approval for changes to the rates that it charges for electricity distribution, to be effective May 1, 2016.

Energy Probe Research Foundation (Energy Probe), Niagara Peninsula Energy Inc. (NPEI), School Energy Coalition (SEC), and the Vulnerable Energy Consumers Coalition (VECC) were approved as intervenors in the proceeding (the intervenors). COGECO Cable Canada LP was also approved as an intervenor, yet did not actively participate in the proceeding. OEB staff participated in the proceeding.

The OEB provided parties the opportunity to ask Grimsby Power questions about its evidence through interrogatories and a technical conference. A settlement conference was held on May 24, 25 and 26, 2016.

Grimsby Power and the intervenors filed a Settlement Proposal on June 24, 2016 reflecting a partial settlement on the majority of issues in the proceeding, leaving three issues unsettled. Additional evidence and undertaking responses were filed by Grimsby Power regarding the unsettled issues, after the Settlement Proposal was filed.

The OEB held an oral hearing on July 13-14, 2016 to receive a presentation from Grimsby Power on the Settlement Proposal and hear the three unsettled issues. Following the OEB's questions regarding the Settlement Proposal, the parties filed a Revised Settlement Proposal on July 28, 2016 to address the OEB's concerns (Schedule A).

Grimsby Power presented an oral Argument-in-Chief on July 14, 2016. OEB staff and intervenors filed written submissions on July 29, 2016 and Grimsby Power filed a written reply submission on August 9, 2016.

The OEB issued a Decision on August 18, 2016 and established a draft rate order process. The draft rate order indicated that rate mitigation was required for the USL class. This Revised Decision will enable rate mitigation in the final rate order.

### 3 DECISION ON THE ISSUES

#### 3.1 Settlement Proposal

Grimsby Power and the intervenors filed a Revised Settlement Proposal to address the OEB's concerns raised during the oral hearing regarding the initial settlement of DVA accounts. In particular, Grimsby Power and the intervenors in the revised proposal agreed to discontinue the existing deferral and variance accounts for renewable generation and IFRS transition, and add a deferral account for the costs associated with an asset condition assessment to be filed in Grimsby Power's next cost of service proceeding. The reduction to 2016 capital expenditure of \$200,000, the revised cost allocation and rate design for the new Embedded Distributor customer class, and treatment of other issues did not change from the original Settlement Proposal.

The Settlement Proposal indicated that Grimsby Power and the intervenors did not agree on three issues. The three unsettled issues were the 2016 OM&A budget, the PILs provision and the effective date for rates. The OEB decided the three unsettled issues and approved the Revised Settlement Proposal in its Decision dated August 18, 2016.

In the draft rate order process, it was determined that rate mitigation was required for the USL class. The total bill impact on the USL class exceeded 10%. The approved Revised Settlement Proposal had indicated that no mitigation was required for any class. To enable the necessary rate mitigation, this Revised Decision rejects section 5.1 of the Settlement Proposal. The OEB relies on Grimsby Power's confirmation that parties to the Revised Settlement Proposal agree to the rate mitigation, and agree that the balance of the Revised Settlement Proposal remains a valid settlement<sup>1</sup>.

The OEB finds that the terms of the Revised Settlement Proposal and this Revised Decision produce outcomes that are compatible with the applicable performance objectives of the Renewed Regulatory Framework (RRFE). The OEB approves the terms of the Revised Settlement Proposal, with the exception of section 5.1 for use in the determination of Grimsby Power's 2016 final rate order.

#### 3.2 Operations, Maintenance and Administrative Expenses

Grimsby Power requested recovery of \$3,925,363 in OM&A expenses in 2016, a 63%

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<sup>1</sup> Grimsby Power's revised draft rate order, September 15, 2016, pp. 4-6.

proposed increase over the \$2.4M approved by the OEB in Grimsby Power's 2012 cost of service rate application (EB-2011-0273).

Grimsby Power revised its 2016 OM&A forecast to \$3,733,648 after the oral hearing was complete, in response to an undertaking request from the OEB. This revised OM&A proposal represents a 55% increase over the budget approved for 2012.

Intervenors and OEB staff submitted that the OM&A cost increases proposed by Grimsby Power were unreasonable. Parties noted that Grimsby Power had not consulted with its customers regarding the application as required under the RRFE. In particular, Grimsby Power had not sought customer feedback regarding the increases in FTE expenses that were proposed to address changes in its customer base and needs.

Further, the intervenors and OEB staff disagreed with Grimsby Power's proposal to include normalized costs in the 2016 forecast. It was submitted that in a cost of service application, the test year forecast should only be based on 2016 expenses.

Intervenors and OEB staff submitted the OEB should reduce the OM&A expenses proposed by Grimsby Power. In particular, submissions were to reduce specific expenses such as compensation increases for existing staff, new FTE positions, the advance hiring for retirements and tree-trimming. Energy Probe submitted the OEB should consider an envelope approach to setting OM&A in 2016 based on rates of inflation, base productivity, stretch factors and customer growth since 2012.

As a result of these submissions, the revised OM&A recommended for 2016 ranged from \$2,760,201 to \$3,233,648.

## Findings

The OEB will use the revised 2016 OM&A forecast of \$3,733,648 as the starting point for the analysis of OM&A spending, which is an increase of 55% over 2012 OEB approved OM&A. Over this same period inflation was 9% and customer growth was 7%. Since 2012, Grimsby improved its operating performance and exceeded OEB's industry and distributor targets, except for conservation and demand management savings of annual peak demand. Grimsby Power's operations, maintenance and administration practices are now close to the established basic practices of other utilities.

From the perspective of enhancing performance the OEB finds that the evidence was insufficient to justify a 55% increase in OM&A expenses. Grimsby Power indicated that the main drivers of OM&A costs are human resource requirements; base compensation changes; and the amalgamation of Grimsby Power and Niagara West Transformation Corporation (Niagara West). Grimsby Power indicated that "resources have been added to fulfill the needs of the business environment and the direct needs and wants of

Grimsby Power customers as informed by the two customer surveys<sup>12</sup>”.

Grimsby Power plans to increase customer communication but the OEB is not clear as to the costs associated with this change or how Grimsby Power will determine if the changes in customer communication have met customer’s needs.

As several intervenors submitted, Grimsby Power did not seek its customers’ response to the proposed rate increase or operating performance targets. The OEB finds this lack of customer engagement is inconsistent with RRFE filing requirements. Despite Grimsby’s lack of confidence in customer engagement activities, it is a requirement to engage customers and ensure the customers’ perspective is incorporated in a cost of service application. While Grimsby Power submitted that its survey responses indicated that its customers wanted increased communication particularly regarding outages, the associated cost was not discussed with customers.

Grimsby Power has taken an unusual approach to forecasting its 2016 OM&A spending. Mr. Curtiss testified that the utility had used a normalized approach to forecasting staffing costs for 2016 that exceeded planned spending in 2016. The OEB finds that the normalization of costs over the next 5 years would be typical of a custom application; however, a cost of service application for the test year should include only the planned expenses in that year. Accordingly, the filing expectations for a custom application are more extensive and there is no indication that Grimsby Power was making a custom filing. The OEB is approving only the forecast expenditures in 2016.

In the revised OM&A forecast filed on July 21, the normalized level of incremental staff costs was \$817,325 with the 2016 forecast spend for these staff being \$298,223. The OEB will not allow the difference of \$519,102 which the utility will not spend in 2016.

The \$298,223 increase for staffing costs was a combination of vacancies in current positions, succession planning and new hires for expanded work activities. The OEB accepts the \$196,508 that Grimsby Power has forecast to spend in 2016 to fill the vacancies.

With respect to the proposed succession planning and new hires, the OEB is not convinced that Grimsby Power’s proposal is the best option. Succession planning is important, particularly in a small utility, but this issue should be managed over time. Given that current salaries are representative of utilities of a similar size, the trade-off of acquiring skilled resources from the marketplace rather than training internally by Grimsby Power has not been demonstrated. Several intervenors and OEB staff

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<sup>2</sup> Grimsby Power, Reply Submission, August 9, 2016, page 9

questioned why a lineman that is not expected to retire until 2023 should be included in the planned hires in 2016. New hires for expanded work are inconsistent with Grimsby Power's history of effectively using external contracts to deliver core services. The OEB finds that moving from the outsourcing of work programs to hiring permanent staff reduces flexibility and the opportunity for increased productivity through sharing resources across utilities.

The OEB encourages Grimsby Power to take a more careful look at its staffing plans. Grimsby Power forecast the 2016 spending for new hires and succession planning to be about \$100,000. The OEB will approve half of this amount.

Several intervenors also questioned the increase in compensation for current staff. Mr. Curtiss has assured the OEB that the staff compensation for 2016 is consistent with the 50th percentile for comparable size companies in the MEARIE study. On this basis the OEB approves the proposed increases for current staff compensation.

In addition, intervenors and OEB staff raised concerns regarding the Application's lack of new productivity initiatives or operating savings associated with new technology or capital investments. During the oral hearing, Mr. Curtiss indicated that the historical productivity achievements could likely be replicated in the future and agreed that a 1% incremental productivity saving was reasonable. Accordingly the OEB will reduce the OM&A budget by \$30,000 to reflect the anticipated incremental productivity improvement.

The calculation of the approved 2016 OM&A budget is summarized in the table below.

July 21, 2016 Proposal	\$3,733,648
Remove normalization for staffing	(\$519,102)
Remove half of staff increase	(\$50,000)
Anticipated productivity saving	(\$30,000)
OEB Approved 2016 OM&A	\$3,134,546

The OEB arrived at this approved level of OM&A by identifying specific concerns with Grimsby Power's 2016 proposal. The OEB also assessed the approved OM&A budget by analyzing historical unit costs, benchmarking and the envelope approach proposed by intervenors.

Using a historical approach to increase OM&A to reflect customer growth, as recommended by OEB staff, Energy Probe and VECC, would result in a 2016 OM&A of \$2.76 M. Benchmarking the average OM&A cost per customer for comparable



utilities according to OEB Staff, would suggest an OM&A level of \$2.945M. Finally the envelope approach used by Energy Probe and supported by VECC yielded a reduction to OM&A of \$500,000 to \$600,000. These alternative approaches to analyzing the appropriate OM&A budget for 2016 are commensurate with the level of reductions approved by the OEB.

During the oral hearing, Mr. Curtiss expressed Grimsby Power's intention to search for productivity improvements and bring them "front and center" over the next 5 years. The OEB supports this commitment and will continue to monitor the OM&A per customer and related productivity measures.

In addition to the emphasis on productivity, the RRFE stresses the importance of outcome based regulation. The OEB expects there to be a correlation between more money being spent and improved outcomes. Grimsby Power described the need to increase customer communications particularly as it relates to outages. Given the increase in OM&A approved, the OEB expects that Grimsby Power will improve customers' satisfaction in the area of customer communications. Grimsby Power is encouraged to monitor its operating performance and improvement in customer satisfaction and to report the results in its next rate application.

### 3.3 Payments in Lieu of Taxes

Grimsby Power's Application included recovery of \$69,211 in PILs based on a 2016 taxable income forecast of \$191,963. This taxable income forecast included a reduction of \$166,893 due to the use of a tax loss carry forward from previous years.

The OEB's 2006 Electricity Distribution Rate Handbook (Rate Handbook) indicates that a tax loss carry forward available at the end of the prior year must be disclosed and applied in full to reduce taxable income in the test year<sup>3</sup>.

The Application indicated Grimsby Power had \$834,468 in tax losses available from prior years. It used one-fifth of the available tax losses in 2016, or \$166,893, as 2016 would establish base rates for the next five years. The \$834,468 included a forecast taxable income loss in 2015 of \$122,313.

Grimsby Power amended its PILs proposal on June 29, 2016 in three respects:

1. The tax loss carry forward available in 2016 was reduced from \$834,468 to \$391,821 given Grimsby Power's actual 2015 tax filing

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<sup>3</sup> 2006 Electricity Distributor Rate Handbook, May 11, 2005, page 61

2. Grimsby Power's actual 2015 tax filing included taxable income of \$589,098 based on a number of accounting entries made after Grimsby Power amalgamated with Niagara West, instead of the forecast loss for tax purposes of \$122,313
3. All tax loss carry forwards acquired as part of the amalgamation with Niagara West were excluded from the PILs calculation in 2016. The proposed PILs provision for 2016 was reduced from \$69,211 to \$65,351 after Grimsby Power changed the capital cost allowance for certain Niagara West assets from Class 47 to Class 1, which increased the allowance and decreased taxable income

Grimsby Power based its June 29, 2016 update on a report from KPMG<sup>4</sup>, which concluded that the actual tax loss carry forward related to Niagara West at the end of 2015 should be available to Grimsby Power's shareholders, not to its customers.

## Findings

The OEB agrees with Grimsby Power's characterization of the two broad matters to be decided:

1. the appropriateness of using actual PILs calculations for the 2015 bridge year, including the calculation and application of tax loss carry forwards, to reflect the actual 2015 tax return
2. whether tax loss carry forwards related to the former Niagara West should be applied to the shareholders or customers in this case

The OEB finds it appropriate to use the actual tax loss carried forward available on December 31, 2015 of \$391,821 for consideration in setting rates in 2016.

The intervenors and OEB staff disagreed with Grimsby Power's updated PILs proposals. Parties submitted that Grimsby Power must follow OEB policy and apply the tax loss carry forward to set rates in 2016. Consistent with the policy, parties submitted that Grimsby Power should use the OEB model provided in the filing requirements to calculate the 2015 regulatory PILs amount. If the OEB's PILs model was used without any alterations, the 2016 available tax loss carry forward would be higher than \$391,821, thereby increasing the benefit available to customers in 2016.

However, the 2006 Rate Handbook and the 2016 filing requirements assume bridge

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<sup>4</sup> "Review of Rate Setting Implications of Tax Loss Carry Forwards" filed June 29, 2016

year numbers are forecast. When actual data is available, the OEB finds that actuals must be used. This finding is consistent with the treatment of PILs in 2014, the “historical year” in the 2016 filing requirements, in which actual tax accounting is used.

The unusual circumstance in this proceeding is that 2015 actuals are available; 2015 is an historical year. The OEB agrees with Grimsby Power that it is appropriate and consistent to use 2015 actual revenue, expenses and taxes.

The second matter to be decided is whether Grimsby Power’s shareholders or customers should benefit from of the tax losses from Niagara West.

The use of Niagara West’s tax loss carry forward in 2016 was argued extensively by KPMG on behalf of Grimsby Power. KPMG indicated that Niagara West’s shareholders had borne the cost of income tax losses from 2005 to 2015 and should receive the benefit. KPMG identified the sources of the losses and recommended that the OEB apply the “benefits follow costs” principle.

Intervenors and OEB staff disagreed with KPMG. The parties indicated that Grimsby Power had previously indicated that the Niagara West tax losses would benefit customers and submitted that it was still appropriate that these losses should benefit customers.

Since 2006, the OEB has typically followed the Rate Handbook and applied tax loss carry forward amounts to the benefit of customers. The two decisions in which the OEB did not apply the policy were the Ontario Power Generation (OPG) EB-2007-0905 decision and Great Lakes Power Limited (Great Lakes Power) EB-2007-0744 decision.

The OEB finds that the circumstances in the OPG and Great Lakes Power cases were unique and are not comparable to Grimsby Power’s circumstances. The OEB’s findings in the OPG decision addressed the fact that OPG was not regulated by the OEB prior to 2008, when the losses occurred. The OEB’s findings in the Great Lakes Power decision turned on the fact that the company conducted both regulated and non-regulated businesses and the disallowed expenses were associated with the non-regulated businesses. In contrast, Niagara West was regulated by the OEB from 2005-2015 when the tax loss carry forward of \$391,821 was generated and the OEB did not disallow expenses associated with non-regulatory business activities of Niagara West.

The OEB finds no justifiable reason to deviate from its policy and create a third exception in this proceeding.

The consistent application of ratemaking leads to predictability and certainty in rates. The tax loss carry forward policy was known to NPEI when it agreed to sell its share of

Niagara West to Grimsby Power, when it planned to amalgamate with Niagara West and to the OEB when it approved the amalgamation<sup>5</sup>. To deviate from the OEB policy in this proceeding, after the fact, would be inconsistent and undesirable from a ratemaking perspective.

KPMG raised the benefits follows cost principle to support its opinion that shareholders should benefit from tax loss carry forwards. The OEB notes that the benefits follow costs principle was referenced in the Report of the Board<sup>6</sup> that accompanied the Rate Handbook. In the Report of the Board, the principle was considered only for tax savings arising from non-recoverable or disallowed expenses, including purchased goodwill and charitable donations. The OEB found that tax savings arising from these specified situations would not be allocated to customers, applying the benefit follow cost principle. The OEB finds many factors were involved when Niagara West's rates were established in 2011 and losses were generated between 2011 to 2015. In addition, the context of "disallowed expenses" in the Report of the Board did not include interest costs for a regulated business.

In a cost of service proceeding, the OEB establishes customer rates to recover a utility's forecast cost of operations and to provide shareholders a fair rate of return on equity. If the OEB were to approve Grimsby Power's proposed 2016 PILs provision, customers would pay for taxes that Grimsby Power is not forecast to pay in 2016, thereby exceeding Grimsby Power's cost of service. The OEB finds Grimsby Power's proposal inappropriate from a cost recovery perspective.

In summary, Grimsby Power's shareholders will retain the benefit of the 2015 actual tax filing in which taxable income was increased, significant tax loss carry forwards were utilized and the balance available for 2016 was reduced. However, the tax loss carry forward remaining from Niagara West will go to the benefit of customers. The OEB finds it appropriate to use the actual tax losses available of \$391,821 for consideration in setting rates in 2016.

### **3.4 Effective date for 2016 rates**

Grimsby Power proposed an effective date for 2016 rates of May 1, 2016 in its Application. In reply submission, Grimsby Power revised its proposal to July 14, 2016, the date on which Grimsby Power's current rates were declared by the OEB as interim.

Intervenors submitted that the effective date should be the beginning of the first or

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<sup>5</sup> EB-2014-0344 Decision and Order, March 26, 2015

<sup>6</sup> RP-2004-0188 Report of the Board, 2006 Electricity Distribution Rate Handbook, May 11, 2005, pp. 50-53

second month following the OEB's decision, as is consistent with OEB practice. Intervenor indicated that Grimsby Power filed its application late and that sufficient time is required for the hearing process.

OEB staff submitted that 266 days is the established metric to issue a decision and rate order after an application is filed and an oral hearing is held. As Grimsby Power filed its application on December 23, 2015, OEB staff submitted the appropriate effective date for 2016 rates is September 1, 2016.

### **Findings**

The OEB approves September 1, 2016 as the effective date of Grimsby Power's 2016 rates. The OEB finds that the delay in filing the application was within Grimsby Power's control and sufficient time must be allowed for the OEB's open and transparent rate setting process. The OEB finds that September 1, 2016 is appropriate given the date of this Decision and the time provided for the rate order process.

## 4 IMPLEMENTATION

Grimsby Power and the intervenors included a draft rate order as an appendix to the Revised Settlement Proposal. With respect to the three unsettled issues, Grimsby Power's proposals were embedded in the calculations for drafting the rate schedules. After implementing the findings of this Revised Decision, Grimsby Power will provide the OEB with a draft calculation of its rates and charges.

The OEB has reviewed the draft accounting order in Appendix F to the Revised Settlement Proposal. The OEB encourages Grimsby Power to work with OEB staff to revise the draft accounting order to include the effective dates for the account and other wording as necessary, and to file it with the draft rate order. The OEB will review these filings and determine Grimsby Power's final rates for 2016.

## 5 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Grimsby Power shall file with the OEB, and forward to all intervenors, a draft rate order that implements the findings in this Revised Decision set out above, including revised models in Microsoft Excel format as appropriate and a proposed Tariff of Rates and Charges reflecting the OEB's findings no later than August 30, 2016.
2. OEB staff and intervenors shall file any comments on the draft rate order with the OEB and with Grimsby Power no later than September 7, 2016.
3. Grimsby Power shall file with the OEB, and forward to intervenors, responses to any comments on its draft rate order no later September 14, 2016.

All filings to the OEB must quote the file number, **EB-2015-0072**, be made through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available, parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.

**DATED** at Toronto September 22, 2016

### ONTARIO ENERGY BOARD

*Original Signed By*

Kirsten Walli  
Board Secretary

**SCHEDULE A**

**DECISION AND ORDER**

**GRIMSBY POWER INC.**

**EB-2015-0072**

**September 22, 2016**





**Grimsby Power Incorporated**

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July 28, 2016

**Delivered by RESS and Courier**

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2015-0072  
Grimsby Power Incorporated  
Electricity Distribution Rate Application for 2016 Rates – Settlement Proposal**

The parties reached a partial settlement in this matter and the Partial Settlement Proposal was submitted June 24, 2016. Pursuant to Procedural Order No. 2 an oral hearing was held on July 13 – 14, 2016 in order for the Board to receive a presentation of the Settlement Proposal and address the unsettled issues. The Partial Settlement Proposal was presented and the Board Panel provided comments and guidance with respect to the treatment of certain existing deferral accounts and of the costs related to a future asset condition assessment to be performed by Grimsby Power. The Parties have considered the Panel's comments and have agreed to a revision of the proposal to address them. Please find enclosed the revised Partial Settlement Proposal in this matter. Revisions to the text of the proposal may be found at pages 12, 13 and 31, and the Parties have added a Draft Accounting Order at Appendix F.

If additional information is required by the Board please contact me via e-mail ([dougcurt@grimsbypower.com](mailto:dougcurt@grimsbypower.com)) or by phone at 905-945-5437 Ext. 221.

Regards,

Doug Curtiss, P.Eng.  
Chief Executive Officer  
Grimsby Power Inc.

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, 3 Schedule B, as amended (the "OEB Act");

**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.

**GRIMSBY POWER INCORPORATED ("Grimsby Power")**

**APPLICATION FOR APPROVAL OF 2016 ELECTRICITY  
DISTRIBUTION RATES**

**EB-2015-0072**

**SETTLEMENT PROPOSAL**

**Filed: June 24, 2016**

**Revised: July 28, 2016**

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EXCEL MODELS

The following live excel models have been filed together with and form an integral part of this settlement proposal:

*Grimsby\_SettlementP\_2016\_Load\_Forecast\_2016\_COP\_Forecast\_20160616*

*Grimsby\_SettlementP\_2016\_Rev\_Reqt\_Work\_Form\_V6\_20160616*

*Grimsby\_SettlementP\_Detailed\_CA\_Model\_Run3\_20160616*

*Grimsby\_SettlementP\_Test\_year\_Income\_Tax\_PILs\_Workform\_DRAFT\_20160616*

**Grimsby Power Incorporated**  
**EB-2015-0072**  
**SETTLEMENT PROPOSAL**  
**Filed with the Ontario Energy Board: June 24, 2016**

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Grimsby Power Incorporated (the “Applicant” or “Grimsby Power”) filed a cost of service application with the Ontario Energy Board (the “OEB”) on December 23, 2015 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) (the “Act”), seeking approval for changes to the rates that Grimsby Power charges for electricity distribution, to be effective May 1, 2016 (OEB File Number EB-2015-0072) (the “Application”).

The OEB issued a Notice to Customers of Grimsby Power Incorporated on March 3, 2016. In Procedural Order No. 1, dated April 1, 2016, the OEB set out dates for a Presentation Day to the OEB, OEB staff and intervenors; written interrogatories; Grimsby Power’s responses to interrogatories; Settlement Conference dates; and outlined the timetable of the various other elements in the proceeding.

Following the receipt of interrogatories, Grimsby Power filed its interrogatory responses with the OEB on May 6, 2016 and filed responses to Energy Probe clarifying questions on May 20, 2016.

On May 20, 2016 the OEB issued its decision on the proposed issues list. The decision found that cost allocation and rate design issues related to Niagara West MTS and the Embedded Distributor class would be dealt with under the general cost allocation and rate design issues on the list at Issues 3.1 and 3.2.

This Settlement Proposal is filed with the OEB in connection with the Application.

Further to the OEB’s Procedural Order No. 1 and its Issues List Decision, a Settlement Conference was convened on May 24, 25, and 26, 2016 in accordance with the OEB’s Rules of Practice and Procedure (the “Rules”) and the OEB’s Practice Direction on Settlement Conferences (the “Practice Direction”). Mr. Chris Haussmann acted as facilitator for the Settlement Conference.

Grimsby Power and the following Intervenors (the “Intervenors”), participated in the Settlement Conference:

- Energy Probe Research Foundation (“Energy Probe”);
- School Energy Coalition (“SEC”);

1 Vulnerable Energy Consumers Coalition (“VECC”),  
2 Niagara Peninsula Energy Inc. (“NPEI”).

3 Cogeco, was present for a period of time on May 24, 2016 but did not actively participate.  
4 Cogeco was not present on May 25 or 26, 2016. As such Cogeco is not a party to this  
5 settlement proposal.

6 Grimsby Power and the Intervenors are collectively referred to below as the “Parties”.

7 Ontario Energy Board staff (“OEB staff”) also participated in the Settlement Conference. The  
8 role adopted by OEB staff is set out in page 5 of the Practice Direction. Although OEB staff  
9 is not a party to this Settlement Proposal, as noted in the Practice Direction, OEB staff who  
10 did participate in the settlement conference are bound by the same confidentiality and  
11 privilege rules that apply to the Parties to the proceeding.

12 This document is called a “Settlement Proposal” because it is a proposal by the Parties to the  
13 OEB to settle the issues in this proceeding. It is termed a proposal as between the Parties  
14 and the OEB. However, as between the Parties, and subject only to the OEB’s approval of  
15 this Settlement Proposal, this document is intended to be a legal agreement, creating mutual  
16 obligations, and binding and enforceable in accordance with its terms. As set forth later in this  
17 Preamble, this agreement is subject to a condition subsequent, that if it is not accepted by the  
18 OEB in its entirety, then unless amended by the Parties it is null and void and of no further  
19 effect. In entering into this agreement, the Parties understand and agree that, pursuant to the  
20 Act, the OEB has exclusive jurisdiction with respect to the interpretation and enforcement of  
21 the terms hereof.

22 These settlement proceedings are subject to the rules relating to privilege contained in the  
23 Practice Direction. The Parties acknowledge that this settlement proceeding is confidential  
24 in accordance with the OEB’s Practice Direction on Settlement Conferences. The Parties  
25 understand that confidentiality in that context does not have the same meaning as  
26 confidentiality in the OEB’s Practice Direction on Confidential Filings, and the rules of that  
27 latter document do not apply. Instead, in this settlement conference, and in this Agreement,  
28 the Parties have interpreted “confidential” to mean that the documents and other information  
29 provided during the course of the settlement proceeding, the discussion of each issue, the  
30 offers and counter-offers, and the negotiations leading to the settlement – or not – of each  
31 issue during the settlement conference are strictly privileged and without prejudice. None of  
32 the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the

1 need to resolve a subsequent dispute over the interpretation of any provision of this Settlement  
2 Proposal. Further, the Parties shall not disclose those documents or other information to  
3 persons who were not attendees at the settlement conference. However, the Parties agree  
4 that "attendees" is deemed to include, in this context, persons who were not physically in  
5 attendance at the settlement conference but were a) any persons or entities that the Parties  
6 engage to assist them with the settlement conference, and b) any persons or entities from whom  
7 they seek instructions with respect to the negotiations; in each case provided that any such  
8 persons or entities have agreed to be bound by the same confidentiality provisions.

9 This Settlement Proposal provides a brief description of each of the settled and partially settled  
10 issues, as applicable, together with references to the evidence. The Parties agree that  
11 references to the "evidence" in this Settlement Proposal shall, unless the context otherwise  
12 requires, include (a) additional information included by the Parties in this Settlement  
13 Proposal, and (b) the Appendices to this document. The supporting Parties for each settled  
14 and partially settled issue, as applicable, agree that the evidence in respect of that settled or  
15 partially settled issue, as applicable, is sufficient in the context of the overall settlement to  
16 support the proposed settlement, and the sum of the evidence in this proceeding provides an  
17 appropriate evidentiary record to support acceptance by the OEB of this Settlement Proposal.  
18 The Parties agree that references to the evidence in this Settlement Proposal shall, unless the  
19 context otherwise requires, include, in addition to the Application, the responses to  
20 interrogatories, clarifying questions, and all other components of the record up to and  
21 including the date hereof, including additional information included by the Parties in this  
22 Settlement Proposal and the Appendices to this document.

23 There are Appendices and live Excel models attached to this Settlement Proposal which  
24 provide further support for the proposed settlement. The Parties acknowledge that the  
25 Appendices were prepared by Grimsby Power. While the Intervenors have reviewed the  
26 Appendices and live Excel models, the Intervenors are relying on the accuracy of the  
27 underlying evidence in entering into this Settlement Proposal.

28 For ease of reference, this Settlement Proposal follows the format of the final approved Issues  
29 List.

30 The Parties are pleased to advise the OEB that the Parties have reached a partial agreement  
31 with respect to most of the issues in this proceeding. Specifically:

<p><b>“Complete Settlement”</b> means an issue for which complete settlement was reached by all Parties, and if this Settlement Proposal is accepted by the OEB, the Parties will not adduce any evidence or argument during the oral hearing in respect of these issues.</p>	<p># issues settled:  <b>Eight</b></p>
<p><b>“Partial Settlement”</b> means an issue for which there is partial settlement, as Grimsby Power and the Intervenors who take any position on the issue were able to agree on some, but not all, aspects of the particular issue. If this Settlement Proposal is accepted by the OEB, the Parties who take any position on the issue will only adduce evidence and argument during the hearing on those portions of the issues not addressed in this Settlement Proposal.</p>	<p># issues partially settled:  <b>Two</b></p>
<p><b>“No Settlement”</b> means an issue for which no settlement was reached. Grimsby Power and the Intervenors who take a position on the issue will adduce evidence and/or argument at the hearing on the issue.</p>	<p># issues not settled:  <b>One</b></p>

1 If applicable, a Party who is noted as taking no position on an issue may or may not have  
 2 participated in the discussion on that particular issue, but in either case such Party takes no position  
 3 a) on the settlement reached, and b) on the sufficiency of the evidence filed to date.

4 According to the Practice Direction (p. 3), the Parties must consider whether a Settlement  
 5 Proposal should include an appropriate adjustment mechanism for any settled issue that may be  
 6 affected by external factors. These adjustments are specifically set out in the text of the  
 7 Settlement Proposal.

8 The Parties have settled the issues as a package, and none of the parts of this Settlement  
 9 Proposal are severable. If the OEB does not accept this Settlement Proposal in its entirety,  
 10 then there is no settlement (unless the Parties agree in writing that any part(s) of this  
 11 Settlement Proposal that the OEB does accept may continue as a valid settlement without  
 12 inclusion of any part(s) that the OEB does not accept).

13 In the event that the OEB directs the Parties to make reasonable efforts to revise the  
 14 Settlement Proposal, the Parties agree to use reasonable efforts to discuss any potential  
 15 revisions, but no Party will be obligated to accept any proposed revision. The Parties agree  
 16 that all of the Parties who took on a position on a particular issue must agree with any  
 17 revised Settlement Proposal as it relates to that issue prior to its resubmission to the OEB.



1 Unless stated otherwise, the settlement of any particular issue in this proceeding and the  
2 positions of the Parties in this Settlement Proposal are without prejudice to the rights of Parties  
3 to raise the same issue and/or to take any position thereon in any other proceeding, whether  
4 or not Grimsby Power is a party to such proceeding, provided that no Party shall take a position  
5 that would result in this Agreement not applying in accordance with the terms contained herein.

6 Where in this Agreement, the Parties or any of them “accept” the evidence of Grimsby  
7 Power, or “agree” to a revised term or condition, including a revised budget or forecast, then  
8 unless the Agreement expressly states to the contrary, the words “for the purpose of  
9 settlement of the issues herein” shall be deemed to qualify that acceptance or agreement.

1 **SUMMARY**

2 In reaching this settlement, the Parties have been guided by the Filing Requirements for 2016  
3 rates and the approved Issues List.

4 This Settlement Proposal reflects a partial settlement of the issues in this proceeding.

5 The issues not settled and the proposed method of hearing the issues and the reasons are as  
6 follows:

- 7 • OM&A – the Parties agree that this issue should be dealt with by way of an oral hearing  
8 due to the complexity of the components included in the OM&A;
- 9 • Effective Date of Rates - the Parties agree that this issue should be dealt with by way of  
10 an oral hearing due to the fact that Grimsby Power's requested effective date of May 1,  
11 2016 is now past; and
- 12 • PILs - the Parties agree that due to the complex and technical nature of the disputed  
13 issue (how loss carry forwards are applied within the PILs model) it would best be dealt  
14 with by way of an oral hearing.

15 The Parties note that the following Tables, Appendix A through Appendix E, and the live Excel  
16 models represent the evidence and the settlement between the Parties at the time of filing this  
17 settlement, but that some of the evidence may need to be updated subject to the Board's  
18 determination of unsettled issues, as discussed below.

19 The Board's determination of the issues related to the above unsettled issues are expected to  
20 have impacts on revenue requirement and the resultant rates for Grimsby Power customers. All  
21 aspects of this Settlement Proposal are subject to the normal impacts that would arise on a  
22 change in OM&A, effective date, and PILs.

23 This Agreement will allow Grimsby Power to continue to make the necessary capital  
24 investments to maintain the safety and reliability of the electricity distribution service that it  
25 provides. Because the matter of 2016 Test Year OM&A and PILs remains outstanding, the  
26 revised Base Revenue Requirement for the 2016 Test Year cannot be determined at this time,  
27 but for the purposes of preparing the Appendices to this Agreement, the Parties have assumed  
28 that OM&A is as set out in the Application subject only to changes through the interrogatory  
29 process.

1 A Revenue Requirement Work Form, incorporating all of the changes agreed in this Agreement,  
 2 but assuming for all purposes, OM&A is as filed in the original application and PILs is as filed in  
 3 this settlement proposal, and a future settlement date is annexed as Appendix B. The  
 4 assumption in that document with respect of unsettled issues is not intended by any of the  
 5 Parties to be indicative of the appropriateness of those amounts, or any of their components or  
 6 impacts, but are instead placeholders pending the Board's determination on those issues.

7 Through the settlement process, Grimsby Power has agreed to certain adjustments from its  
 8 original 2016 Application. The changes are described in the following sections. The following  
 9 Table 1 sets out the matters that are the subject of complete settlement; partial settlement; and  
 10 no settlement.

11 **Table 1 – Settlement Proposal – Results**

Complete Settlement	Partial Settlement	No Settlement
1.1		1.2
	2.1, 2.2	
3.1, 3.2, 3.3, 3.4		
4.1, 4.2		
5.1		

12  
 13 The matters that are the subject of partial settlement are not in dispute; rather, they cannot be  
 14 finalized until the matters relating to: 1) the 2016 Test Year OM&A, 2) the impact of the final  
 15 PILs calculation, and 3) the determination of an effective date for rates.

16 Based on the foregoing, and the evidence and rationale provided below, the Parties agree that this  
 17 Settlement Proposal is appropriate and recommend its acceptance by the OEB.

18 Grimsby Power has provided the following Table 2 highlighting the changes to its Cost of  
 19 Capital, Rate Base and Capital, Operating Expenses and Revenue Requirement from Grimsby  
 20 Power's Application as filed, interrogatories and clarifying questions and this Settlement  
 21 Proposal. This Table does not reflect those issues not settled and yet to be determined by the  
 22 OEB.

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**Table 2 – Summary of Changes to Revenue Requirement**

	Description	Initial Application A	Interrogatories & Clarifying Questions B	Difference C=B-A	Settlement Proposal 1.1 D	Difference E=D-B	Settlement Proposal 2.1 d) F	Difference G=F-D	Settlement Proposal 3.1 H	Difference I=H-F	Total Difference from Interrogatories & Clarifying J=H-B
<b>Cost of Capital</b>	Regulated Return on Capital	1,544,665	1,523,615	21,050	1,517,541	6,074	1,353,237	164,304	1,353,237	-	170,378
	Regulated Rate of Return	6.19%	6.16%	-0.03%	6.16%	0.00%	5.49%	-0.67%	5.49%	0.00%	-0.67%
<b>Rate Base and Capital Expenditures</b>	Rate Base	24,959,518	24,734,446	225,072	24,635,835	98,611	24,635,835	-	24,635,835	-	98,611
	Working Capital	27,782,522	28,116,313	333,791	28,116,313	-	28,116,313	-	28,116,313	-	-
	Working Capital Allowance	2,083,689	2,108,723	25,034	2,108,723	0	2,108,723	-	2,108,723	-	0
<b>Operating Expenses</b>	Amortization/Depreciation	1,000,584	1,001,258	674	998,481	2,777	998,481	-	998,481	-	2,777
	PILs	69,211	88,467	19,256	89,043	576	89,043	-	89,043	-	576
	OM&A	3,925,363	3,925,363	-	3,925,363	-	3,925,363	-	3,925,363	-	-
<b>Revenue Requirement</b>	Service Revenue Requirement	6,574,945	6,573,825	1,120	6,565,549	8,276	6,401,246	164,304	6,401,246	-	172,579
	Other Revenue	301,588	301,588	-	301,588	-	301,588	-	301,588	-	-
	Base Revenue Requirement	6,273,355	6,272,236	1,119	6,263,961	8,276	6,099,658	164,304	6,099,658	-	172,579
	Gross Revenue Deficiency	1,872,051	1,822,499	49,552	1,814,223	8,276	1,649,919	164,304	1,620,216	29,703	202,283

1 **1 PLANNING**

2 **1.1 Capital**

3 *Is the level of planned capital expenditures appropriate and is the rationale for*  
4 *planning and pacing choices appropriate and adequately explained, giving due*  
5 *consideration to:*

- 6 • *customer feedback and preferences;*
- 7 • *productivity;*
- 8 • *compatibility with historic expenditures;*
- 9 • *compatibility with applicable benchmarks;*
- 10 • *reliability and service quality;*
- 11 • *impact on distribution rates;*
- 12 • *trade-offs with OM&A spending;*
- 13 • *government-mandated obligations; and*
- 14 • *the objectives of the Applicant and its customers*

15 **Complete Settlement:** The Parties accept the evidence of Grimsby Power that the level of  
16 planned capital expenditures is appropriate subject to the adjustments below:

17 Grimsby Power agrees to reduce its 2016 gross capital additions by \$200,000 to better  
18 reflect the normalized average difference between planned System Renewal projects  
19 and actual System Renewal projects since Grimsby Power's last cost of service.  
20 Grimsby Power has made this adjustment to USoA 1830 – Poles, Towers and Fixtures and  
21 USoA 1845 – Underground Conductors and Devices (\$100,000 each) for the purpose of  
22 reflecting the adjustment in Grimsby Power's gross capital additions. Grimsby Power will adjust  
23 its depreciation expense accordingly. Appendix A sets out the revised 2016 Fixed Asset  
24 Continuity Schedule. The Parties acknowledge that actual capital spending may vary from  
25 Board-approved based on the operational decisions of Grimsby Power during the Test Year.

26 Grimsby Power also agrees to conduct an independent Asset Condition Assessment to be  
27 submitted as part of its next cost of service or Custom IR application. It is understood by the  
28 Parties that Grimsby Power will include the cost of this Asset Condition Assessment as part of  
29 the regulatory costs submitted with the next cost of service or Custom IR application in a  
30 deferral account which is to be created and approved by the Board. The Parties request that  
31 the Board issue an Accounting Order in this regard. For the Board's assistance, the Parties

1 have provided a draft Accounting Order as Appendix F to this Settlement Proposal.

2 In addition, the Parties accept the evidence of Grimsby Power that the rationale for planning  
3 and pacing choices that inform its planned capital expenditures, as adjusted, are appropriate and  
4 adequately explained, giving due consideration to:

- 5 • The customer feedback and preferences as more fully detailed in EXHIBIT 1, pages  
6 29 – 31, 47 – 50, and 55 – 68, Appendix 1-D, 1-E, and 1-F;
- 7 • The past and planned productivity initiatives of Grimsby Power as more fully detailed  
8 in EXHIBIT 1, pages 69 – 79;
- 9 • The compatibility with historic expenditures as more fully detailed in EXHIBIT 1,  
10 pages 25 – 29, EXHIBIT 2, 35 - 44 and Appendix 2-A;
- 11 • Grimsby Power's compatibility with appropriate benchmarks as more fully detailed in  
12 EXHIBIT 1, pages, 83, EXHIBIT 4, pages 67 – 68 and interrogatories 4-SEC-24 –  
13 Grimsby Power's 2014 Scorecard – EXHIBIT 1, page 45 & Appendix 1-C;
- 14 • Grimsby Power's reliability and service quality performance as more fully detailed  
15 in EXHIBIT 1, pages 11, and EXHIBIT 2, pages 61-62, and interrogatories 4-SEC-  
16 24;
- 17 • The total impact on distribution rates has not been determined as there are unsettled  
18 issues as discussed above;
- 19 • Changes to OM&A spending have not been determined as OM&A spending is not  
20 settled as discussed above;
- 21 • Grimsby Power's past and planned performance meeting government mandated  
22 obligations as more fully detailed in EXHIBIT 1, pages 79 - 81; and
- 23 • Grimsby Power's targets and objectives as more fully detailed in EXHIBIT 1, pages  
24 10 – 14.

25 Grimsby Power confirms that the adjustments agreed to in this Settlement Proposal  
26 should not compromise its ability to (a) pursue continuous improvement in productivity; (b)  
27 maintain system reliability and service quality objectives; and (c) maintain reliable and safe  
28 operation of its distribution system.

1 **Evidence:**

2 Application:

- 3 • EXHIBIT 1, page 25-33, Rate Base and Capital Plan;
- 4 • EXHIBIT 2, Rate Base in its entirety;

5 Interrogatory Responses:

- 6 • 2-Staff-10, 2-Staff-11, 2-Staff-12, 2-Staff-13, 2-Staff-16, 2-Staff-17, 2-Staff-18, 2-  
7 Staff-19, 2-Staff-20, 2-Staff-21, 2-Staff-22, 2-Staff-23, 2-Staff-24, 2-Staff-25, 2-Staff-  
8 26, 2-Staff-28, 2-Staff 29, 2-Staff-30, 2-Energy Probe-6, 2-Energy Probe-10, 2-  
9 Energy Probe-11, 2-Energy Probe-12, 2-VECC-7, 2-VECC-8, 2-VECC-9, 2-VECC-  
10 10, 2-VECC-11, 2-VECC-12, 2-VECC-14, 2-VECC-15, 2-SEC-11, 2-SEC-12, 2-  
11 SEC-13, 2-SEC-14, 2-SEC-15, 2-SEC-16, 2-SEC-17;

12 Clarifying Questions:

- 13 • None

14 Appendices to this Settlement Proposal:

- 15 • Appendix A

16 **Supporting Parties:** All

17 **1.2 OM&A**

18 *Is the level of planned OM&A expenditures appropriate and is the rationale for*  
19 *planning choices appropriate and adequately explained, giving due consideration to:*

- 20 • *customer feedback and preferences;*
- 21 • *productivity;*
- 22 • *benchmarking of costs;*
- 23 • *reliability and service quality;*
- 24 • *impact on distribution rates;*
- 25 • *trade-offs with capital spending;*
- 26 • *government-mandated obligations; and*
- 27 • *the objectives of the Applicant and its customers.*

28 **No Settlement:**

1 **2 REVENUE REQUIREMENT**

2 **2.1** *Are all elements of the Base Revenue Requirement reasonable, and have they been*  
 3 *appropriately determined in accordance with OEB policies and practices?*

4 **Partial Settlement:**

5 The Parties accept the evidence of Grimsby Power that all elements of the Base  
 6 Revenue Requirement, with the exception of OM&A and PILS, have been correctly  
 7 determined in accordance with OEB policies and practices. Specifically:

8 a) Rate Base: The parties accept the evidence of Grimsby Power that the rate base  
 9 calculations, including the adjustments as detailed in this Settlement Proposal are  
 10 reasonable and have been appropriately determined in accordance with OEB  
 11 policies and practices. The calculation provided in Table 3 does not include the  
 12 future OEB determination on any unsettled issues.

13 **Table 3 – Rate Base Calculations**

Description	Initial	Interrogatories	Variance	Settlement	Variance
	Application	& Clarifying Questions		Proposal	
	A	B	C=B-A	D	E=D-B
Average Gross Fixed Assets	28,891,122	28,632,921	(258,201)	28,532,921	(100,000)
Average Accumulated Depreciation	(6,015,294)	(6,007,198)	8,096	(6,005,810)	1,388
Average Net Fixed Assets	22,875,828	22,625,723	(250,105)	22,527,111	(98,612)
Controllable Expenses	3,937,404	3,937,404	-	3,937,404	-
Cost of Power	23,845,118	24,178,909	333,791	24,178,909	-
Working Capital	27,782,522	28,116,313	333,791	28,116,313	-
Working Capital Rate %	7.50%	7.50%		7.50%	
Allowance for Working Capital	2,083,689	2,108,723	-	2,108,723	-
<b>Total Rate Base</b>	<b>24,959,517</b>	<b>24,734,446</b>	<b>(250,105)</b>	<b>24,635,835</b>	<b>(98,612)</b>

14  
 15 b) Working Capital: The parties accept the evidence of Grimsby Power that the  
 16 working capital calculations are reasonable and have been appropriately  
 17 determined in accordance with OEB policies and practices. This calculation  
 18 assumes the OM&A as filed and is not intended by any of the Parties to be  
 19 indicative of the appropriateness of those amounts, or any of their components or  
 20 impacts, but are instead placeholders pending the Board's determination on those  
 21 issues. Grimsby Power has used the working capital allowance default value of



1 7.5% in this calculation.

2 c) OM&A: No Settlement.

3 d) Cost of Capital: The Parties agree that the cost of capital calculation will be adjusted  
 4 as follows:

- 5 • Adjustment to the TD debt for the NWTC Loan from \$3,633,000 to \$4,408,000  
 6 (\$3,633,000 plus a \$775,000 breakage fee) at an interest rate of 2%  
 7 (originally 6.31%) which will reduce the Weighted Long Term Debt Cost Rate  
 8 for 2016 to 3.13%. The interest rate of 2% was an indicative rate provided by  
 9 the TD Bank to refinance Grimsby Power's existing swap into a new swap  
 10 agreement.

11 The Parties accept the evidence of Grimsby Power that the proposed capital  
 12 structure, rate of return on equity and short and long-term debt costs have been  
 13 correctly determined in accordance with OEB policies and practices.

14 The calculation of the new long term debt and the weighted long term debt calculation  
 15 is shown in Table 4 below.

16 **Table 4: Weighted Long Term Debt Cost Calculation**

Description	Lender	Affiliated with LDC?	Fixed or Variable Rate?	Start Date	Principal	Term (Years)	Rate%	Year Applied to	Interest Cost
Promissory Note	Town of Grimsby	Y	Fixed	April 1, 2001	5,782,746	20	4.54%	2016	262,536.67
Smart Meter/Capital Financing	TD Commercial Bank	N	Fixed	March 31, 2011	1,117,728	15	3.34%	2016	37,360.35
Truck Loan	TD Commercial Bank	N	Fixed	December 4, 2012	247,618	15	3.52%	2016	8,717.90
Capital Loan & Economic Evaluation	TD Commercial Bank	N	Fixed	December 12, 2012	2,670,000	1	2.05%	2016	54,735.00
Economic Evaluation	TD Commercial Bank	N	Fixed	November 3, 2015	600,000	1	2.01%	2016	12,060.00
NWTC loan	TD Commercial Bank	N	Fixed	April 30, 2004	4,408,000	21	2.00%	2016	88,160.00

2016 Total Long Term Debt \$ 14,826,091 Total Interest Cost for 2016 \$ 463,570

Weighted Debt Cost Rate for 2016 3.13%

18 e) Other Revenue: The parties accept the evidence of Grimsby Power that its Other  
 19 Revenue in the amount of \$301,588 is appropriate and correctly determined in  
 20 accordance with OEB policies and practices.

21 f) Depreciation: The Parties accept the evidence of Grimsby Power that its forecast  
 22 depreciation/amortization expenses, as adjusted, are appropriate and reflect the  
 23 useful lives of the assets and have been correctly determined in accordance with  
 24 OEB accounting policies and practices.

1 g) Taxes/PILs: No settlement. Grimsby Power has submitted a revised PILs work form  
2 reflecting the position on the use of loss carry forward at the beginning of the  
3 settlement conference. Within the model the 2016 capital cost allowance from  
4 schedule 8 changed due to the change in the 2016 capital additions as filed in this  
5 settlement.

6 The parties do not agree on the PILs methodology regarding the determination and  
7 application of loss carry forwards.

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1       **Evidence:**

2       Application:

- 3           • EXHIBIT 1, page 27, Summary of Rate Base; Summary of Working Capital
- 4           • EXHIBIT 2, Rate Base in its entirety;
- 5           • EXHIBIT 3, pages 33-35, Other Revenue;
- 6           • EXHIBIT 5, Cost of Capital and Capital Structure in its entirety;
- 7           • ATTACHMENT 4-E Income Tax PILS Workform

8       Interrogatory Responses:

- 9           • 2-Staff-9, 2-Energy Probe-6, 2-Energy Probe-9,
- 10          • 3-Staff-31, 3-Energy Probe-19,
- 11          • 4-Energy Probe-21, 4-Energy Probe-34
- 12          • 5-Energy Probe-37

13       Clarifying Questions:

- 14          • 6. Energy Probe Ref: 5-Staff-41

15       Appendices to this Settlement Proposal:

- 16          • Appendix B

17       **Supporting Parties:** All

18    **2.2** *Has the Base Revenue Requirement been accurately determined based on these*  
19    *elements?*

20       **Partial Settlement:** With the exception of the unsettled issues (OM&A and PILs) and  
21       subject to the adjustments expressly noted in this Settlement Proposal, the Parties  
22       accept the evidence of Grimsby Power that the proposed Base Revenue Requirement has  
23       been accurately determined based on these elements. The following Table 5 sets out  
24       Grimsby Power's base revenue requirement calculation for the 2016 Test Year.

1 **Table 5 – Calculation of Base Revenue Requirement – 2016 Test Year**

	Initial Application A	Interrogatories & Clarifying Questions B	Difference C=B-A	Settlement Proposal 1.1 D	Difference E=D-B	Settlement Proposal 2.1 d) F	Difference G=F-D	Total Difference from Interrogatories & Clarifying H=F-B
OM&A	3,925,363	3,925,363	-	3,925,363	-	3,925,363	-	-
LEAP	7,528	7,528	-	7,528	-	7,528	-	-
Property Tax	27,594	27,594	-	27,594	-	27,594	-	-
Depreciation	1,000,584	1,001,258	674	998,481	- 2,777	998,481	-	- 2,777
Total Distribution Expenses	4,961,069	4,961,743	674	4,958,966	- 2,777	4,958,966	-	- 2,777
Regulated Return on Rate Base	1,544,665	1,523,615	- 21,050	1,517,541	- 6,074	1,353,237	- 164,304	- 170,378
PIL's	69,211	88,467	19,256	89,043	576	89,043	-	576
<b>Service Revenue Requirement</b>	<b>6,574,945</b>	<b>6,573,825</b>	<b>- 1,120</b>	<b>6,565,550</b>	<b>- 8,276</b>	<b>6,401,246</b>	<b>- 164,304</b>	<b>- 172,579</b>
Less: Revenue Offsets	301,588	301,588	-	301,588	-	301,588	-	-
<b>Gross Revenue Requirement for Rates</b>	<b>6,273,356</b>	<b>6,272,236</b>	<b>- 1,120</b>	<b>6,263,962</b>	<b>- 8,276</b>	<b>6,099,657</b>	<b>- 164,304</b>	<b>- 172,579</b>

2

3

**Evidence:**

4

Application:

5

- EXHIBIT 1, page 20, Revenue Requirement;

6

- EXHIBIT 2, Rate Base in its entirety;

7

- EXHIBIT 5, Cost of Capital and Capital Structure in its entirety;

8

Interrogatory Responses:

9

- 3-Energy Probe-20, 5-Energy Probe-32 to 5-Energy Probe-36;

10

- 5.0-Staff-70;

11

- 5.0-VECC-35

12

Clarifying Questions:

13

- Energy Probe 7.0 Ref: 5.0-Staff-70, Energy Probe 8. Ref: 5.0-Staff-70 & 5-Energy Probe-33

14

15

Appendices to this Settlement Proposal:

16

- Appendix B

17

**Supporting Parties: All**

1 **3. LOAD FORECAST, COST ALLOCATION AND RATE DESIGN**

2 **3.1** *Are the proposed load and customer forecast, loss factors, CDM adjustments and*  
3 *resulting billing determinants appropriate, and, to the extent applicable, are they an*  
4 *appropriate reflection of the energy and demand requirements of the applicant's*  
5 *customers?*

6 **Complete Settlement:** The Parties accept the evidence of Grimsby Power that the  
7 customer forecast, loss factors, CDM adjustments and the resulting billing determinants  
8 are appropriate and are an appropriate reflection of the energy and demand  
9 requirements of the Applicant's customers. The load forecast for the Embedded  
10 Distributor has been adjusted to account for gross billing. The load forecast of 139,279  
11 kW formed the billing determinant for the Embedded Distributor. The 139,279 kW was  
12 derived from the sum of the actual 2015 demand supplied from the Niagara West MTS to  
13 NPEI plus the demand supplied to NPEI from embedded generation (ie. gross load) on  
14 the circuit supplying NPEI. This information has been supplied to Grimsby Power from  
15 NPEI. The following Table 6 sets out the agreed to load forecast for all of the rate classes  
16 except the Embedded Distributor rate class which has been adjusted as noted above.

17

1

**Table 6 – 2016 Load Forecast**

<b>Load Forecast By Class</b>	<b>Initial Application A</b>	<b>Interrogatories &amp; Clarifying Questions B</b>	<b>Difference C=B-A</b>	<b>Settlement Proposal D</b>	<b>Difference E=D-B</b>
<b>Residential</b>					
Customers	10,310	10,402	92	10,402	-
kWh	92,563,942	95,033,193	2,469,251	95,033,193	-
<b>General Service &lt;50 kW</b>					
Customers	751	772	21	772	-
kWh	18,812,265	19,517,850	705,585	19,517,850	-
<b>General Service &gt;50 to 4,999 kW</b>					
Customers	107	111	4	111	-
kWh	69,648,507	68,212,241	-1,436,266	68,212,241	-
kW	186,573	182,713	- 3,861	182,713	-
<b>Street Lighting</b>					
Connections	2,680	2,653	- 27	2,653	-
kWh	1,145,992	662,630	- 483,362	662,630	-
kW	3,429	1,983	- 1,446	1,983	-
<b>Unmetered Scattered Load</b>					
Connections	74	72	- 2	72	-
kWh	373,349	366,642	- 6,707	366,642	-
<b>Embedded Distributor</b>					
Customers	1	1	-	1	-
kW	126,624	122,498	- 4,126	139,279	16,781

2

3

**Evidence:**

4

Application:

5

- EXHIBIT 1, page 24 Load Forecast Summary;

6

- EXHIBIT 3, Operating Revenue in its entirety

7

Interrogatory Responses:

8

- 3-Staff-31;

9

- 3-Staff-32

- 1           • 3-Energy Probe-14
- 2           • 3-Energy Probe-18
- 3           • 3-VECC-23
- 4           • 3-VECC-24

5           Clarifying Questions:

- 6           • None

7           It was also agreed that Grimsby Power's LRAMVA Baseline calculation will be based on the  
8           assumed full year savings from 2016 programs only.

- 9           a) The following Table 7 breaks down the assumed full year 2016 savings by rate  
10           class. The expected kW savings has been provided for the GS >50 to 4,999 rate  
11           class using the average kW/kWh ratio from updated Table 3-20 in the Grimsby  
12           Power's response to 3-Energy Probe-17.

**Table 7 – 2016 LRAMVA Baseline Broken Down by Rate Class**

Year	Residential	GS <50 kW	GS >50 to 4,999 kW	Total
2016 LRAMVA kWh	1,122,360	374,120	374,120	1,870,600
2016 LRAMVA kW			1,002	1,002

**Evidence:**

Application:

- EXHIBIT 3, page 18 - 20

Interrogatory Responses:

- 3-VECC-22, 3-VECC-23

Appendices to this Settlement Proposal:

- None

**Supporting Parties:** All

**3.2** *Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios appropriate?*

**Complete Settlement:** The Parties accept the evidence of Grimsby Power, subject to the adjustments identified below, that the cost allocation methodology, allocations and revenue-to-cost ratios are appropriate for all rate classes except changes to the Embedded Distributor rate class as outlined below.

- Grimsby Power agrees to alter the cost allocation model so that 40% of the costs directly associated with Niagara West MTS are allocated to the Embedded Distributor by using the direct allocation method. The allocation of costs is based upon the capacity allocation for the Niagara West MTS. NPEI has been allocated 18MW of the 45 MW total allocated capacity. Grimsby Power agrees to remove the rate base components related to general plant indirect costs that were originally allocated to the Embedded Distributor class. This was accomplished by developing a new allocator to ensure that indirect general plant costs are not allocated to the Embedded Distributor class. The revenue to cost ratio for the Embedded Distributor class remains at 100%.

The following Table 8 sets out the results of the Cost Allocation model and Grimsby



Power's proposed revenue to cost ratios. Both results are based on the revenue requirement with the current assumptions accepted by the Parties and it is acknowledged that Grimsby Power's revenue requirement may be subject to change based on the OEB's determination on the unsettled issues.

**Table 8 – Proposed Revenue to Cost Ratios**

	Revenue to Cost Ratios from 2016 Cost Allocation Model	Proposed Revenue to Cost Ratio
Residential	112.22%	105.72%
GS <50 kW	102.30%	102.30%
GS >50 to 4,999 kW	64.48%	80.00%
Street Lighting	108.21%	105.72%
Unmetered Scattered Load	45.59%	80.00%
Embedded Distributor	86.62%	100.00%

**Evidence:**

Application:

- EXHIBIT 1, pages 38 – 42;
- EXHIBIT 7: Cost Allocation in its entirety

Interrogatory Responses:

- 7-Energy Probe-43;

Clarifying Questions:

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

Appendices to this Settlement Proposal:

- None

**Supporting Parties: All**

**3.3** *Are the applicant's proposals, including the proposed fixed/variable splits, for rate design appropriate?*

**Complete Settlement:** The Parties accept the evidence of Grimsby Power, subject to the

1 adjustment identified below, that Grimsby Power's proposal for rate design, including the  
2 proposed fixed/variable splits is appropriate. The rate design for residential class  
3 reflects the OEB's *New Distribution Rate Design for Residential Electricity Customers*  
4 (*EB-2014-0210*).

5 The following Table 9 sets out Grimsby Power's proposed fixed/variable rates subject to  
6 OEB determination on OM&A and PILS.

7 a) Grimsby Power agrees to a fixed/variable revenue proportion of 50% fixed and 50%  
8 variable for the Embedded Distributor class. As noted above the Embedded  
9 Distributor forecast is based upon the gross load on the circuits from the Niagara West  
10 MTS serving NPEI. The variable portion of this revenue is highly influenced by  
11 embedded generation and therefore the following policy will provide Grimsby Power  
12 with sufficient certainty of revenue.

13 i) The monthly billing demand for the variable rate is defined as the highest Non-  
14 Coincident peak demand (kW) which occurs in any hour of the month. The  
15 monthly billing demand will be the highest demand that occurs in any hour in  
16 the month from the sum of (a) the demand supplied from the Niagara West  
17 MTS to the customer plus (b) the demand that is supplied to the customer from  
18 embedded generation which have installed capacity of 2MW or more for  
19 renewable generation and 1MW or higher for non-renewable generation. The  
20 term renewable generation refers to a facility that generates electricity from the  
21 following sources: wind, solar, biomass, bio-oil, bio-gas, landfill gas, or water.

22 ii) The revenue generated from this variable rate in any calendar year will be trued  
23 up such that:

- 24 • If the sum of the billed demand for each month is less than the threshold of  
25 117,500kW per year the difference between the threshold (117,500kW) and  
26 the actual demand billed (lower than 117,500kW) will be multiplied by the  
27 current variable rate and owed by the Embedded Distributor to Grimsby  
28 Power (a true-up). This provides Grimsby Power assurance its revenue  
29 from the Embedded Distributor class will meet or exceed approximately  
30 84% of forecast gross demand (139,279) for the class. The 16% difference  
31 allows for reductions in demand within the Embedded Distributors customer  
32 base (supplied from Niagara West MTS) related to CDM programs, loss of

1 customer load, impacts of generation below the 1MW and 2MW capacities  
2 noted in (i) above, and potential transfers of load by NPEI to other facilities.

- 3 • This true up, if necessary, will begin based on demands starting on January  
4 1, 2017. The value of the true-up will be calculated in the first quarter of  
5 each year from 2018 to 2021 which covers the rate rebasing period except  
6 2016.

- 7 b) Grimsby Power agrees to set the monthly fixed charge for GS>50kW rates class as  
8 the minimum system with PLCC adjustment as reported in the cost allocation model  
9 for this class.

10

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.

- a) 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

1 application Grimsby Power would apply Retail Transmission Service Rates to the  
 2 newly created Embedded Distributor rate class pending the completion of certain  
 3 steps below. It is the expectation that, through the IESO Market Participant  
 4 processes, the market participant designation for Retail Transmission Service Rates  
 5 will be transferred from NPEI to Grimsby Power. It is also expected that market  
 6 participant processes applicable to wholesale metering at the Niagara West MTS will  
 7 also be transferred from Niagara Peninsula Energy Inc. to Grimsby Power. At the  
 8 date of transfer, and upon notification to the OEB, Grimsby Power will begin to apply  
 9 the Retail Transmission Service Rates to the Embedded Distributor rate class.  
 10 Grimsby Power's draft rate order will be structured such that these Retail  
 11 Transmission Service Rates are included in the tariff sheets with a provision that a  
 12 transfer of market participant (as described above) must take place prior to their  
 13 application. Grimsby Power also agrees to work expeditiously with Niagara  
 14 Peninsula Energy Inc. to create a "Connection Agreement" between the parties as  
 15 contemplated by the Distribution System Code Section 6.3.2. The Retail  
 16 Transmission Service Rates for the Embedded Distributor are based upon the  
 17 proportion of NPEI station peak. The Retail Transmission Service Rates are set out  
 18 in Table 10 below:

19 **Table 10 – Retail Transmission Service Rates**

Rate Class	RTSR-Network		RTSR-Connection	
	Per kWh	Per kW	Per kWh	Per kW
Residential	0.0057		0.0033	
General Service Less Than 50 kW	0.0053		0.0029	
General Service 50 to 4,999 kW		2.0981		1.1784
General Service 50 to 4,999 kW – Interval Metered		2.1250		1.2420
Unmetered Scattered Load	0.0053		0.0029	
Street Lighting		1.5824		0.9109
Embedded Distributor		2.8107		0.5033

21 **Evidence:**

22 Application:

- 23 • EXHIBIT 8, page 7 – 8, Retail Transmission Service Rates;
- 24 • EXHIBIT 8, pages 9 - 10, Low Voltage Service Rates.
- 25 • Appendix 8-B Retail Transmission Service Rate Work Form

1        Interrogatory Responses:

- 2            • 8-Staff-45
- 3            • 8-VECC-55
- 4            • 8-NPEI-7
- 5            • Grimsby\_IRR\_RTSMODEL\_V4\_0\_20160506

6        Appendices to this Settlement Proposal:

- 7            • None

8        **Supporting Parties: All**

1 **4. ACCOUNTING**

2 **4.1** *Have all impacts of any changes in accounting standards, policies, estimates and*  
3 *adjustments been properly identified and recorded, and is the rate- making treatment*  
4 *of each of these impacts appropriate?*

5 **Complete Settlement:** The Parties accept the evidence of Grimsby Power that any  
6 changes in accounting standards, policies, estimates and adjustments have been  
7 properly identified and recorded, and that the rate-making treatment of each of these  
8 impacts is appropriate.

9 **Evidence:**

10 Application:

- 11 • EXHIBIT 1, page 83 - 89, Audited Financial Statements and Reconciliation to  
12 Regulatory Accounting;
- 13 • EXHIBIT 1, page 90 to 91, Accounting Orders and Standards;
- 14 • EXHIBIT 1, pages 100 to 101, Previous OEB Directives from OEB  
15 Decisions;
- 16 • Appendix 1-G through 1-I, 2012 – 2014 Audited Financial Statements;

17 Interrogatory Responses:

- 18 • 1-Staff-8

19 Appendices to this Settlement Proposal:

- 20 • None

21 **Supporting Parties:** All

22 **4.2** *Are the applicant's proposals for deferral and variance accounts, including the balances*  
23 *in the existing accounts and their disposition, and the continuation of existing accounts,*  
24 *appropriate?*

25 **Complete Settlement:** The Parties accept the evidence of Grimsby Power that the  
26 proposed deferral and variance accounts, including the balances in the existing  
27 accounts and their disposition, and the continuation of existing accounts, are appropriate.

1 The continuation of existing accounts, excluding 1532 Renewable Generation and 1508  
2 Other Regulatory Assets deferred IFRS Transition Costs, is also accepted. Accounts 1532  
3 Renewable Generation and 1508 Other Regulatory Assets Deferred IFRS Transition costs  
4 will be cleared and discontinued. The Parties also agree to the establishment of a new  
5 deferral account for the costs associated with the Asset Condition Assessment and have  
6 requested that the Board issue an Accounting Order in this regard, a draft of which  
7 accompanies this Settlement Proposal as Appendix F.

8 The Parties agree that in terms of the LRAMVA the future baseline will be split by rate  
9 class. See 3.1a.

10 **Evidence:**

11 Application:

- 12 • EXHIBIT 9: Deferral and Variance Accounts in its entirety
- 13 • ATTACHMENT 1-9. EDDVAR Model V2.6

14 Interrogatory Responses:

- 15 • 4.0-VECC-40 through 4.0-VECC-45
- 16 • 9-Energy Probe-46;
- 17 • 9-Staff-75 to 9-Staff-77

18 Clarifying Questions:

- 19 • None

20 Appendices to this Settlement Proposal:

- 21 • None

22 **Supporting Parties:** All



1 **5 OTHER**

2 **5.1** *Are rate mitigation proposals required for any rate classes?*

3 **Complete Settlement:** The Parties accept the evidence of Grimsby Power that rate  
4 mitigation is not required for any rate classes.

5 **Evidence:**

6 Application:

- 7
  - EXHIBIT 1, pages 42 & 43;
  - 8 • EXHIBIT 8, page 14, Rate Mitigation;

9 Interrogatory Responses:

- 10
  - 8-VECC-57
  - 11 • 8-NPEI-8 (e)

12 Appendices to this Settlement Proposal:

- 13
  - None

14 **Supporting Parties:** All

15

**APPENDIX A: REVISED 2016 FIXED ASSET CONTINUITY SCHEDULE**

**Appendix 2-BA**  
**Fixed Asset Continuity Schedule <sup>1</sup>**

Accounting Standard MIFRS  
Year 2016

CCA Class <sup>2</sup>	OEB Account <sup>3</sup>	Description <sup>3</sup>	Cost			Accumulated Depreciation				Net Book Value	
			Opening Balance	Additions <sup>4</sup>	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
12	1611	Computer Software (Formally known as Account 1925)	\$ 774,616	\$ 177,000	\$ -	\$ 951,616	\$ (524,256)	\$ (123,870)	\$ -	\$ (648,126)	\$ 303,490
CEC	1612	Land Rights (Formally known as Account 1906)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
N/A	1805	Land	\$ 149,992	\$ -	\$ -	\$ 149,992	\$ -	\$ -	\$ -	\$ -	\$ 149,992
47	1808	Buildings	\$ 1,256,185	\$ -	\$ -	\$ 1,256,185	\$ (296,721)	\$ (25,124)	\$ -	\$ (321,845)	\$ 934,340
13	1810	Leasehold Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1815	Transformer Station Equipment >50 kV	\$ 7,492,068	\$ 45,000	\$ -	\$ 7,537,068	\$ (1,920,760)	\$ (217,663)	\$ -	\$ (2,138,422)	\$ 5,398,646
47	1820	Distribution Station Equipment <50 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1825	Storage Battery Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1830	Poles, Towers & Fixtures	\$ 4,218,716	\$ 23,196	\$ -	\$ 4,241,911	\$ (519,320)	\$ (115,198)	\$ -	\$ (634,519)	\$ 3,607,393
47	1835	Overhead Conductors & Devices	\$ 3,137,348	\$ 173,701	\$ -	\$ 3,311,049	\$ (206,052)	\$ (56,122)	\$ -	\$ (262,174)	\$ 3,048,875
47	1840	Underground Conduit	\$ 2,402,274	\$ 190,845	\$ -	\$ 2,593,119	\$ (268,886)	\$ (62,509)	\$ -	\$ (331,395)	\$ 2,261,724
47	1845	Underground Conductors & Devices	\$ 2,039,261	\$ 144,669	\$ -	\$ 2,183,930	\$ (257,544)	\$ (75,363)	\$ -	\$ (332,907)	\$ 1,851,023
47	1850	Line Transformers	\$ 4,475,724	\$ 354,435	\$ -	\$ 4,830,159	\$ (645,072)	\$ (140,199)	\$ -	\$ (785,271)	\$ 4,143,988
47	1855	Services (Overhead)	\$ 221,574	\$ 7,297	\$ -	\$ 228,872	\$ (14,037)	\$ (3,889)	\$ -	\$ (17,936)	\$ 210,935
47	1855	Services (Underground)	\$ 1,468,765	\$ 291,542	\$ -	\$ 1,760,307	\$ (125,983)	\$ (46,324)	\$ -	\$ (172,307)	\$ 1,588,000
47	1860	Meters (Smart Meters)	\$ 1,796,134	\$ 79,817	\$ -	\$ 1,875,951	\$ (498,216)	\$ (123,783)	\$ -	\$ (621,999)	\$ 1,253,952
47	1860	Meters >50	\$ 279,825	\$ 48,420	\$ -	\$ 328,245	\$ (48,501)	\$ (13,739)	\$ -	\$ (62,240)	\$ 266,004
47	1860	Meters CT's & PT's	\$ 173,012	\$ 1,110	\$ -	\$ 174,123	\$ (13,991)	\$ (5,198)	\$ -	\$ (19,189)	\$ 154,933
N/A	1905	Land	\$ 111,556	\$ -	\$ -	\$ 111,556	\$ -	\$ -	\$ -	\$ -	\$ 111,556
47	1908	Buildings & Fixtures (50 years)	\$ 311,426	\$ -	\$ -	\$ 311,426	\$ (62,285)	\$ (12,457)	\$ -	\$ (74,742)	\$ 236,684
47	1908	Buildings & Fixtures (40 years)	\$ 55,127	\$ -	\$ -	\$ 55,127	\$ (7,350)	\$ (2,049)	\$ -	\$ (9,399)	\$ 45,727
47	1908	Buildings & Fixtures (25 years)	\$ 230,777	\$ 132,400	\$ -	\$ 363,177	\$ (38,612)	\$ (11,882)	\$ -	\$ (50,494)	\$ 312,683
13	1910	Leasehold Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	1915	Office Furniture & Equipment (10 years)	\$ 128,285	\$ 9,000	\$ -	\$ 137,285	\$ (39,386)	\$ (14,487)	\$ -	\$ (53,873)	\$ 83,412
8	1915	Office Furniture & Equipment (5 years)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	1920	Computer Equipment - Hardware	\$ 153,123	\$ 37,000	\$ -	\$ 190,123	\$ (105,214)	\$ (28,716)	\$ -	\$ (133,929)	\$ 56,194
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	1930	Transportation Equipment (8 years)	\$ 21,466	\$ -	\$ -	\$ 21,466	\$ (18,833)	\$ (449)	\$ -	\$ (19,282)	\$ 2,185
10	1930	Transportation Equipment (12 years)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	1930	Transportation Equipment (15 years)	\$ 344,950	\$ 356,000	\$ -	\$ 700,950	\$ (83,694)	\$ (35,391)	\$ -	\$ (119,085)	\$ 581,864
8	1935	Stores Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	1940	Tools, Shop & Garage Equipment	\$ 199,687	\$ -	\$ -	\$ 199,687	\$ (51,419)	\$ (20,199)	\$ -	\$ (71,618)	\$ 128,069
8	1945	Measurement & Testing Equipment	\$ 37,485	\$ -	\$ -	\$ 37,485	\$ (22,576)	\$ (4,442)	\$ -	\$ (27,019)	\$ 10,466
8	1950	Power Operated Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	1955	Communications Equipment	\$ 70,080	\$ -	\$ -	\$ 70,080	\$ (19,015)	\$ (7,008)	\$ -	\$ (26,023)	\$ 44,057
8	1955	Communication Equipment (Smart Meters)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	1960	Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1970	Load Management Controls Customer Premises	\$ 16,439	\$ -	\$ -	\$ 16,439	\$ (2,182)	\$ (1,644)	\$ -	\$ (3,826)	\$ 12,613
47	1975	Load Management Controls Utility Premises	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1980	System Supervisor Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1985	Miscellaneous Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1990	Other Tangible Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1995	Contributions & Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	2440	Deferred Revenue <sup>5</sup>	\$ (3,788,064)	\$ (561,251)	\$ -	\$ (4,349,315)	\$ 202,154	\$ 113,396	\$ -	\$ 315,550	\$ (4,033,765)
		<b>Sub-Total</b>	<b>\$ 27,777,831</b>	<b>\$ 1,510,180</b>	<b>\$ -</b>	<b>\$ 29,288,011</b>	<b>\$ (5,488,649)</b>	<b>\$ (1,034,320)</b>	<b>\$ -</b>	<b>\$ (6,522,970)</b>	<b>\$ 22,765,042</b>
		Less Socialized Renewable Energy Generation Investments (input as negative)				\$ -				\$ -	\$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)				\$ -				\$ -	\$ -
		<b>Total PP&amp;E</b>	<b>\$ 27,777,831</b>	<b>\$ 1,510,180</b>	<b>\$ -</b>	<b>\$ 29,288,011</b>	<b>\$ (5,488,649)</b>	<b>\$ (1,034,320)</b>	<b>\$ -</b>	<b>\$ (6,522,970)</b>	<b>\$ 22,765,042</b>
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable <sup>6</sup>								\$ -	\$ -
		<b>Total</b>					<b>\$ (1,034,320)</b>				

10	Transportation
8	Stores Equipment

Less: Fully Allocated Depreciation  
Transportation \$ (35,840)  
**Net Depreciation \$ (998,481)**

|  
**APPENDIX B: REVENUE REQUIREMENT WORK FORM**



|  
**APPENDIX C: APPENDIX 2-P COST ALLOCATION**

## Appendix 2-P Cost Allocation

Please complete the following four tables.

### A) Allocated Costs

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	\$ 3,100,569	67.65%	\$ 3,956,661	61.81%
GS < 50 kW	\$ 544,637	11.88%	\$ 695,681	10.87%
GS > 50 to 4,999 kW	\$ 730,000	15.93%	\$ 1,168,690	18.26%
Street Lighting	\$ 176,913	3.86%	\$ 106,679	1.67%
Unmetered Scattered Load (USL)	\$ 31,324	0.68%	\$ 73,067	1.14%
Embedded Distributor Class		0.00%	\$ 400,469	6.26%
<b>Total</b>	<b>\$ 4,583,443</b>	<b>100.00%</b>	<b>\$ 6,401,246</b>	<b>100.00%</b>

#### Notes:

- Customer Classification - If proposed rate classes differ from those in place in the previous Cost Allocation study, modify the rate classes to match the current application as closely as possible.
- Host Distributors - Provide information on embedded distributor(s) as a separate class, if applicable. If embedded distributor(s) are billed as customers in a General Service class, include the allocated costs and revenues of the embedded distributor(s) in the applicable class. Also complete Appendix 2-Q.
- Class Revenue Requirements - If using the Board-issued model, in column 7A enter the results from Worksheet O-1, Revenue Requirement (row 40 in the 2013 model). This excludes costs in deferral and variance accounts. Note to Embedded Distributor(s), it also does not include Account 4750 - Low Voltage (LV) Costs.

### B) Calculated Class Revenues

Classes (same as previous table)	Column 7B	Column 7C	Column 7D	Column 7E
	Load Forecast (LF) X current approved rates	L.F. X current approved rates X (1 + d)	LF X proposed rates	Miscellaneous Revenue
Residential	\$ 3,108,390	\$ 4,232,697	\$ 3,975,291	\$ 207,617
GS < 50 kW	\$ 502,755	\$ 684,601	\$ 684,601	\$ 27,084
GS > 50 to 4,999 kW	\$ 523,315	\$ 712,598	\$ 893,955	\$ 40,997
Street Lighting	\$ 78,316	\$ 106,642	\$ 103,980	\$ 8,799
Unmetered Scattered Load (USL)	\$ 20,142	\$ 27,427	\$ 52,571	\$ 5,883
Embedded Distributor Class	\$ 246,524	\$ 335,692	\$ 389,259	\$ 11,209
<b>Total</b>	<b>\$ 4,479,441</b>	<b>\$ 6,099,657</b>	<b>\$ 6,099,657</b>	<b>\$ 301,588</b>

#### Notes:

- Columns 7B to 7D - LF means Load Forecast of Annual Billing Quantities (i.e. customers or connections X 12, (kWh or kW, as applicable). Revenue Quantities should be net of Transformer Ownership Allowance. Exclude revenue from rate adders and rate riders.
- Columns 7C and 7D - Column total in each column should equal the Base Revenue Requirement
- Columns 7C - The Board cost allocation model calculates "1+d" in worksheet O-1, cell C21. "d" is defined as Revenue Deficiency/Revenue at Current Rates.
- Columns 7E - If using the Board-issued Cost Allocation model, enter Miscellaneous Revenue as it appears in Worksheet O-1, row 19.

### C) Rebalancing Revenue-to-Cost (R/C) Ratios

Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year: 2012	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	%	%	%	%
Residential	108.40	112.22	105.72	85 - 115
GS < 50 kW	96.30	102.30	102.30	80 - 120
GS > 50 to 4,999 kW	80.30	64.48	80.00	80 - 120
GS > xxx kW, if applicable				80 - 120
Large User, if applicable				85 - 115
Street Lighting	49.40	108.21	105.72	80 - 120
Sentinel Lighting				80 - 120
Unmetered Scattered Load (USL)	80.00	45.59	80.00	80 - 120
Embedded Distributor Class		86.62	100.00	

**Notes:**

- 1 Previously Approved Revenue-to-Cost Ratios - For most applicants, Most Recent Year would be the third year of the IRM 3 period, e.g. if the applicant rebased in 2009 with further adjustments over 2 years, the Most recent year is 2011. For applicants whose most recent rebasing year is 2006, the applicant should enter the ratios from their Informational Filing.
- 2 Status Quo Ratios - The Board's updated Cost Allocation Model yields the Status Quo Ratios in Worksheet O-1. Status Quo means "Before Rebalancing".

**D) Proposed Revenue-to-Cost Ratios**

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2016	2017	2018	
	%	%	%	%
Residential	105.72	105.72	105.72	85 - 115
GS < 50 kW	102.30	102.30	102.30	80 - 120
GS > 50 to 4,999 kW	80.00	80.00	80.00	80 - 120
GS > xxx kW, if applicable				80 - 120
Large User, if applicable				85 - 115
Street Lighting	105.72	105.72	105.72	80 - 120
Sentinel Lighting				80 - 120
Unmetered Scattered Load (USL)	80.00	80.00	80.00	80 - 120
Embedded Distributor Class	100.00	100.00	100.00	0
				0
	0	-	-	

**Note:**

- 1 The applicant should complete Table D if it is applying for approval of a revenue to cost ratio in 2014 that is outside the Board's policy range for any customer class. Table (d) will show the information that the distributor would likely enter in the IRM model) in 2016. In 2017 Table (d), enter the planned ratios for the classes that will be 'Change' and 'No Change' in 2016 (in the current Revenue Cost Ratio Adjustment Workform, Worksheet C1.1 'Decision – Cost Revenue Adjustment', column d), and enter TBD for class(es) that will be entered as 'Rebalance'.



|  
**APPENDIX D: APPENDIX 2-PA RES RATE DESIGN**

## Appendix 2-PA New Rate Design Policy For Residential Customers

Please complete the following tables.

### A) Data Inputs

Test Year Billing Determinants for Residential Class	
Customers	10,402
kWh	95,033,193

Proposed Residential Class Specific Revenue Requirement <sup>1</sup>	\$ 3,975,291.02
--	-----------------

Residential Base Rates on Current Tariff	
Monthly Fixed Charge (\$)	15.69
Distribution Volumetric Rate (\$/kWh)	0.0121

### B) Current Fixed/Variable Split

	Base Rates	Billing Determinants	Revenue	% of Total Revenue
Fixed	15.69	10,402	\$ 1,958,488.56	63.01%
Variable	0.0121	95,033,193	\$ 1,149,901.63	36.99%
<b>TOTAL</b>	-	-	\$ 3,108,390.19	-

### C) Calculating Test Year Base Rates

Number of Required Rate Design Policy Transition Years <sup>2</sup>	4
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	Test Year Revenue @ Current F/V Split	Test Year Base Rates @ Current F/V Split	Reconciliation - Test Year Base Rates @ Current F/V Split
Fixed	\$ 2,504,692.62	20.07	\$ 2,505,217.68
Variable	\$ 1,470,598.40	0.0155	\$ 1,473,014.49
<b>TOTAL</b>	\$ 3,975,291.02	-	\$ 3,978,232.17

	New F/V Split	Revenue @ new F/V Split	Final Adjusted Base Rates	Reconciliation @ Adjusted Rates
Fixed	72.25%	\$ 2,872,342.22	23.01	\$ 2,872,200.24
Variable	27.75%	\$ 1,102,948.80	0.0116	\$ 1,102,385.04
<b>TOTAL</b>	-	\$ 3,975,291.02	-	\$ 3,974,585.28

Checks <sup>3</sup>	
Change in Fixed Rate	\$ 2.94
Difference Between Revenues @ Proposed Rates and Class Specific Revenue Requirement	-\$ 705.74
	-0.02%

### Notes:

- The final residential class specific revenue requirement, as shown in Appendix 2-P, should be used (i.e. the revenue requirement after any proposed adjustments to R/C ratios).
- Default number of transition years for rate design policy change is 4. Where the change in the residential rate design will result in the fixed charge increasing by more than \$4/year, a distributor may propose an additional transition year.
- Change in fixed rate due to rate design policy should be less than \$4. The difference between the proposed class revenue requirement and the revenue at calculated base rates should be minimal (i.e. should be reasonably considered as a rounding error)

|  
**APPENDIX E: APPENDIX 2-V REV RECONCILIATION**

**Appendix 2-V  
Revenue Reconciliation**

Rate Class	Customers/ Connections	Number of Customers/Connections			Test Year Consumption		Proposed Rates			Revenues at Proposed Rates	Class Specific Revenue Requirement	Transformer Allowance Credit	Total	Difference
		Start of Test Year	End of Test Year	Average	kWh	kW	Monthly Service Charge	Volumetric						
Residential	Customers	10,267.00	10,537.00	10,402.00	95,033,193		\$ 23.01	\$ 0.0116		\$ 3,974,585.28	\$ 3,975,291	\$ 3,975,291	\$ 706	
GS < 50 kW	Customers	767.00	777.00	772.00	19,517,850		\$ 27.53	\$ 0.0220		\$ 684,430.62	\$ 684,601	\$ 684,601	\$ 171	
GS > 50 to 4,999 kW	Customers	111.00	111.00	111.00		182,713	\$ 219.98		\$ 3.4477	\$ 922,952.74	\$ 893,955	\$ 28,999	\$ 922,954	\$ 2
Streetlighting	Connections	2,631.00	2,675.00	2,653.00		1,983	\$ 2.83		\$ 7.0351	\$ 103,979.57	\$ 103,980		\$ 103,980	\$ 0
Unmetered Scattered Load	Connections	70.00	74.00	72.00	366,642		\$ 48.00	\$ 0.0303		\$ 52,579.43	\$ 52,571		\$ 52,571	-\$ 9
Standby Power				-						\$ -			\$ -	\$ -
Embedded Distributor Class	Customers		1.00	1.00		139,279	\$ 16,219.13		\$ 1.3974	\$ 389,258.03	\$ 389,259		\$ 389,259	\$ 1
				-						\$ -			\$ -	\$ -
				-						\$ -			\$ -	\$ -
				-						\$ -			\$ -	\$ -
				-						\$ -			\$ -	\$ -
<b>Total</b>										\$ 6,127,785.68	\$ 6,099,657	\$ 28,999	\$ 6,128,657	\$ 871

**Note**

- The class specific revenue requirements in column N must be the amounts used in the final rate design process. The total of column N should equate to the proposed base revenue requirement.
- Rates should be entered with the number of decimal places that will show on the Tariff of Rates and Charges.

**APPENDIX F: DRAFT ACCOUNTING ORDER – ASSET CONDITION ASSESSMENT**

Please see below for a Draft Accounting Order – Asset Condition Assessment, to reflect this Settlement Proposal.

**ACCOUNTING ORDER REQUESTED – 1508 OTHER REGULATORY ASSET – ASSET  
CONDITION ASSESSMENT**

Grimsby Power Inc requests a new variance account 1508 Other Regulatory Asset – Asset Condition Assessment to record the costs associated with a third party Asset Condition Assessment as agreed to in the Partial Settlement Proposal.

In the absence of a general variance account for this purpose, the Parties to the Partial Settlement Proposal in the matter of Grimsby Power Inc.'s application for approval of electricity distribution rates and charges for 2016 (EB-2015-0072) request that the Board approve an Accounting Order for Grimsby Power Inc. as part of this partial settlement, and that such an Accounting Order include the following:

- 1) The costs incurred related to the agreed upon third party Asset Condition Assessment.

Accounting Entry:

Debit - Account 1508, Other Regulatory Asset – Asset Condition Assessment  
Credit - Account 2205, Accounts Payable

- 2) The balance in the variance account is to be disposed of at Grimsby Power Inc's next Cost of Service Filing; and
- 3) Carrying charges, at the Board's Prescribed Interest Rate for Deferral and Variance Accounts, would be applied until final disposition.

## **LIVE EXCEL MODELS**

The following live excel models have been filed together with and form an integral part of this settlement proposal:

- Grimsby\_SettlementP\_2016\_Load\_Forecast\_2016\_COP\_Forecast\_20160624
- Grimsby\_SettlementP\_2016\_Rev\_Reqt\_Work\_Form\_V6\_20160624
- Grimsby\_SettlementP\_Detailed\_CA\_Model\_Run3\_20160624
- Grimsby\_SettlementP\_Test\_year\_Income\_Tax\_PILs\_Workform\_DRAFT\_20160624