

ONTARIO ENERGY BOARD

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| FILE NO.: | EB-2016-0085 | InnPower Corporation |
| VOLUME:  DATE: | Technical Conference  September 12, 2017 |  |

EB-2016-0085

**InnPower Corporation**

**Application for electricity distribution rates and other charges beginning July 1, 2017.**

Technical Conference held at 2300 Yonge Street,

25th Floor, Toronto, Ontario,

on Tuesday, September 12, 2017,

commencing at 9:32 a.m.

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Technical Conference

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LJUBA DJURDJEVIC Board Counsel

FIONA O'CONNELL Board Staff

TED WOJCINSKI

JOHN VELLONE InnPower Corporation

CINDY ZHANG

JAY SHEPHERD School Energy Coalition (SEC)

CYNTHIA KHOO Vulnerable Energy Consumers

MARK GARNER Coalition (VECC)

BILL HARPER

ALSO PRESENT:

BARB CESARIN InnPower Corporation

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Tuesday, September 12, 2017

### --- On commencing at 9:32 a.m.

MS. DJURDJEVIC: Good morning, everybody. I believe we are ready to begin. Welcome to the technical conference in EB -- case number EB-2016-0085, cost-of-service application by InnPower Corporation. Can we start -- my name is Ljuba Djurdjevic. I'm legal counsel for OEB Staff, and with me on behalf of staff is Fiona O'Connell and our consultant...

MR. WOJCINSKI: Ted Wojcinski.

MS. DJURDJEVIC: Ted Wojcinski, sorry. And can we start with appearances, starting with you, Mr. Garner, on the end.

# Appearances:

MR. GARNER: Thank you. Mark Garner, consultant with VECC.

MS. KHOO: Cynthia Khoo, counsel to VECC.

MR. HARPER: Bill Harper, consultant for VECC.

MR. SHEPHERD: Jay Shepherd, counsel for the School Energy Coalition.

MR. VELLONE: John Vellone, counsel for the applicant, and with me today is an articling student, Cindy Zhang. Cindy is going to try to take us through the electronic evidence today. And seated to my left is Barb Cesarin, from InnPower. She is not a witness. I'll let the balance of the witnesses introduce themselves. Go ahead, Michael.

MR. DAVISON: Hello, my name is Michael Davison, and I am the engineering manager at InnPower.

MR. THOMPSON: Daryn Thompson. I am with METSCO Energy Solutions.

MR. BACON: Bruce Bacon, BLG, rate consultant to InnPower.

MS. PINKE: Good morning. Brenda Pinke, InnPower Corporation regulatory and conservation manager.

MS. COWLES: Jennifer Cowles, InnPower Corporation interim CFO treasurer.

MR. MALCOLM: Good morning. Walter Malcolm, president and CEO of InnPower Corporation.

MR. BROWN: Good morning. Shannon Brown, vice-president, corporate services for InnPower Corporation.

MS. DJURDJEVIC: Thank you, everybody.

# Preliminary Matters:

Are there any preliminary matters that need to be addressed before we start with the questioning?

MR. SHEPHERD: There is one. I made a request for some financial statements. I understand that they are going to be delivered in confidence, and so Mr. Vellone...

MR. VELLONE: Certainly. Do you want to, perhaps, make the request formally, mark it as an undertaking, and then I can enter it into evidence in response to that?

MR. SHEPHERD: I hereby request that you undertake to provide the financial statements for InnServices Corporation.

MR. VELLONE: The applicant is willing to comply with the request, although we are filing it in confidence. I have copies for the parties, as well as declarations, if folks want to get a copy.

MR. SHEPHERD: Do you want to give that an undertaking number?

MS. DJURDJEVIC: Yes, that will be Undertaking JT1.1, and there are -- do we have an indication of whether that will be provided today or tomorrow and there's going to be -- oh, they are already available? Okay. So we'll -- and Mr. Vellone, I take it you have the undertakings, confidential undertakings, that the appropriate parties need to execute, file with the Board?

UNDERTAKING NO. JT1.1: TO PROVIDE THE FINANCIAL STATEMENTS FOR INNSERVICES CORPORATION.

MR. GARNER: So I will not be executing the agreement just so that they know and we don't have that discussions in my presence.

MS. DJURDJEVIC: Okay.

MR. GARNER: And I do have a question, Mr. Vellone, which is the reasons for the confidentiality of the document, if you can explain that to me. Thank you.

MR. SHEPHERD: There is a letter.

MR. GARNER: Oh, is there?

MR. VELLONE: Certainly, there is a letter, but why don't I just paraphrase it --

MR. GARNER: Thank you.

MR. VELLONE: -- for the benefit of the record.

InnServices Corporation is a competitive affiliate of InnPower. They are involved in, among other things, water and wastewater services in the region of Innisfil.

There are numerous private-sector players that do compete directly with InnServices. CORIX is one of them.

There are also other municipally owned utilities that are attempting to expand their footprint. EPCOR is one of them.

The intent is to keep the confidentiality of a competitive affiliate's financial statements, so produce it to the parties who need to see it, but otherwise maintain the confidence to ensure that they are not competitively harmed from the disclosure.

MR. GARNER: Thank you.

MS. DJURDJEVIC: All right. So -- and if the -- we are -- if the parties had a chance to review the confidential financial statements, if there is any questions that follow on from that, then we'll have that part of the technical conference in camera, okay?

Any other matters? Preliminary matters? Okay.

I believe parties have discussed amongst themselves who is going to be starting with the questioning. And --

MR. GARNER: And I believe it's me.

MS. DJURDJEVIC: And Mr. Garner, the floor is yours.

MR. VELLONE: We do have an introduction script --

MR. GARNER: Oh, I'm sorry, Mr. Vellone.

MS. DJURDJEVIC: Go ahead, Mr. Vellone.

MR. VELLONE: The intent is just to speak to relevant aspects of the CVs and which parts of the application each of the witnesses are able to speak to, so you can direct your questions accordingly. Mr. Malcolm, would you like to get started?

# INNPOWER CORPORATION - PANEL 1

Michael Davison

Daryn Thompson

Bruce Bacon

Brenda Pinke

Jennifer Cowles

Walter Malcolm

Shannon Brown

MR. MALCOLM: Yes, thank you very much. My name is Walter Malcolm. I am the president and CEO of InnPower Corporation. I started in this role August of 2016. Prior to starting at InnPower I worked as director of utilities for eight years for Kitchener Utilities. As well, I worked for 17 years with Waterloo North Hydro in various roles and capacities. The last two of those 17 years was as vice-president of operations.

I also worked as an engineering assistant at Algoma Steel Corporation in the utilities division in Sault Ste. Marie, Ontario.

In regards to my education, I have an electrical engineering degree from Lakehead University, a Master of Business Administration from Wilfred Laurier University, and a Bachelor of Education from Brock University.

In addition to my role at InnPower, I also serve on the board of directors for Festival Hydro, and up to last year I also served on the natural-gas advisory council for the Technical Standards and Safety Authority.

MR. VELLONE: And what was your responsibility for the application?

MR. MALCOLM: In June of 2016 InnPower submitted a custom IR application to the Ontario Energy Board. I was not part of that application and had no input in that application. That custom IR was later rejected by the Ontario Energy Board as being incomplete.

In November of 2016 InnPower filed a standard forward test-year cost-of-service application with the Ontario Energy Board. In May of 2017 we amended that application following the community day held by the Ontario Energy Board.

As president and CEO of InnPower Corporation, I am ultimately responsible in overseeing the cost-of-service application and subsequent amendments.

MR. VELLONE: Thank you. Ms. Cowles, would you like to go next?

MS. COWLES: Yes. My name is Jennifer Cowles. I am the interim CFO --

MR. SHEPHERD: Please turn on your microphone.

MS. COWLES: My name is Jennifer Cowles. I am the interim CFO/treasurer for InnPower Corporation and I've been in this position since January 2017. Prior to that I was the accounting manager for six years at InnPower. Prior to that I was the controller of Pyrophobic Systems and for five years I was the accounting supervisor at Career Marketing Specialists.

I am a chartered professional accountant and I have a Bachelor of Commerce degree from Laurentian University.

I have served on the financial steering committee of Cornerstone Hydroelectric Concepts, with the CHEC group, and I was on the Financial Council of the Electricity Distribution Association.

MR. VELLONE: Thank you, and what was your responsibility in respect of the application?

MS. COWLES: As interim CFO/treasurer I am ultimately responsible for the financial aspects of the forward test-year cost-of-service application.

MR. VELLONE: Thanks. Mr. Davison, can you go next?

MR. DAVISON: Thank you, my name is Michael Davison. I am the engineering manager of InnPower Corporation. I have been in this position since March of 2017. I have been asked to fill in for my supervisor, who is unable to attend for personal reasons.

Prior to joining InnPower I was the engineering manager at Midland Power, as well as, I held engineering and technician, technician and technologist roles in Orillia Power and Guelph Hydro for 23 years. I am a member of the C.E.T. Engineering, Technician, and Technologists Association, and I have numerous technical and non-technical certifications.

MR. VELLONE: Thank you, and what was your role in respect of the application?

MR. DAVISON: Although I only joined the organization in March of 2017, I have reviewed the DSP thoroughly and familiarized myself with the processes that led to the proposed capital plan. I am prepared to answer questions on all aspects of the distribution system plan and the IR process.

MR. VELLONE: Thank you. Ms. Pinke, can you go next?

MS. PINKE: Yes, good morning, my name is Brenda Pinke, and I am the regulatory conservation manager for InnPower. I have been in this position since September 2009.

Prior to this time frame I worked at Direct Energy for Market Open, working on the EBT and GDAR's standards. Prior to that, I have 20 years with Bell Canada, and I -- and that was -- my last position there was with an operations regulatory manager.

MR. VELLONE: Thank you, and what was your responsibility in respect of the application?

MS. PINKE: With this application, my responsibilities included directions from our presidents and CFOs to prepare the applications.

MR. VELLONE: Thank you. Mr. Brown.

MR. BROWN: Good morning. My name is Shannon Brown. I am vice-president for corporate services for InnPower Corporation, and I've held this position since January 2015.

I started my career with Innisfil Hydro in 1993 as a customer service representative. Over the next 22 years, I held various other positions in IT and customer service, most recently in the metering and IT department.

I have a diploma in business administration majoring in accounting from Georgian College of Applied Arts and Technology.

MR. VELLONE: What was your responsibility for preparing the application?

MR. BROWN: I was responsible for the customer engagement and the productivity quantification aspects of the application, together with providing supporting evidence for certain other specific charges.

MR. VELLONE: Thank you. Mr. Bacon?

MR. BACON: Yes. My name is Bruce Bacon, and everybody knows me in the room, so I'm going to skip my introduction. I'm just going to jump to answer the question why I'm here, and explain my roll in respect of this application.

I'm assuming you can hear me fine? Good. Thank you.

I was retained by InnPower to prepare the load forecast for their original custom IR application. I assisted with preparing responses to interrogatories related to the load forecast, and I updated the load forecast based on the updated information related to the interrogatories, and that's my role. Thank you very much.

MR. VELLONE: Thanks, Mr. Bacon. And Mr. Thompson, could you go next?

MR. THOMPSON: Thank you. My name is Daryn Thompson, I'm the -- I'm sorry, is it on now?

My name is Daryn Thompson. I am the vice president of utility consulting at METSCO Energy Solutions Inc. In that role, I bring 29 years of experience in utility engineering and consulting to assist utilities and government in the distribution system planning, asset management, and Smart Grid.

Prior to joining METSCO, I worked for S&C Electric Canada and Hatch Energy T&D in the roles of engineering, asset management, and distribution planning.

By way of education, I have an engineering degree from the University of Toronto, and I am a licensed professional engineer in Ontario.

MR. VELLONE: What was your role in respect of the application?

MR. THOMPSON: For this application, I was retained to prepare the distribution asset condition assessment and the station asset condition assessment.

I also consulted on the REG con activity and finally, I assisted in the drafting of the DSP.

MR. VELLONE: Thank you. Mr. Malcolm, Ms. Cowles, Mr. Davidson, Ms. Pinke and Mr. Brown, was the application, including all interrogatory responses and any amendments thereto, prepared by you, or under your supervision?

MS. PINKE: Yes.

MR. VELLONE: Do you adopt the evidence as your own in this proceeding?

ALL: Yes.

MR. VELLONE: Are there any corrections you'd like to make to the evidence?

MS. COWLES: Yes. During preparation for this technical conference, we noticed five projects in the DSP that were allocated to system service in 2017.

After discussion, it was decided they should be categorized as system access, as they pertain to projects for new subdivisions.

This also meant that these would be contributed against through the economic evaluation process, and contributions are estimated to be $2.284 million. Tables 4.1 and 4.3 on pages 96 and 100 of the DSP need to be updated.

MR. SHEPHERD: Do you have updates?

MS. COWLES: Yes, I do. Five projects on that list are the repoling Big Bay Point Road to Friday Harbour DS to Friday Harbour development. The contribution amount is $290,056.

The second project is repoling Lockhart Road to Huronia Road to Stroud DS. Contributions are $495,145.

The third project is repoling Mapleview Drive, Prince William Way to Seline Crescent. Contributions will be $670,264.

The fourth project is repoling 5th Side Road to McKay Road -- or McKay Road to Salem Road, for $508,800. And the fifth one is repoling McKay Road, 5th Side Road to 10th Side Road; contributions will for $320,032, for a combined total of $2,284,299.

MR. GARNER: Excuse me, is it your intention to file an update to Table 2.1? I've heard what you just said, in the DSP so that will be on the record?

MR. VELLONE: Let's make that as an undertaking. I think that's the easiest way to make sure the record is clear.

MS. DJURDJEVIC: It will be Undertaking JT1.2.

UNDERTAKING NO. JT1.2: TO FILE AN UPDATE TO TABLE 2.1.

And while we're at it, the package of resumes, Mr. Vellone, for your witnesses, we can make that Exhibit KT1.1.

EXHIBIT NO. KT1.1: INNPOWER CORPORATION WITNESS CVS

MS. DJURDJEVIC: Does that conclude your introduction, Mr. Vellone, and we can go to questions?

MR. MALCOLM: I believe Mr. Malcolm had a brief opening statement, but it is pretty short.

MS. DJURDJEVIC: Okay.

# Opening Statement by Mr. Malcolm:

MR. MALCOLM: Thank you, Mr. Vellone. First, I would like to begin by thanking OEB Staff and the intervenors for your review of our cost-of-service application, and the questions that you have submitted to us. From our introductions, you can tell that there has been a substantial change in the senior executive leadership team at InnPower.

I started in my role as president and CEO in August of 2016. The former president and CEO of InnPower had 14 years of experience since market opening, until he retired in August of 2015.

My longest serving senior executive is Mr. Brown, vice-president of corporate services. He started his role January 2015. His predecessor was vice-president of customer services for InnPower for over 20 years.

Our vice-president of engineering and operations started in his role in August of 2015. His direct report, Mr. Davidson, started as engineering manager in March of 2017.

And finally, Ms. Cowles was appointed by me as interim CFO treasurer for InnPower Corporation in January of 2017.

I'm making this known to the OEB Staff and to the intervenors, not as an excuse of the past performance of InnPower, but to demonstrate the changeover that has happened in InnPower over time.

The past is the past. We don't dwell on the past, but we do learn from that past. In our commitment as an executive team, a new executive team at InnPower, is to make sure that the performance of this utility is increased.

One of the directions that we did as an executive team and under my leadership was following the community day that was held by the Ontario Energy Board in March, was to direct staff to go back to the cost-of-service application and make changes based on the feedback that we received on community day. Mr. Shepherd was part of that community day for the two sessions and we thank him for his participation in that session.

Finally, I'd like to state that we look forward to working with the OEB Staff and the intervenors today as we move forward in this technical conference.

Thank you very much.

MR. VELLONE: Thanks. The witnesses are open for questioning.

MS. DJURDJEVIC: Mr. Garner, I believe you're up.

# Questions by Mr. Garner:

MR. GARNER: Thank you, and thank you for that statement.

The way I do my follow-ups is I put notes into your interrogatory responses, so it's a little bit -- a little bit difficult as I go through it. So it's with apologies as I get through these if I have to stumble in a few place to understand my note into your interrogatories.

But the first one I want to talk about is 1 Staff 13. And the reason I want to talk about 1 Staff 13, while it's being pulled up, is this is a response about disconnection. In the second paragraph of (b) in that response -- I believe it is the second paragraph. No, it's the first paragraph of (b). You talk about when someone gets disconnected and, first of all, I just want to see if I understand this correctly.

It says:

"InnPower allows 16 days after the date of bill issued as a due date. Four (4) days after that, the customer gets an automated call if they haven't paid."

What I understood from this, and I'm trying to look through it, but I understood from this -- maybe you can help me with this. How many days after non payment does a customer get a disconnect notice at InnPower?

MR. BROWN: A customer at InnPower would receive a disconnection notice to the property if it was unpaid within ten days after the due date.

MR. GARNER: Now, that seems unusual for me for someone who habitually doesn't pay their hydro bill on time. Are you saying that if you don't pay your bill ten days after you get a -- after the due date you get a disconnection notice from InnPower? I just want to be clear.

MR. BROWN: That is correct.

MR. GARNER: And then when, if I don't respond to that disconnection, when do you disconnect?

MR. BROWN: We follow all of the processes outlined in the DSC. If a customer has a disconnection notice delivered to their property we make all efforts if we do not hear from them, including the 48-hour attempt to reach out to our customers. So following the disconnection notice in that time period that they are allowed to pay, if we still have not heard, made arrangements, heard from our customers, to delay any further collection activity we send a 48-hour call, making our best attempt to reach the customers.

MR. GARNER: Right. Are you aware of any other utility that sends out a disconnect notice ten days after the due date of a bill in Ontario?

MR. BROWN: I'd rather not speak to every utility's internal processes, but, yes, I am aware in the industry that utilities do --

MR. GARNER: That there are others that do the same practice that you have?

MR. BROWN: That is correct.

MR. GARNER: Okay. Thank you.

MR. SHEPHERD: Can I ask a follow-up question on that?

MR. GARNER: Sure, absolutely, jump in.

MR. SHEPHERD: The second page of that interrogatory response you show that your disconnection notices increased by 23 percent from 2014 to 2015. Was there some change of policy that caused that to happen? Why did that happen?

MR. BROWN: The answer to your first question is that there was no change in policy during that time frame.

The answer to the second part is I don't know at this time why the increase in disconnection notices.

MR. SHEPHERD: Can you undertake to find out?

MR. BROWN: Yes, I can.

MR. SHEPHERD: Thank you.

MS. DJURDJEVIC: That will be Undertaking JT1.3.

UNDERTAKING NO. JT1.3: TO EXPLAIN THE INCREASE IN DISCONNECTION NOTICES BEtWEEN 2014 AND 2015.

MR. GARNER: And while we are still staying on that issue, if a customer pays their bill after the disconnection notice is provided, there is a penalty attached to -- other than the late-payment penalty that's normal for paying a bill after the due date, is there a separate penalty once you receive a disconnection notice?

MR. BROWN: Aside from the late-payment charges there is a disconnection notice delivery charge as specified in our approved rates and tariffs of $15 plus HST.

MR. GARNER: Right. Okay. Thank you. And that table that Mr. Shepherd was just speaking to that shows the late-payment revenues, is that number in 2016, $109,071, is that made up of both those fees that you -- those penalties you just spoke to and the late-payment penalty?

MR. BROWN: No, the late payment is -- that is the late-payment charges only. The other collection fees are assessed and charged on the individual customers' accounts. It is not recorded here.

MR. GARNER: Okay --

MR. SHEPHERD: Can I just follow up with that? Are they then in specific service charges? I'm looking for what line are they in in your other revenues.

[Witness panel confers]

MR. BROWN: Those amounts are not in these line items, and we'd have to take an undertaking.

MR. SHEPHERD: They're not in other operating revenue?

MR. BROWN: In this table here, no, I don't know where it is in the other revenue, and we ask -- we'd take an operating.

MR. SHEPHERD: This is your other operating revenue table, so this is everything that --

MR. BROWN: Well --

MR. SHEPHERD: -- is in distribution --

MR. BROWN: My apologies.

MR. VELLONE: Sorry, we have -- I think the witnesses are looking at what's on the screen. Can we --

MR. SHEPHERD: Oh, no, I'm looking at down the page is your table of other operating revenue, and I'm looking at what line is it in? These $15 charges, what line are they in? I would have assumed they are in specific service charges, but I could be wrong. They are?

MR. BROWN: That is correct.

MR. SHEPHERD: Okay. Thank you.

MR. GARNER: Well, for my purposes, what I'd like you to undertake to do is to provide a -- to provide for the same period, 2013 to 2016, both the late-payment revenues and the disconnection penalty revenues that you have charged.

MR. SHEPHERD: Can I just clarify something there? You have three categories, right? You have late payment, you have charges where you actually disconnected somebody, and you have a charge for sending them a letter saying you are going to be disconnected; is that right?

MR. BROWN: That is correct.

MR. SHEPHERD: Okay. Thank you.

MR. GARNER: Yes, and to Mr. Shepherd's point, thank you, maybe it would be more helpful -- it would be helpful to actually delineate all three of those so that we can understand them.

I'm particularly interested because the late-payment revenues, if I understand all of this, are only those revenues that get collected within ten days because they only become late payment. Everything else becomes part of the disconnection stream of income, so to speak. Would that be correct?

MR. BROWN: That is correct, and the late-payment charges are assessed within three days after the due date, not ten days. Ten days is -- for clarity, ten days is for the disconnection notice activity, which could if delivered have a charge to the customer account for the $15. Late payments are charged three days after the due date.

MR. GARNER: So a customer, though, gets to the stage of this disconnection notice, pays both a late payment and a disconnection notice; is that correct?

MR. BROWN: That's correct.

MR. GARNER: Thank you. So can we have that undertaking, or --

MR. VELLONE: Let's mark that undertaking.

MS. DJURDJEVIC: It will be JT1.4.

UNDERTAKING NO. JT1.4: TO AMEND THE TABLE FILED IN RESPONSE TO 1 STAFF 13 TO INCLUDE FOR 2013 TO 2016, TO ADD SEPARATE LINES THAT SHOW THE FEES COLLECTED FOR THE DELIVERY OF A DISCONNECTION NOTICE, AS WELL AS A DISTINCT LINE THAT SHOWS ANY FEES COLLECTED ON THE DISCONNECTION PROCESS ITSELF, AND A LINE FOR LATE-PAYMENT REVENUE.

MS. DJURDJEVIC: Is everybody clear on --

MR. VELLONE: So I'll try to restate it and make sure I got it right. It is to amend the table that's showing on the screen that was filed in response to 1 Staff 13 to include for the same years, 2014, '15, and '16 --

MR. GARNER: Actually, 2013 is --

MR. VELLONE: 2013 as well --

MR. GARNER: Please. Thank you.

MR. VELLONE: -- and then add separate lines that show the fees collected for the delivery of a disconnection notice, as well as any fees connect -- another line, a distinct line, that shows any fees collected on the disconnection process itself, more than delivery of the notice; is that -- my understanding correct?

MR. GARNER: I thought there was three items, though.

MR. VELLONE: There is a line item there for late-payment items --

MR. GARNER: Right. Okay. You're right --

MR. VELLONE: So we'll add that --

MR. GARNER: -- yeah, add to it, yeah, so that makes three, thank you.

MR. VELLONE: Thank you.

MR. GARNER: Okay. Thank you. My next question is at 1 SEC 14, but actually, there is a question earlier, and they -- it basically goes to the same point, so I just want to clarify something.

In response to that interrogatory at 1 SEC 14 at the second page of the response which is 47, it talks about overhead conductors and devices and additional amounts. You'll see an amount of 86,455, and in another additional amount in the next paragraph of 58,187.

When I was reading the interrogatory, I wasn't clear. When this says "additional amounts", this doesn't mean -- does this mean additional to what's in the evidence right now or is this simply talking about the additions that were made -- needed in '17? So it wasn't clear to me you weren't making an amendment saying you were requiring these additional amounts, and I think there is a similar response above 1 SEC 14 that talks also about additional amounts.

So I guess the generic question is: Are you proposing to make any other changes to your 2017 capital budgets that otherwise is in the evidence at this time that's made subsequent to these interrogatories or at these interrogatories?

MR. VELLONE: Can you just bring -- sorry, it took us a moment to get it pulled up on the screen. Can you --

MR. GARNER: Sorry.

MR. VELLONE: -- take us to the numbers in your question --

MR. GARNER: Let's use 1 SEC 14, which is the easiest one to look at. If you go to the second paragraph of that, you'll see -- there, if you stop there -- no, sorry, it's below. On the next page, you will see the amounts of 86,465 at line 4 and at line 19, 58,187, and it talks about additional amounts for 2017.

It was not clear to me whether you were amending in these interrogatories the application to require additional amounts of capital, or whether you were simply speaking about the additional amounts that are required in '17 vis-a-vis '16.

So I just wanted to simply clarify that you are not making any amendment to your current proposal for the capital budget as part of these interrogatories.

MS. PINKE: If I could respond to that? This table was reflecting the cost drivers that were increasing in 2017. So it does not reflect an amendment to the capital plan or to the OM&A.

MR. GARNER: Thank you, Ms. Pinke.

MR. SHEPHERD: I will follow up as well. I have lots of follow-ups, sorry.

MR. GARNER: Go ahead.

MR. SHEPHERD: Those same two numbers, those paragraphs say you need an additional, for example, 86,465 to do the following maintenance. And I'm looking at these things and my Marshall note is: You didn't do this before? I mean, surely these are all normal course things that you do every year, aren't they?

The same with the next paragraph. These all seem to be like normal. Renewing oil? I mean, come on. I'm trying to understand why it's incremental.

[Witness panel confers.]

MR. DAVISON: I'd like to speak to this. If you look at the budget in 2016, you will see there is overhead, distribution lines, feeders, right of way, big charges.

We had a lot of storms in 2016, which really indicated the maintenance that needed to be done. So therefore, we put the money into the overhead conductors and devices as well as the maintenance, line transformers, because the ate up the money in that year.

MR. SHEPHERD: So this was work that should have been done in prior years, but couldn't be done because you had to focus on other things? Is that...

MR. DAVISON: That's correct.

MR. SHEPHERD: So this is the ordinary course stuff. It's stuff you've done in the past. It is just sort of a little bit -- it's like backlog.

MR. DAVISON: That's correct, that's correct. It's backlogged, because we haven't -- we had to put off on doing this work, so this money is allocated to that.

MR. SHEPHERD: Thanks.

MR. GARNER: My next question goes to 2 Staff 24.

It is rather a generic question that really follows to the next interrogatory and otherwise. I don't want to jump all around, and perhaps from Mr. Thompson of METSCO can help you with you this.

It also goes to what's in your distribution plan and the InnPower distribution asset condition summary, and there is a table -- I can give you the reference. You don't have to pull it up, but I'm sure you're familiar with the table at figure 3.5.

What that table is -- it is at page 65 of the DSP. What table does is it gives you your asset condition summary in a graphical form, sort of a -- yellow is fair, and green is good, and dark green is very good, et cetera.

I couldn't recall when I was looking at this interrogatory response and then the subsequent interrogatory responses, I couldn't recall in your distribution system plan, under the major asset categories that that table outlines, which, you know, are substations, transformers, and wood poles, overhead, underground, et cetera.

Was there someplace in your DSP where you provide an explanation for each one of the major asset categories, how you determined the asset condition, whether it was determined simply by age, whether it was determined by inspection and what kind of inspection that was, or whether it was determined by specific testing by all or a subset of the assets.

So what I'm interested in basically is understanding for each one of the major categories how the asset condition was actually determined, whether it was age, whether it was visual inspection, whether it was substantive testing of all or a population of the asset. And I'm wondering in your evidence, did you provide such a summary for each one of the assets.

MR. THOMPSON: Yes. The answer to your question is yes, that evidence is provided.

It is in an appendix to the DSP. The two asset condition assessment reports are appendix E for distribution assets and F for station assets.

And in section 4 generally of the distribution asset condition assessment, there is an indication of how the calculation was done for each asset.

MR. GARNER: Thank you. Now, just returning to the interrogatory, I just want to talk about the two that I'm particularly interested in.

That one is -- and I'm not looking at the reference you just gave me, so perhaps you can help me -- for poles. Can you specifically tell me how poles are -- the condition of poles are determined?

MR. THOMPSON: Yes, I can. It is referenced in the appendix. It is appendix E. I can work on getting to the page -- please excuse my binder.

The layout of the condition assessment report. section 3 is the methodology description, section 4 is the Calculation, and section 5 ends up being the replacement strategy recommendation.

so for poles, if you turn to page 28 of Appendix E, you will get the description of poles. Now, poles is one of the most difficult ones to just read out of here. The information is here, but I can tell you in detail how some of this was done. There is pole inspection data for about half of the poles, so we took -- we had to make some assumptions about extrapolating that data. We tried to extrapolate that data -- I'm saying we in this case, because METSCO is the author of this document.

We extrapolated that data trying to account for age. It turns out that you tend to test the older poles, so the newer poles are generally considered to be in very good condition or good condition. Also, the test itself tends to be a pass/fail test. So a contractor goes out in the field, they do a strength test on the poles. They fail a number of poles. They indicate some individual things they might find. If they found woodpecker holes or long cracks or obvious other damage, they would indicate that.

If they indicate the pole is a failed pole, it often gets maintained fairly quickly. So if the cycle is many years, and it is, they are inspecting poles on about a six-year cycle. So by the end of the six years, the poles that failed at the beginning of the program will already have been replaced.

MR. GARNER: Sorry, can I just interrupt you for a minute? On the pole testing --

MR. THOMPSON: Yes.

MR. GARNER: And perhaps this is a question for InnPower. When it's referred to as the poles are tested on a, you say six-year cycle?

MR. THOMPSON: I think so, I think it's six years.

MR. GARNER: A six-year cycle. Does that mean there is a physical test to the pole or a visual inspection of all those poles on that cycle?

MR. DAVISON: It's on a six-year cycle, and it is a non-evasive (sic) pole testing to test six of the...

MR. GARNER: But is that something beyond visual, is all I'm trying to -- basically, is it a visual or is there some form of true testing of the poles on this cycle?

MR. DAVISON: There is a testing to understand the moisture content of the pole.

MR. GARNER: Right. Thank you, that's helpful.

Now, I want to contrast that, if I can, just with the underground, since that obviously is a much more difficult thing to test.

Underground, is that an age-determined asset condition?

MR. THOMPSON: It is entirely age-determined. The methods for testing usually involve having a failure in testing the failed cables or taking statistics around the failures, and none of those events have happened yet on the population of underground cables for InnPower.

MR. GARNER: All right. Okay. Thank you.

MR. WOJCINSKI: Can I just follow up on that? With respect to the 5 percent of cables, poor, very poor by age, have you looked at non-destructive testing methods for these cables? Other utilities like Electra and Energy Ottawa are looking at additional methods. So besides just age and failed samples.

MR. THOMPSON: So InnPower is aware of what's going on in the industry and is paying attention to testing techniques, but has not specifically studied non-destructive testing of their cables.

MR. WOJCINSKI: Thank you.

MR. GARNER: My next question I was going to was 2 Staff 27, and this was talking about the project summaries and talking about poles, and I had put a question in here to myself to ask for an update, but then on reflection I began to think about this and thinking about the fact that we are in September now for the 2017 year, and I'm wondering if it would be possible for InnPower to update the -- or provide a current update to the 2017 capital budget in the form of Appendix 2AA, which would give the current spending in those categories so that we could have a sense of where you are in your current capital budget.

What would be helpful also is, if it's available, is to provide what you had at 2016 at the similar period of time so that we could basically get an understanding of, as compared to the past year, how much on-track or off-track you are on your capital budget. I'm wondering if that's possible.

MS. PINKE: Yes, InnPower would be able to do that.

MR. SHEPHERD: To what date?

MS. PINKE: To July, the end of July.

MR. GARNER: Okay, if we could have that as an undertaking, that would be --

MS. DJURDJEVIC: That will be JT1.5.

UNDERTAKING NO. JT1.5: TO UPDATE THE 2017 CAPITAL BUDGET APPENDIX 2AA WITH CURRENT SPENDING, PROJECT BY PROJECT, TO JULY 2017; ALSO TO PROVIDE THE 2016 ACTUAL SPENDING FOR WORK DONE IN THE BRIDGE YEAR, FROM JANUARY TO JULY 2016.

MR. VELLONE: And I'm just going to state it again to make sure I get it. Undertaking JT1.5 is to provide actual capital expenditures to July -- end of July or beginning of July?

MS. PINKE: End of July.

MR. VELLONE: End of July 2017 in each of the four categories for capital spending --

MR. GARNER: Well, actually, I was using Appendix 2AA. 2AA is the more detailed -- it goes by project. It tells, you know, the -- it shows you all the major projects in each one of the categories --

MR. VELLONE: Okay.

MR. GARNER: -- so that was the update, the format I was -- wanted to use was 2AA if that was --

MR. VELLONE: That's helpful for us. So in -- on a project-by-project basis an update to July 2017; and then, separate from that, an indication of where you were in July of 2016 in actual spending on the projects that were done in the bridge year.

MR. GARNER: Right, in order for us to -- I think the utility understands. We are just trying to see how that looked compared to what you were doing last year so we can see if you were at 80 percent last year and you're at 60 percent this year we'd be asking you what's going on, and you would be able to tell us.

MS. PINKE: Sorry, Mr. Garner, can I clarify something there for that undertaking? So if 2AA is to be modified, so it will have to be altered to show the percentage of the project complete. Are you okay with that revision, or how are you expecting to see that?

MR. GARNER: Well, I guess the simplest form, which may not -- I can see where you may have some difficulties, because things change -- is that the simplest form would be, for instance, you have a line 20 or -- that's actually a bad example -- relocates line 32 -- actually, that's a bad example, doesn't go in that year.

SD work order, so it's line 30, and it says 230,000 in '17, and so what this would show is it's at 180,000.

I guess what you're asking is, well, what happens if that whole item is either not there or being replaced by a different item? Is that your --

MS. PINKE: I guess I'm trying to understand is the format that you would like, so you would like to know what project was there, if it started...

MR. GARNER: All I'm looking for is dollar amount right now. So all I'm --

MS. PINKE: The dollar amount spent --

MR. GARNER: -- all I'm really --

MS. PINKE: -- okay --

MR. GARNER: -- trying to figure out --

MS. PINKE: -- all right --

MR. GARNER: -- is how much you've spent in that project, whether -- and then --

MS. PINKE: Thank you.

MR. GARNER: -- you know, is it all done, is 800,000 spent, nothing spent. Obviously we'll be following that up. If you have nothing spent on a project that's made large --

MS. PINKE: Okay.

MR. GARNER: -- we're going to ask you why, and if you find it helpful in that undertaking to say, "Look, we noticed this, and you might want to know why," then that would simply shorten the process later for us to ask, so I think you know what we're really just trying to get at is, where are you at and if you're at someplace that is not very close then you'll, you know, show us.

MR. VELLONE: We understand.

MR. GARNER: Thank you.

MS. PINKE: Thank you.

MR. GARNER: My next question was at 2 Staff 34. And this was a question that went to your post '17, into '19 and '20 projects and what they were.

And in the response B to that interrogatory, Staff's interrogatory, you say:

"For this application project narratives have been developed for the test year only as the investments will take place in '19 and '20. Project narratives were not developed for this investment."

And then it goes on.

What I wondered when I read that was when one is looking in your application at the 2018 onward DSP projections, how much -- I'm trying to think of a way to phrase this.

How much confidence does one put into those projections? Because when I read this, I got the impression that what it was saying was we really don't have a detailed view of what we're doing, but of course it could be just saying is, no, we just haven't written up a detailed concept of what it is.

So can you tell me for a distribution system plan for your '18 to '20 what's the level of confidence you have in those projections actually being -- coming to fruition?

[Witness panel confers]

MR. SHEPHERD: I can't find the quote you did in 34.

MR. GARNER: I'm sorry?

MR. SHEPHERD: I can't find the quote you just quoted in 34.

MR. GARNER: Oh, it is 33. I'm sorry.

MR. THOMPSON: So just clarify -- yeah, but you are speaking to 33?

MR. GARNER: I'm sorry. Yes, I've given you the wrong reference. I apologize. It is in 33.

MR. THOMPSON: It took me a second to catch up with that, because I was reading the wrong question.

MR. GARNER: I'm sorry, yes.

MR. THOMPSON: In my previous roles assisting InnPower on some of their planning work, we observed that there was a great deal of growth going on in the town and that this growth was going to change the characteristics of the feeders in a way that might require capacitors.

We've done some study, we've done some -- "we" is METSCO now -- did some study, and we passed those results on to InnPower, and InnPower elected to plan for the potential for capacitors to solve those problems in the future.

So your question is how much certainty do we have that those will be needed, and the answer is "some". The development pattern is expected to proceed somewhat, as the developers say, and this is one of the solutions to the problems that will be generated when that happens.

MR. GARNER: That's helpful. Can I follow up with InnPower on that, on the system access portion of your capital budgeting?

I think, as I understand your evidence and, I think, as many of us understand the region, there is a lot of growth and change going on in the region.

When you look forward to your post-'17 period and look at your system access and sort of subdivision housing type of building that's going on in that area, can you give us a sense of your certainty as to whether your projections going forward for development in the region -- how much uncertainty do you have?

To back it up, just so you understand what our concern would be as we go forward into your application, it's because there is a lot of capital contribution also linked to the same type of projects, we kind of wonder what exactly we should do with that portion of your budget over the upcoming period, if there is a certain amount of uncertainty going forward in it.

So I wonder if you could comment on your certainty in that capital development area system access.

MR. THOMPSON: As you know, development plans are subject to market forces way outside of InnPower's control.

However, the number of units and the number of projected residences, these are all on existing plans that are filed in various municipal offices. So our level of certainty is that they can and will exist; what is unclear is the timing.

The developers will always come through and tell you that they need you to be ready next year because they plan to start making money. We know that it doesn't take much to push that back. But we also know that from a system planning standpoint, the first few developments can quite often require that the lines be built and the stations be built.

I haven't tried to put a quantitative confidence factor on any of these numbers. But what I know is that from a practical planning standpoint, we are not rolling with the full optimistic view that the developers have presented. We have -- again I'm back to saying we, because METSCO was involved in some of this planning. But InnPower is using a forecast that reflects what they think is possible.

So it is somewhat reduced already. It is not the highest possible number. It is somewhere in the more probable band.

MR. SHEPHERD: Can I ask a follow up on this? Two follow-ups.

My impression is that in the town of Innisfil, there's been sort of a history of delays in projects. I'm not saying anybody did anything wrong; it's just been that historically, projects have taken a lot longer than anybody expected. Is that fair?

MR. DAVISON: Well, that's why we meet regularly with developers and to stay on top of that.

MR. SHEPHERD: Because that is true? That has been true in Innisfil in the past, that level of delays?

MR. DAVISON: I can't answer that at this time. But that's why we continually meet with developers, to stay on top of the changes.

MR. SHEPHERD: Okay. Then my second follow-up is: The town must have a plan of some sort that -- not just their official plan, but an actual plan of when they think new developments are going to come on-stream. Is that a more accurate plan than what the developers have?

MR. DAVISON: Well, that is exactly why we get together with both the town and developers to go over those numbers as changes occur.

MR. SHEPHERD: The question is: Is there a town plan and is it more accurate than the developers' expectations?

MS. COWLES: I just want to add that it is not just the town of Innisfil. A substantial number of our subdivisions are going to happen in the Barrie south lands --

MR. SHEPHERD: That's right.

MS. COWLES: -- that we now serve, and that people from the City of Barrie and from the town also sit in these meetings with the developers.

MR. SHEPHERD: Okay, thank you.

MR. GARNER: I wonder if I could -- continuing on in the same line of topic, in 2 VECC 6, which it actually shows capital contributions by category and again, because of the potential for uncertainty that we're just talking about, in this interrogatory we are asking about -- sorry, you've provided the system access and then the contributions that go with it. And I was trying to figure out how to normalize this in some fashion so that I could understand for every dollar, for instance, that you do in system access, how much comes back to you in contributions.

And it's a bit difficult, because it seems to be -- it bounces around, and probably parts of that happen simply because payments occur at different times and they're booked at different times, and it is not as straightforward as simply taking the top and bottom number and dividing them.

Can you help me in any way in understanding that relationship between the dollar spent in a subdivision and the dollars received back in contribution as sort of a normalizing factor, how you yourself perhaps look at that when you are asked to do subdivision work?

MS. COWLES: I'll attempt to answer that. When we have a subdivision agreement with the developer, they're responsible to reimburse us for a hundred percent of the engineering design work. So that amount is in system access, but it is at 100 percent.

Then we run the model, put those numbers, put the capital amounts, our estimates of revenue and expenses over the next 25 years, and we do an economic evaluation, which is a net present value cash-flow analysis.

What we found is that of that amount, we are getting approximately -- we estimate about 80 percent coming back from the developer in contributions.

MR. GARNER: Thank you. That's helpful. Yes, understood about the model and that's very helpful. Your rule of thumb is kind of an 80 percent number, you figure is -- it's roughly where you're at.

MS. COWLES: Yes, when we run the model.

MR. GARNER: Thank you, that's very helpful. I want to go back to something in 2.0 Staff 38 about a specific development. This is the Degrassi Cove and --

MR. VELLONE: Just before we move on, sorry. If you intend to use this particular table in 2 VECC 6, the applicant did catch an error with their forecasted contributions and that was addressed in-chief. If you do intend to use this, do we need to redo it for you?

MR. GARNER: Yes, that would be helpful. I will probably rely on it in some form, and I would rather rely on the proper table.

MR. VELLONE: I just want to make sure if you are using stuff that we ripple this change --

MR. GARNER: Thank you, Mr. Vellone. That would be helpful, if it needs to be updated.

MR. VELLONE: We'll get that market as an Undertaking, please.

MS. DJURDJEVIC: That will be JT1.6.

UNDERTAKING NO. JT1.6: TO UPDATE THE FORECASTED CONTRIBUTIONS IN THE TABLE IN 2 VECC 6

MR. GARNER: If we can now go to 2.0 Staff 38 and this Degrassi Cove and this underground versus overhead infrastructure, I would be right in saying that underground is a significantly costly infrastructure to put in than overhead.

Perhaps somebody at InnPower can tell us again sort of a rule of thumb for you, per kilometre, what's the incremental type of spend that underground incurs versus overhead?

(Witnesses confer).

MR. DAVISON: I agree, underground is more expensive than overhead typically. But to give an accurate number, you are best to put the numbers together to figure that out. But if typically, it is a five times the cost expense.

MR. GARNER: Okay, thank you. That's -- I'm not looking for any scientific exactitude. I want to get a sense of what the difference is.

I don't know this Degrassi Cove, I know this sort of area. Is this the same area that serves a resort and marina type of thing; is that the area that sits along the lake?

MR. BROWN: No, Degrassi Cove is along Lake Simcoe. It's at the south end.

MR. GARNER: Okay. So --

MR. BROWN: You are referencing Friday Harbour Resort, which is --

MR. GARNER: Right.

MR. BROWN: -- in the north end.

MR. GARNER: That's the north end --

MR. BROWN: Correct.

MR. GARNER: -- okay, so can you -- and I don't have a map in front of me. What's -- can you give us some sense of what this community looks like? Is this a number of houses along the lake? What is Degrassi Cove that needs this underground infrastructure?

MR. BROWN: I could shed some light on that. Degrassi Cove is -- it's not really a community; it is a section. I'd almost want to say like a private lane area right along the lake, very heavily treed, and historically we have spent a lot of time rolling trucks to there when we have storms.

MR. GARNER: Describe to me a typical residence in this area.

MR. BROWN: I can't say to all of the residents in there. Some would be cottagers. Like, it is kind of along the lake cottage-type area, and some would be around residential customers, but all residential.

MR. GARNER: So it is basically residential homes, many of them sitting along the lake in cottage areas, sort of.

MR. BROWN: That's correct.

MR. GARNER: And is this the only area that you have a heavily-wooded section inside of InnPower that you've been looking at that needs underground?

MR. DAVISON: This is the only one currently that we have under review, but we are continually monitoring our maintenance on the system, and if further developments need to be done.

MR. GARNER: Okay, thank you.

How many homes --

MR. SHEPHERD: Can I ask a follow-up there?

MR. GARNER: Well --

MR. VELLONE: I may jump in as well --

MR. SHEPHERD: Okay. Sorry. Go ahead.

MR. VELLONE: -- just briefly to clarify context.

I hear a lot of questions about this, and I do see the expenditure planned for '20, '21; the witnesses can confirm this if they like, but my understanding is there is no undergrounding work being done from 2007, 2018, 2019, and 2020 for this area.

MR. DAVISON: That is correct.

MR. VELLONE: So I am just pushing on relevance a little bit just --

MR. GARNER: Yeah, point --

MR. VELLONE: -- so we don't take too much time on --

MR. GARNER: -- point taken. Yeah, no, and I -- point taken. So I'll just --

MR. SHEPHERD: Sorry, is the DSP filed in this proceeding?

MR. VELLONE: We will entertain questions. I just want to keep it kind of scoped --

MR. GARNER: I understand, Mr. Vellone. I only have one more -- maybe Mr. Shepherd has some more and you can take up that argument with him.

My only last question on this would be: How many residences are going to get served by this plan if it ever comes to fruition?

MR. SHEPHERD: I can assist. I'm looking at it on Google. It's 13.

MR. GARNER: Well, and if you could -- you know, if that's the -- roughly the number, if it's 13 or 14, I'm not looking for any sort of exactitude.

MR. SHEPHERD: Can you confirm that that's right?

MR. VELLONE: Mr. Brown, are you able to speak to that? Or if you can't, maybe -- does this merit an undertaking? They might not know off the top of their head.

MR. SHEPHERD: I'm looking at it.

MR. GARNER: If they don't have any --

MR. BROWN: I cannot say for certain how many customers this would affect. We could find out that information if it's required, but at this time I don't know.

MR. GARNER: Let me think upon that for a minute. Does anybody on this panel know anybody who lives in that cove? So it wouldn't be easy to find out from someone you know.

MR. BROWN: It's testing my memory. I have been with the company for a long time, and in customer service. I do believe I know residents in Degrassi Cove area. That's just from --

MR. GARNER: But you just don't remember how many places along that thing? Mr. Shepherd is saying there is roughly 13 sort of in that area.

MR. BROWN: Again, I can't -- I'm not privy to the sections of line that engineering are planning to replace in there. I'm speaking from a customer service and an outage perspective and also the geographical area.

MR. GARNER: Right. Thank you. I'm -- I understand what Mr. Vellone said, and I have no need for an undertaking. I'll let Mr. Shepherd decide if he does. Thank you.

MR. SHEPHERD: Can I do my follow-up?

MR. GARNER: Yeah, absolutely.

MR. SHEPHERD: So I'm looking at it. This looks like they are very large houses right on the lake; is that right?

MR. BROWN: I don't know. I've not been down there myself.

MR. SHEPHERD: Well, so, this is a project in your DSP. Has anybody actually seen this street? Because it looks like where the rich people live to me, sorry.

MR. VELLONE: So one of the challenges we are grappling with is that the vice-president of engineering was unable to join us as a witness to speak to the DSP, so we have his manager here to speak. His manager did start his position in March of this year. So what he's done is reviewed the materials and familiarized himself with it as best he can, but he may not --

MR. SHEPHERD: Well, hasn't Mr. Davison been with the company for a long time?

MR. VELLONE: Michael, when did you start, Mr. Davison?

MR. DAVISON: I started March of 2017.

MR. SHEPHERD: With the company?

MR. DAVISON: That's correct.

MR. SHEPHERD: Oh, sorry.

MR. DAVISON: So I've only been here for six months --

MR. SHEPHERD: Oh, sorry, I --

MR. DAVISON: -- to clarify.

MR. SHEPHERD: -- I thought you had been there ten years or something.

MR. VELLONE: So we are doing the best we can in the circumstances.

MR. SHEPHERD: The reason why I ask this is because, following up on Mr. Garner's questions, these look like large houses to me. It is one street right beside the marina and right on the lake.

And I am wondering whether, for example, are any of the exec -- do any of the executives of Innisfil or InnServices live there? Do any of the town councillors live there?

MR. MALCOLM: None of the InnPower executive live in this Degrassi Cove. I am not aware of where the councillors of the Town of Innisfil live.

MR. SHEPHERD: All right. There are a number of areas in your service area that need attention, and I am trying to figure out whether this street of rich people needs attention because it's a street of rich people. Can you help me with that?

MR. BROWN: I can try and help with that. Again, I don't do the engineering piece of the planning and engineering.

What I can speak to is that over time this area has been addressed for outages on several occasions. We can almost bank on when bad weather comes, due to the trees in this area, that we are rolling trucks out to this area.

Big Bay Point is another area as well that is -- the heavily-treed areas we are rolling trucks out to. I can only interpret that engineering would want to put this at underground to save the outages and rollouts and reliability.

MR. SHEPHERD: And the local residents are unwilling to accept more aggressive tree-trimming to solve the problem. I think you've said that; is that right?

MR. BROWN: I believe that's our response, yes.

MR. SHEPHERD: Okay. Thank you.

MR. GARNER: Thank you. I'm going to move on from the lovely Degrassi Cove and on to something else. I think my next question actually is in Exhibit 4, so moving on to OM&A, and I just want -- excuse me, I just want -- 4 Staff 46 is where I was, and this is about the loss carry-forwards on the returns of the utility. And I guess I have two questions. And one is I think clearly answered in the interrogatory, but just to be totally clear, there is no impact for this test year of any loss carry-forwards, is there? This appears to say everything was finished and completed in '15. I just want to...

MS. COWLES: Sorry, yes, there was the loss -- it should say loss carry-back --

MR. GARNER: Loss carry --

MS. COWLES: -- LCB, but --

MR. GARNER: Right. You're right. Thank you.

MS. COWLES: -- it was fully utilized.

MR. GARNER: Right. Fully utilized.

And when you report your returns in the Board's scorecard and anywhere we've asked for them, were all of these incorporated into your actual returns, the carry backwards losses, so when you calculate your return and present it to the Board?

MS. COWLES: I believe I'd want to review exactly what tables you are --

MR. GARNER: The one I'm thinking about is the one is in the Board's scorecard; that's probably the easiest one.

Sometimes we ask you, or someone asks you what are your actual rates of return over the last period and if we have -- I'm not sure we have, that would also need to be confirmed.

MS. COWLES: I believe the 2016 would be accurate, but previous years would need to be adjusted.

MR. GARNER: Right, and the scorecard is only a yearly thing.

MS. COWLES: Yes.

MR. GARNER: And so you say it wouldn't show up there.

I wonder if you could just, as an undertaking, give us -- to make sure we have the right number, the actual rates of return for InnPower that include -- take into account all the loss carry forward/backwards for 2013 to 2016, and then I don't have to worry, we already have them.

MS. COWLES: Yes, I can do that.

MS. DJUREVIC: That will be JT1.7.

UNDERTAKING NO. JT1.7: TO PROVIDE THE ACTUAL RATES OF RETURN FOR INNPOWER THAT TAKE INTO ACCOUNT ALL THE LOSS CARRY FORWARDS AND LOSS CARRY BACKWARDS FOR 2013 TO 2016

MS. PINKE: Sorry, Mark, I need to clarify something again. So the rates of return from 2013 to 2014 when we report to the OEB, the formula has changed year over year over year.

MR. GARNER: The Board's formula?

MS. PINKE: Yes, it has. Every year, there is new -- there have been subtle changes. So do we want to go back and provide you the calculation based on that year, or based on the 2016 calculation?

MR. GARNER: What I usually ask for, Brenda, is both the Board's notional calculation and then the actuals, the ones that you actually report yourself, so that I can actually see both of those. That would be the best way to do it.

So your actual booked returns, right, would be one of them and then the other ones will be the Board's reporting scheme of how you calculate your return, right? So if you could do both of them, then that's the easiest way to deal with that question.

We were talking about the underground and I just recall that you said something to the effect of that project at Degrassi was the only underground. But I'm looking at a response to 4.0 Staff 49, it looks like. And if go down there -- page 160 of that is what the page number is, there is a test year amount increase for underground operations actually -- not doubling, but close to doubling. Can someone help me -- as compared to 2013, sorry. You have underground in '17 almost double the amount for operations and that.

Can someone explain to me what's going on with this number? Now, this is an O&MA number, so I'm assuming it is not a capital replacement. It is some sort of maintenance on underground.

MS. PINKE: Are you looking at table 4.6?

MR. GARNER: Yes, I am, and I'm comparing '13 to '17, underground distribution operations.

MR. DAVISON: Yes. As you can see on page 160 and 161, the cable faults caused by the deep frost in the year of 2014 has caused us to increase the maintenance on that. It is just a year-over-year increase in our budget.

MR. GARNER: Can you explain to me, how do you do maintenance on underground for those types of faults? Would you need to find the fault and dig the cable up there, and is then do work on it at that point? Is that what you do?

MR. DAVISON: Yes. We find the fault and then we repair it by doing a splice, or whatever repair is necessary.

MR. GARNER: So you've been experiencing increasing faults on your underground and this reflects a need to deal with that in the future? Is that what you are saying?

MR. DAVISON: Yes. If you'll notice, it is the secondary cable faults; it is not in the primary system.

MR. GARNER: Right, okay. Now, I want to -- I think it is in 4.0 Staff 49. I have a few questions on this one interrogatory, so I'm just -- staying on that interrogatory 163, further down it talks about a one time IFRS adjustment to employee benefits of $60,000.

Although the amount isn't large, I am just wondering, when it says a one-time adjustment, that means there is no going-forward incremental cost due to IFRS in this of $60,000. It just means you made an adjustment in the year for that. Is that correct?

MS. COWLES: Correct. There are annual adjustments, but it's all based under IFRS now, where previously it was CGAAP. So in the year transitioned to IFRS, a different methodology was used and there was a one time adjustment.

MR. GARNER: Thank you. I'm jumping back up now. This is a broader question. This is appendix 2K that is shown in this response.

When I started reading this response, I went back and I started looking at appendix 2 throughout this application, because you had this thing about -- I'm saying it poorly, but you had something about basically when you went back and revised your application, you found certain savings, including certain savings in your human resources area.

Here's what I really didn't understand with all of that. If you look at your original 2A application -- sorry, appendix 2K, you have the same FTE count, 44 I think is the total, as you currently have. Nothing's changed in that. In fact, I could be incorrect, but I don't believe anything's changed in any of the actual FTEs between '13 and '17 presented in that table from your original filing to the filing that you now have and the -- what you have put in here.

But the bottom line has changed from $4.3 million in the original filing to the $4.0 million now that is in this filing. So there is difference of about $300,000, give or take.

And then there is some evidence talking about you found certain changes, et cetera.

But I couldn't figure out -- you have the exact same number as the original filing and there is $300,000 difference now in the bottom line of your compensation.

Maybe you could help me understand how that Happened, or how you made that savings with no changes in your FTEs.

I'm looking at the table, appendix 2K, page 158 of that interrogatory response. That is the last one you filed.

MS. PINKE: Thank you.

MR. GARNER: That is the most recent, I think. There is one in your evidence. I this think this one actually looks like the one in your most recent evidence, too. I don't think it's changed.

But then I went back to your original filing, and in your original filing, which was back in November of '16, and in your original filing you have, I believe, exactly the same FTE count, but you have a different bottom line number. It is $300,000 more, basically, in your original filing, so --

MR. VELLONE: In what year, sorry?

MR. GARNER: In '17. I am looking at 2017 only right now. I mean, I -- I think there are, actually -- Mr. Vellone, I think there are actually differences in all the bottom lines to your points, so maybe that is a broader question. But I was focusing on '17, which shows this $300,000 difference between the filing, and yet the FTE numbers don't change as far as I can see at all. So there seems to have been a dis -- which is -- maybe we shouldn't be complaining. It is $300,000 less than you originally applied for, but it still begged the question about, how did that happen.

MS. COWLES: I believe when we first looked at it we took all of the salary wages and benefits and then we realized that we had included the InnServices, the staff that were dedicated to the InnServices labour, and it goes in to offset the other revenue.

MR. GARNER: And that would explain what Mr. Vellone was asking about, just the year. I also noticed there were slight changes in a couple of the other years, and that would explain why those also changed, because that adjustment you made for InnPower services you just --

MS. COWLES: Correct.

MR. GARNER: -- you found they were in, and then you removed them.

MS. COWLES: That's...

MR. GARNER: Now, did that change -- at all change, flow through to your OM&A number that you had? Does that change also -- was that amount, higher amount, not all in the original application too and all pulled backwards out? Do you know what I mean?

MS. PINKE: Yes, it has been.

MR. GARNER: Okay. So if I go back and look at the OM&A I'm going to also see a slight adjustment if I were able to do it, showing that kind of backed-out number --

MS. PINKE: Mm-hmm.

MR. GARNER: -- for it. Okay. Thank you.

MR. VELLONE: Can I ask a clarification question on the MFIRS one-time adjustment just to make sure I understand it? Mr. Garner sounds like he did, but I'm not sure if I do. Can we pull up page 163 again?

I guess there's two ways to interpret the words "one-time adjustment". One way is to say that we only adjusted it once, and as a result of that adjustment $60,000 in incremental cost or lower cost or whatever it is occurs and it continues to recur in future years, or you can say we only incurred a one-time cost. It was $60,000, it only happened in this one year, and never continued forward.

You answered, and I wasn't sure which of those two your answer related to.

MS. COWLES: Could we pull up Appendix 4, Staff 43, the actuarial report? It is in the attachments.

MR. GARNER: What page?

MS. COWLES: I don't have it in front of me, so just go down. Go down further. I think it might be at the very end. Okay. Down a bit more.

So there was initially -- when we changed to CGAAP to IFRS there was a one-time adjustment that was larger than normally is accrued every year, but every three years we get an actuary report and projection for three years. These are estimates that are lower than the first one-time adjustment, but they still occur each year.

So you will see below number (a) it says "defined benefit cost recognized in the income statement".

MR. VELLONE: Yeah.

MS. COWLES: 24,000, 19,000, 21,000 are the annual costs that are recognized accrued for as an expense, anticipated to eventually -- and then there are interest adjustments to that every year as well.

MR. VELLONE: So the 60,000 was truly a one-time cost --

MS. COWLES: It was --

MR. VELLONE: -- and then it's recalculated each year --

MS. COWLES: Yes.

MR. VELLONE: -- by Collins & Barrow. Okay.

MS. COWLES: Yes.

MR. VELLONE: Now I get it.

MR. GARNER: Thank you. Staying on Appendix 2K for one minute, do you have --- can you tell us what your current vacancy is of the 44 FTEs that you have?

MS. PINKE: Our current vacancy is sitting at -- we have three vacancies at this point in time.

MR. GARNER: And Ms. Pinke, do you have a sense of what the churn rate is at InnPower? Or how many are always sort of moving around in it in a -- what's your -- do you guys plan that way to...

MS. PINKE: I would have to take that as an undertaking to get for you, Mark.

MR. GARNER: Perhaps you could just to give us a sense of how your human-resource people calculate what their vacancy rate will be in a given year, because usually there is -- I mean, there is 44 employees, not large, but still, there is usually some churn in the company.

MS. PINKE: Right. I'm going to say for multiple years, you know, our turnover rate at InnPower was -- it was extremely low, extremely low, because we had a very -- we had a long-tenured staff. The majority of them have retired. We have --

MR. GARNER: So recently it has been quite large, as we heard this morning, so recently, so I see the problem you are pointing out is it's been sort of straightened and abnormally -- not abnormally, but suddenly quite a churn in people.

MS. PINKE: And now we are dealing with, like, you know, maternity leaves, parental leaves, things that we didn't have to experience previously, so you're going to --

MR. GARNER: Well, I'm surprised that no one had maternity leaves before. You were a very judicious company, or --

MS. PINKE: Well, unfortunately, most of the employees that were at InnPower at that time were -- already had their children.

MR. GARNER: Oh, I see. Everyone was old.

MS. PINKE: I think there was one birth in the 17 years before that -- and Barb, sorry, two. But we didn't

-- there -- we didn't -- we knew once the retirees went and we had a younger staff that we were going to be facing a whole different HR situation than we had before.

MR. GARNER: Okay. I think I'll leave that at the --

MS. PINKE: Okay.

MR. GARNER: -- renewal that's going on inside of InnPower. Thank you.

The next question I had was 4 Staff 51. And at 4 Staff 51 you had a question:

"B: please explain how this strategy has resulted in a 15 percent increase in management compensation", et cetera.

And then in the last paragraph of -- or in the last sentence of answer (a), which is on page 171 -- top of 171:

"Fulfilling quality of metrics resulted in a salary adjustment of up to 105 percent for most management employees."

Now, maybe I just don't understand what 105 percent is or maybe, whatever, but isn't 105 percent, like, your salary again and 5 percent, so it's like doubling your salary? Like, so maybe you can explain, was it really what I think 105 percent, or is it...

MS. COWLES: Yes, the management contracts always had a pay band structure that showed from 85 percent to 105 percent, and until...

MR. GARNER: Oh, it's of the pay band. You mean --

MS. COWLES: It's the -- yes --

MR. GARNER: -- it's actually of the band. I thought it was of the performance, you were getting 105 percent of a performance thing. I thought --

MS. COWLES: No.

MR. GARNER: -- that's pretty rich.

MS. PINKE: Come join.

MR. GARNER: I was going to ask how you get into InnPower, but --

MS. COWLES: No, it's all --

MR. GARNER: -- I see, it's of the band.

MS. COWLES: Until this year we had -- we had it in our contracts, but everyone wanted to know how do we get to that 105 percent.

MR. GARNER: Right.

MS. COWLES: Everyone was at -- could get to 100, but didn't have -- there was no methodology for being above 100. So they implemented a performance incentive plan.

MR. GARNER: I understand, though, the answer, too. Thank you. That makes it much more reasonable.

I am now at 4.0 Staff 53, shared services between the tables appendix 2 that are shown in here.

What I don't really understand in the changes -- I want to focus on the Town of Innisfil, and the wastewater billing in here is that if I were to look at the increase in your costs -- actually, this one only shows 2016, but -- sorry, I want to use 2013. But if I to look at 2017 and I were to compare that to your cost in 2013 for the cost of service for wastewater billing, which basically is in '17, 193,000.

I'm sorry, I don't have the table for '13, but I do recall looking at this. The incremental cost for wastewater billing between '13 and '17, do you know how much its risen? Can you give me that number? I don't have that table in front of me, so I'm a little bit lost. I thought I did have it. Do you know the increase?

MS. COWLES: No, sorry, not off the top of our heads.

MR. GARNER: What I am wondering is -- I believe that increase is less than the increase in your OM&A between the same period of time. Would you know that to be true?

What I'm doing is I'm comparing the rate of increase in OM&A at InnPower between '13 and '17, and then I'm comparing that to the rate of increase in the cost of the service for wastewater and billing for this affiliate between '13 and '17.

I'm going to suggest to you that it hasn't met the same inflation rate as your OM&A. Am I wrong or --

MS. COWLES: I believe that there were increased costs at the beginning of providing water and wastewater billing, training of staff, implementing new processes. The costs were actually higher in the first year and a half as we implemented the systems and had more staff time starting to the wastewater billing. Then it probably dropped a bit and then levelled off, and now we're seeing the regular increases.

MR. GARNER: I don't have the table, so I understand what you're saying. And maybe, if I have a chance before we finish today, I'll take a look. But we'll move on is what I'm suggesting.

My next question was at 4.0 Staff 96 -- oh, I see what this one was.

We had asked in this question: Identify the 114 in incremental costs related to new corporate headquarters. However, some of the costs are in this thing -- I am just reading the question, identified appear to be capital-related where the others are one time moving.

Then I was trying to say: Could you give us the incremental cost of just the new location, if it's in your application. And you referred me back to 4.0 Staff 49. Except that when I went back to 4.0 Staff 49, I really couldn't find the answer I were looking for.

I do believe you mentioned something about cost for the new building. But I was just looking for a very specific number, and that specific number was in your OM&A, what is the incremental cost of being in the new location versus the old location. Just that, like in '17, '18, and'19 going-forward, what increase did you incur in this new place versus what you would have had in your old place.

To be transparent, quite frankly, it's because what we do at our end is we just try and look and see what are the sort of incremental costs that have been incurred to the utility since the last time we saw you, and that would be one of the areas.

And did I go to 4 Staff 9, so if you can point -- I know there is something in there, but I don't think it answers the question that I want answered. I think it answers -- as a matter of fact, I'm not sure I really found the answer that you were referring to.

So maybe if you go to 4 Staff 49 and show me what you think was the response -- of course, Staff 49 is a bit of a long response, so maybe I missed where you think the answer is.

I mean you do have tables about building and office supplies in that response, and customer service billing and some stuff in there. But I was just really trying to get a specific sense of the change in incremental cost being in a new location.

I mean if it's difficult and it's better, maybe you can do it by way of undertaking if it's not easy to distill out of that response.

MS. PINKE: If I can respond to that, Mark? So on page 157, the table that we provided actually in Staff 48, basically what's not on this page is the cost at Commerce Park Drive. So we do have the cost from Commerce Park in the very same categories. This was put in to show, in terms of the cost for the leasing area, how we calculated cost for that square footage. But we can provide the cost and comparison in -- from 2015 to 2016, what it cost us at our old location to the new location.

MR. GARNER: First of all, I was looking at 4 Staff 49. It is actually at the bottom of 4 Staff 48, that table, right? That's the building expenses?

MS. PINKE: Right.

MR. GARNER: Now I am on the right table.

MS. PINKE: You're on the right table, but it is missing part of the table.

MR. GARNER: Yes, I see what you are saying, too. Yes, that's what I would -- I see now what you're referring to, and that's what I think would be helpful. All I'm really trying to get is a good sense of how much more is it to be where you are now versus where you were before, and it it's more.

MR. VELLONE: The column in 2015, what property do those relate to?

MS. COWLES: They actually pertain to the new building.

MR. GARNER: Sorry, Mr. Vellone. The thing is I would be looking at '13 versus '17, right? That's really the comparison because that's the last -- I think that will be the last old building -- total cost in the old building. Maybe I'm wrong.

MS. PINKE: 2014 and there were some carryover costs in 2015, because we had to maintain a communication tower.

MR. GARNER: Right. So how can you help me with just giving me what I'll call the normal running cost of the old location versus the normal running cost of the new. Is that using '13? Is that sort of using the clear year of running the old building without --

MS. PINKE: I think we could utilize '14 and '15, and just take out the cost that we maintain there that were a one-time thing.

MR. GARNER: As long as you identify those, so I see that they were taken out, that's fine. If you think that would be the easiest way, that would be very helpful. Thank you.

MS. DJURDJEVIC: That will be JT1.8.

UNDERTAKING NO. JT1.8: IN OM&A, WHAT ARE THE INCREMENTAL COSTS AT BEING IN THE NEW BUILDING VS COSTS AT THE OLD BUILDING USING ACTUAL 2014-2016 AND FORECAST 2017 DATA

MR. VELLONE: We have nine.

MS. DJURDJEVIC: I had 1.8 here about the calculation for vacancy rates, but then it seems that --

MR. GARNER: I withdrew that.

MS. DJURDJEVIC: That was withdrawn, so we are now at 1.8.

MR. GARNER: Thank you. I think I'm getting very close to the end here. I had one -- it was the answer to 4 VECC 20, and I think Staff had asked you a similar question at one place, which is why your maintenance costs are going up at the same time you've got major capital.

If I understand your response to this, it's basically, well, we still have old stuff. But I am still a bit confused as to why maintenance goes up as you replace assets. Would you have to have sort of a degrading system that is degrading quickly, I guess.

Maybe you, or your colleagues from METSCO, can help me understand the need for increased maintenance on a utility today is rapid growth period and putting in new assets -- and has relatively new assets in any event, doesn't it?

I mean, the old parts of InnPower must be a fairly small community, no?

MR. THOMPSON: I'm sorry, I'm trying to do two things at once.

Hit the button once. Thank you. I was flipping pages and I haven't found -- was it 4 VECC --

UNIDENTIFIED SPEAKER: 27.

MR. THOMPSON: 20?

MR. VELLONE: On the screen.

MR. THOMPSON: Thank you, okay.

And specific to the question, the way you just verbalized it, the InnPower assets are not in any way new assets. They are going to have a lot of new assets as they build out and reach towards this growth, but the InnPower assets are quite old.

So that part of the assumption I would say is incorrect. Now, specifically, the maintenance costs...

MR. GARNER: And is that because -- and to give my imagination a sense of what's going on in InnPower distribution system, is that because, in essence, the older system used to serve very few customers along a lot of lines that are now getting in-filled by subdivisions and so those tracks of circuits are all old and that need to be maintained? Is that sort of the way InnPower looks sort of at a lot of older lines now with new subdivisions moving into those areas?

MR. THOMPSON: Yes, that's relatively accurate. The subdivisions are basically farms that are being converted into the new properties, and the new plant is going into those farms.

The projects that you see in the schedule are the start of updating the old system in order to supply those developments. However, those facilities that are being updated are still a relatively small population of the existing population, so even when the new assets have been installed and the required assets have been replaced, there will still be a large pool of old assets.

MR. GARNER: Thank you. And my final question is 4 VECC 28. Is this your vegetation management? Your vegetation management kind of bumps all over the place in this table.

And can you explain to me how you do your budgeting for the vegetation management? Is it reactive, simply, or is it some number you do and then it's reactive? I mean, I understand that it can go up and down due to weather and other conditions, but how do you establish the vegetation management budget for your utility?

MR. DAVISON: How we manage the vegetation management is through tree-trimming cycles. We cycle the town in four typical sections, so that area, if you are speaking towards 2016, raising up, it's a bigger tree-trimming area, so that's why the cost would increase in that year.

MR. GARNER: Oh, I see. So it is not particularly reactive to the weather issue, which is what I had assumed; it is more reactive to, say, a back -- you have four quadrants of the utility, and then each year you would address a quadrant; is that what you're saying?

MR. DAVISON: Well, I would say it is a balance between the two. We have a tree-trimming budget that we use to -- our contractor that we have come in and do a quarter of the town, basically, but it also is reactive to cleanup of storms, that we have to maintain the lines through a storm.

MR. GARNER: So the 2016 number, which isn't -- is very high, was that a result of storm issues?

MS. PINKE: In 2016 we had five reported MED days, starting with the Easter ice storm, which was in our application as a Z factor but has now been withdrawn, and there was severe damage and tree and vegetation which had to be cleaned up.

MR. GARNER: Okay, so the 170,229, is that calculated as an average of so many years, like, if I took '13 to '16? Or how did that number come to being?

MR. VELLONE: I believe the individual that prepared that budgetary forecast is not available to join us today.

MR. GARNER: You can do it by undertaking. Just tell us how -- it's probably easiest. Just tell us how you calculated that and --

MR. VELLONE: People are spinning their wheels.

MR. GARNER: Yeah, I think so, and I'm trying to do an average, based on an average, to it might have been derived from a number of ways, but that might be simplest way, Mr. Vellone. And those are my -- and also, as a gift then, that's my last question, if we can do that.

MS. DJURDJEVIC: So just to go back a second, we have a JT1.9 undertaking.

UNDERTAKING NO. JT1.9: TO ADVISE IF THE 170,229 IS CALCULATED AS AN AVERAGE OF SO MANY YEARS.

MS. DJURDJEVIC: And might this be a good time for folks to take a break, 15 minutes?

MR. GARNER: I think so. Yes.

MS. DJURDJEVIC: Enough?

MR. GARNER: Fifteen minutes? Is that what you said?

MS. DJURDJEVIC: Fifteen? Or --

MR. GARNER: Yeah.

MS. DJURDJEVIC: -- do we need more? Take 15.

### --- Recess taken at 11:19 a.m.

### --- On resuming at 11:40 a.m.

MS. DJURDJEVIC: Welcome back, everyone. I believe Mr. Garner has finished his questions and disappeared. And OEB Staff has the next question, so I'll hand it over to Ms. O'Connell.

# Questions by Ms. O'Connell:

MS. O'CONNELL: I am going to start off with customer engagement strategies and a number of IRs. For example, I Staff 1, I Staff 7, et cetera, talks about InnPower is planning to engage in a more robust customer engagement strategy.

My questions to you are regarding items such as a more robust customer engagement strategy, additional avenues to secure feedback from customers, improving customer engagement in future cost-of-service applications, and a focus on business plans and things of that nature.

My question to you is: Are there any costs embedded in the 2017 test year requirement relating to these planned activities? I checked appendix 2M, and it doesn't seem like there's anything in there. That's the regulatory cost schedule.

MR. MALCOLM: Thank you very much for the question. Each of the departments has a line item within their operating and maintenance budget to deal with customer engagement. What we are doing is taking those dollar values and ramping-up how we could that engagement.

So for instance, in customer service, we are looking at settings up a focus group with our customers to understand what their needs and requirements are. What do they value in regards to the electrical distribution company that's in Innisfil.

MS. O'CONNELL: Just to clarify, you are saying there is a sub-component of each of the operational departments and in each of their budgets, there is a component for improving customer engagement?

MR. MALCOLM: There a component for customer engagement. Our improvement is going to utilize those budgets for the enhancement.

So taking that -- typically, when you look at a utility for a customer service, you send out a bill. You receive a call from a customer, either it's a high bill complaint or it's a question about the bill.

That gives you the interaction, the available time to speak with the customer about any other issues that they may have about the service that they are getting, the bill that they're receiving, the costs that are incurred on that bill.

What we want to do is take that and move it out to the community. So we already have staff that talk to people on the phones today. We have staff that go out into the community on our conservation demand management. We have staff that go out on our operations side and meet with customers.

So in order to use that staffing time during the day to ensure that we are making a diligent effort and engaging our customers in the areas that are of concern to them.

MS. O'CONNELL: Because I notice that there are you are usually doing things such as establishing a customer engagement working group. So you saying those costs are drilled down and recorded in each of the different department budgets?

MR. MALCOLM: The customer engagement group is an internal staff function, as we are forming a committee within our own staff resources.

We will be going out to the community and seeking volunteers from the community and engaging with them. So the internal staffing time as a committee is already embedded in part of their function as a utility worker. But we are going out to the community and seeking, so there is no additional cost internally for us to do that on a regular day-to-day basis.

MS. O'CONNELL: Do you have a back-of-the-envelope calculation about how much approximately is embedded in the test year revenue requirement for these type of activities?

MR. MALCOLM: I do not have a back-of-the-envelope cost for that.

MS. O'CONNELL: Do you believe it would be material?

MR. MALCOLM: When we start going into engaging customers and seeking their advice on a one-to-one or a group basis, incrementally there won't be that much in regards to the daytime. But at evening, there will be cost incurred in regards to -- if we are utilizing our management team as part of that engagement at night, it will be embedded in part of our cost for providing service to our community. So we can make adjustments to our hours of work to say that we're going to be working extra hours one night to engage with our customers.

When we start getting into focus groups, that's when you're going to start having costs because what we want to do is have a third party company come in to assist us with that.

What I mean by that is that a company comes in behind the scenes, so that a customer can feel free to express their opinions about the service that they're receiving from InnPower without having the eyes of InnPower with them in the same room.

So those costs will be substantial. So we looked at our customer research and our customer value in regards to our budgets in that regard; that will have to go up. But initially, because of where we are today, we're looking at starting up the engagement, advising our customers what we're trying to accomplish through these engagements, and then seek their input into that process.

MS. O'CONNELL: Back to my question: Is it material?

MR. MALCOLM: At this time for 2017, it would not be material. And for 2018, it would be just a slight increase. We do have a customers relation budgets that is separate from the departments' budget that I feel would be sufficient to handle those requirements for 2018.

MS. O'CONNELL: All right. Thank you.

MR. SHEPHERD: Can I ask a follow-up?

MS. O'CONNELL: Sure.

MR. SHEPHERD: You talked about focus groups, but I thought you were setting up a customer sort of advisory group. That's separate, right?

MR. MALCOLM: That is separate, that's correct.

MR. SHEPHERD: And that is not done yet?

MR. MALCOLM: That is not completed yet. What we had was we had a vacancy in our customer service manager position. We re-evaluated that position, and we called it a customer relations and engagement manager. She just recently started in August. So once she gets up to speed, we will be working with her to start this process with our internal staff, and then going out to the community to gain interest from the community in regards to being part of this committee.

MR. SHEPHERD: So the -- I was going to ask what the delay was, and I assume the delay in setting up that customer advisory group is because you were filling the position that would then be responsible for it.

MR. MALCOLM: That's correct. We do volunteers internally from our staff, so we sought expertise in various departments within our utility. Staff have stepped up saying they want to be part of this process, but the process has not begun until we have this manager in place.

MR. SHEPHERD: So that is going to be set up in 2018?

MR. MALCOLM: 2018, that's correct.

MR. SHEPHERD: And then you are not looking at focus groups and things that will cost significant money until maybe 2019 and beyond?

MR. MALCOLM: That's correct.

MR. SHEPHERD: Okay, thanks.

MS. O'CONNELL: My next question is with reference to 1.0 Staff 1, the letters of comments.

Thank you for providing the summary of the letters of comment with respect to the letters of comment that were filed electronically versus the OEB's e-filing service.

However, I note that on WebDrawer, dated March 20th, there are two documents basically that consist of handwritten comments from the community meetings.

I'm just wondering if you would take -- agree to an undertaking to provide a response to the matters raised in the letters of comment for the afternoon and evening community meetings. That's on WebDrawer dated March 20th.

MR. BROWN: Yes, we will be addressing those and that is underway already.

MS. O'CONNELL: That's great. Thank you. Just to clarify, the two documents are called -- the first one is called "InnPower letters of comment afternoon community meeting, March 9, 2017, redacted." The second one is "InnPower letters of comment, evening community meeting, redacted, 2017, March 9th."

MS. DJURDJEVIC: We will mark that as Undertaking JT1.10.

UNDERTAKING NO. JT1.10: TO PROVIDE A RESPONSE TO DOCUMENTS ENTITLED "INNPOWER LETTERS OF COMMENT AFTERNOON COMMUNITY MEETING, MARCH 9, 2017, REDACTED" AND "INNPOWER LETTERS OF COMMENT, EVENING COMMUNITY MEETING, REDACTED, 2017, MARCH 9TH."

MS. O'CONNELL: My next question is regarding the response to 1.0 Staff 5. The question asked if the board of directors had the -- were provided the opportunity to approve review and approve the 2017 cost-of-service application prior to filing.

However, the answer said that the board of directors provided an opportunity to -- were provided an opportunity to review, but it didn't state whether -- the response to the interrogatories didn't clarify whether the board of directors were given an opportunity to approve the 2017 application.

Can you clarify, please?

MR. MALCOLM: During the cost-of-service application process we did meet with the board on a regular basis in regards to our monthly meetings. At the time on a monthly basis they were advised of each component of our cost of service, where the touch points were, and where the increased costs were. During those meetings they provided us with their approval of those costs and of our submission of the 2017 cost of service.

It was also formulated as part of our 2017 budget process, which they approved in December of 2016.

MS. O'CONNELL: So basically, to clarify, is it fair to say that the board of directors were given an opportunity to approve the 2017 application?

MR. MALCOLM: That is correct.

MS. O'CONNELL: That is correct, okay.

MR. SHEPHERD: Can I just ask a question about that?

MS. O'CONNELL: Sure.

MR. SHEPHERD: You say in the answer to that interrogatory that your board of directors considered two versions of the revised budget.

MR. MALCOLM: So the budget went to the board. One was before I arrived as the president and CEO in August of 2016. I was not a party to that. The second one was the one that I presented to the board in the fourth quarter of 2016.

MR. SHEPHERD: Sorry, I thought this meant that you proposed some amendments and that there were two versions of the amendments; that's not correct?

MR. MALCOLM: No, we had the original custom IR.

MR. SHEPHERD: Oh, I see.

MR. MALCOLM: And then the forward test base.

MR. SHEPHERD: Thank you.

MS. O'CONNELL: Jay, are you ready --

MR. SHEPHERD: Yes, yes, sorry.

MS. O'CONNELL: Okay. The next one is regarding customer growth and capital expenditures. So I note that in the past number of years from 2013 to 2016 that InnPower underspent versus the Board-approved amount that was approved in 2013 rates.

So I'm just wondering what kind of assurance can you provide us that the 6.7 million that you are requesting in 2017 capex, to be exact, 688,948, that's included -- that may be included in the test year, what kind of assurance can you give us that the 2017 actual will not be less than that?

MR. VELLONE: Can you bring us to the evidence of the underspend just to help us --

MS. O'CONNELL: Sure, it is the May 8th, 2017 amended filing. Page 23.

MR. VELLONE: What table number?

MS. O'CONNELL: So if you go to the page 3 of the...

MR. VELLONE: We have page 23 --

MS. O'CONNELL: 23, yeah, so scroll up there. So for example, in power underspent by 648,000, the next year 368,000, et cetera, et cetera, so it just establishes that InnPower has consistently underspent versus the amount that was embedded in 2013 rates.

MR. VELLONE: Can you look at 2015 as well?

MS. O'CONNELL: 2015, you have it, including the building and excluding the building.

MR. THOMPSON: So I can address this in the context of a table in the DSP. The numbers actually do add up, if you add up all the numbers. They are quite close. And the difference is the amount of the building that was deferred from one year to the next year to the next year, which was ultimately spent in 2015.

The increment, for instance, in 2015 with the building removed is around $300,000, which is a relatively small number over the budget. I'm just trying to do the math in my head, but when you actually -- when you add all those numbers, including 2015 together, it doesn't show as an underspend significantly.

MS. O'CONNELL: Okay. So that -- so basically you are trying to explain that 2013/2014 capex were deferred, 2015, but you will also note that the 2016 capex was less.

MR. THOMPSON: Yes, you're correct, in 2016 the capital spend was below projections. On page 23, line 20, that's acknowledged as being around 15 or 16 percent. The next several paragraphs describe InnPower's activities relative to recognizing that process was not entirely effective, and what we're doing to -- what InnPower is doing to update that. So the intention is to fill that gap.

MS. O'CONNELL: So back to my question: Is there any kind of clarification or assurance or anything like that that you can provide that the requested approximately 6.7 million for the 2000 (sic) test year will actually be executed?

MR. THOMPSON: So we've earlier undertaken to give a spend to date on the capital plan for 2017 and we expect those numbers are going to be quite reasonable, remembering that there will be the additional capital contribution changes as a result of moving those projects into system access. However, the project pace has -- we expect will show quite reasonable results.

MS. O'CONNELL: Okay. My next question has to do with customer growth.

I note that there are several areas referring to customer growth. If you could call up 2.0 Staff 34, please. So keep going down. So page 82, please. Okay. I understand this table here is called "Residential commercial growth forecast" from 2017 to 2034.

If you scroll down to the very end, the line says "draft approved units."

Can you confirm that that term, "draft confirmed units", can be used with the term interchangeably for customers and connections?

MR. THOMPSON: The answer to your question is you cannot assume that universally.

For the purposes of the DSP -- I say we, because I was involved in writing the DSP, but InnPower of course owns it. A set of numbers were used that generated a system plan.

Residential connections are used in a number of other places, so it depends where you are referring.

MS. O'CONNELL: Okay. I guess what I'm trying to get at is, for example, you have 850 there relating to -- in the bottom line there for total draft approved units. So you have 850. And if I scroll up, that's for 2017, okay, and then there seems to be only one commercial -- if you scroll up, keep going up, so it's right there, Friday Harbour commercial loads. So that's 21 there, which would lead me to believe that the residential is 829.

You have that 829 there for residential and 21 for commercial. But if you go to other areas, such as the revised Exhibit 3, which is -- the revised Exhibit 3, table, I think 3.2, if you want to call that up. It is part of the interrogatory response.

MR. VELLONE: Sorry, what date of the document are you looking at?

MS. O'CONNELL: It is that same document, this is called renamed PDF, the same document. If you scroll up to Exhibit 3, I believe it's Table 3.2.

MR. VELLONE: Do you have a PDF page number available?

MS. O'CONNELL: It would be beyond this part. Keep going down.

MR. SHEPHERD: Exhibit 3.2.

MS. O'CONNELL: Search Table 3.2.

MS. PINKE: Page 100.

MS. O'CONNELL: Page 100.

MR. VELLONE: Thank you.

MR. BACON: I can speak to the number of customers that are here...

MS. O'CONNELL: You know what? I can also direct you to a document that I handed out. So if you could refer to the document -- if you can refer to the document OEB Staff calculation growth rates. Can I introduce this as evidence?

MS. DJURDJEVIC: It will be Exhibit KT1.2.

EXHIBIT NO. KT1.2: DOCUMENT ENTITLED OEB STAFF'S CALCULATION GROWTH RATES

MR. VELLONE: I am just going to jump in quickly for context. OEB Staff has distributed documents in advance of today's technical conference. The witnesses have not had a prior opportunity to review these documents ahead of the technical conference. So you will have to go slowly, and walk them through it. They didn't prepare these tables, so just make sure they understand the questions.

MS. O'CONNELL: Sure. So if you look at the KT1.2, OEB Staff calculation growth rates, in the response to the 2.0 Staff 34 (b), for example, there is an incremental total approved units for 2017 of 850. That is incremental over 2016.

But then if you look at this OEB Staff calculation growth rates which I handed out, if you look at the box saying -- under 2017 for DSP, for example for residential, there is a delta increment of 349 and a GS less than 50 delta 24.

And also if you look at the numbers in Exhibit 3 below that, there is a 257 delta for residential and a GS less than 50 of 26.

I guess what I'm trying to get at there are a number of areas in the evidence -- whether it be in the DSP Exhibit 1.4, the revised Exhibit 3, or the response to 2.0 Staff 34(b), that show all these different numbers, customer numbers and growth rates, and I'm just trying to get a feel as to what is the most accurate that we can use.

MR. BACON: Okay. I can speak to the information that's in table 3-2 here in front of us. Specifically, this is the customer connection forecast that is in the updated load forecast. Specifically, that is strictly looking at the actual information from 2007 to 2016 and it takes a look at the number of customers and does a geometric analysis and comes up with an annual growth rate and uses that going-forward into 2017. Okay? That's strictly what it is.

Basically, from a billing determinate perspective, it is my view that this is the best forecast for that purpose, for calculating billing determinates, for calculating rates, because it reflect the historical movement in customers prior to 2017.

Now, with regards to the DSP, others may have to talk about that. But we actually had a discussion about this when we were preparing for the technical conference. It is my understanding that the differences between what's in this forecast and what's in the DSP do not make a significant difference on the capital program.

But I wanted to make sure, as best as possible, that the forecast for purposes of billing determinants, for purposes of rates, reflected reality. And on top of that, when we looked at the 2017 pattern of actuals for at least the first three months, the forecast that's up on this chart here, table 3-2, was more reflective of what was happening actually.

MS. O'CONNELL: What you are saying is you did the geometric mean of past growth and you extrapolated that to the 2017 test year.

MR. BACON: That's right.

MS. O'CONNELL: Okay.

MR. SHEPHERD: Can I ask a question about that? Do you have customer connection numbers to the end of August, let's say? Can you provide those by class?

MR. BROWN: Yes. We don't have these, but we can provide those numbers to the end of August.

MR. SHEPHERD: By rate class?

MR. BROWN: By rate class.

MS. DJURDJEVIC: We will make that undertaking JT1.11.

UNDERTAKING NO. JT1.11: TO PROVIDE CUSTOMER ACCOUNT AND CONNECTIONS TO AUGUST 31, 2017

MS. O'CONNELL: So it is to provide customer account and connection to the end of August 31, 2017.

MR. BACON: Just to be clear, those would be the ones that are going to be billed, right?

MR. SHEPHERD: As opposed to --

MR. THOMPSON: So the second half of the question is the DSP numbers. So the DSP numbers you'll see -- sorry, I've turned the page -- was around 350, I think, on that table -- oh, it's here in this table, 349.

The table that listed 850 approved units on the draft plan, that table is a fact. There are 850 units approved on the draft plan.

The system planner's job then becomes trying to figure out how many does he think will be connected. So the 350 is a reduced estimate of the potential total of the number of units that are probably going to be connected. And the truth is that that number could move around by 50 or 100 units and it wouldn't change anything about the system plan unless those 100 units happen to show up somewhere completely unexpected.

MS. O'CONNELL: So you're saying the 850 is what the developers are forecasting, but the execution will only be around 373 or 374?

MR. THOMPSON: Yes, and to the development process, the first thing a developer does is take a -- gets a master plan and gets a number of units approved and then he starts to subdivide the land and design roads and put power into them, and then they put houses on them, and they sell those houses, and all of that has a lag time.

If all this works out, you add up all of the units that are projected to be added over the next many, many years, maybe 20 years, it should add up to the same number of units that were approved. But that's always a sliding scale and it's always looking a bit forward.

So a reasonable approach is to assume that some number of the approved units will, in fact, be constructed, and then the question is how much does that change your build pattern, because you have to supply power to the very first house.

MS. O'CONNELL: Okay. So I guess what I'm hearing from you then is that InnPower believes that the load forecast as shown in Table 3.2 is the most accurate at this time?

MR. BACON: I don't think the --

MR. THOMPSON: For rate-setting purposes.

MR. BACON: Yeah, I don't think the witness has said that --

MS. O'CONNELL: Okay --

MR. THOMPSON: Yeah, it depends on the use.

MS. O'CONNELL: Okay.

MR. THOMPSON: Load forecast turns out to have a lot of meanings, so if we define the load forecast as under the financial constraints that Mr. Bacon described, then his table is useful for that purpose.

MR. SHEPHERD: Sorry, you're from METSCO?

MR. THOMPSON: Yes, sir.

MR. SHEPHERD: What was your involvement with the load forecast?

MR. THOMPSON: We used the load forecast and reported it in the DSP. I did not specifically do the load forecast.

MR. SHEPHERD: Okay. Thank you.

MR. THOMPSON: Neither did Mr. Davison. It was done by the engineer that preceded him.

MR. VELLONE: I just want to -- I think I understand where Staff is trying to go with this --

MS. O'CONNELL: Yeah.

MR. VELLONE: -- and I just want to see if I can elicit from the witnesses --

MS. O'CONNELL: Sure.

MR. VELLONE: -- what my understanding is.

Mr. Bacon, is it your evidence that Table 3-2 is appropriate as a load forecast for Exhibit 3 for use for calculating billing determinants?

MR. BACON: Yes.

MR. VELLONE: Would this be the appropriate forecast to use for the purposes of the DSP in Exhibit 2, Mr. Thompson?

MR. THOMPSON: Which "this"? Sorry.

MR. VELLONE: Table 3-2, which is showing on the screen, which is different than the numbers that are in the DSP.

[Witness panel confers]

MR. THOMPSON: There would be no change to the distribution system plan, the system planning projects, if we use that number.

MR. VELLONE: But for clarity, in the DSP you used a different methodology to forecast customer account?

MR. THOMPSON: Yes.

MR. VELLONE: Why?

MR. THOMPSON: We used a forecast that was built -- "we", so InnPower used a forecast methodology for the system planning purposes that involved counting units on the ground and anticipating the development plans for those units, whereas Mr. Bacon used a mathematical forecast based on historical customer accounts.

MR. VELLONE: Does that add clarity for Staff? Does that help?

MS. O'CONNELL: So what you are saying is that the DSP, the customer growth is based on developer plans, whereas the load forecast is extrapolated from past practice. Okay --

MR. SHEPHERD: Sorry, can I just -- the -- if the billing determinant forecast was different, that wouldn't change the DSP forecast of connections? Why is that?

MR. THOMPSON: It wouldn't change the DSP system planning projects, the system access projects. A few customers this year or next year, the lines would still have to be built. It reasonably could change the table in the DSP, what reporting customer accounts, but it wouldn't change the capital plan.

MR. SHEPHERD: So the -- if the number in the DSP is higher -- it is, right? -- that difference is connections that don't actually become customers yet. And you know that why? How do you know that number is right?

MR. THOMPSON: We don't. It's a forecast.

MR. SHEPHERD: Well, but your forecast is different than Mr. Bacon's forecast.

MR. THOMPSON: Yes, it was arrived at at a different way and at a different point in time.

MR. SHEPHERD: But we're here now. We're trying to find out what the right numbers are now. So I'm trying to understand how we reconcile the two. If there's a difference of 50, let's say, is there some evidence you have that helps us understand that that number is the number that will be connected but not in use yet?

MR. THOMPSON: The difference in the number of new customers forecast in the DSP versus the draft approved plan, the 850 of the original number, is the difference between how many units are approved and how many units are sold. It is a forward-looking indicator and it is a guess.

It turns out to be a similar guess to what you get if you take the history and add the -- you said leased squares?

MR. BACON: No, geometric.

MR. THOMPSON: Geometric, geometric math, and you work out where you would end up.

The geometric math has -- so there is a phrase that all models are wrong but some are useful. And what we have got here is two models that are both useful for different purposes, and they are both wrong in their own ways, but they make useful projections.

MR. SHEPHERD: That part I understand. The part I don't understand is you can reconcile the two if you have data on the difference between connections and billing -- and additional billing determinants, and do you have that data or not? If you have past data like that you can see a trend. We connect 20 percent more than we -- than we start to bill in a given year. Do you have data like that?

MR. THOMPSON: Mathematically speaking there is nothing about InnPower that is going to follow a trend. It is going through extraordinary growth.

MR. SHEPHERD: Okay, thank you.

MS. O'CONNELL: Okay. My next question is regarding...

MR. VELLONE: Perhaps while you're looking, I'm going to ask a clarification on the nature of document marked as KT1.2. I just want to clarify that this is being put forth as an aid to cross-examination and not as separate evidence on the record that discovery would be...

MS. DJURDJEVIC: Well, I think it is fair to say that it is not -- Staff is not submitting evidence then that --

MR. VELLONE: It is an aid to cross.

MS. DJURDJEVIC: Yeah.

MR. VELLONE: The evidence is what you elicit from the witness.

MS. DJURDJEVIC: Yes.

MR. VELLONE: Thank you.

MS. O'CONNELL: Okay. My next question, I'm submitting a new document called "OEB Staff Calculation: Capital Expenditures Versus Customer Growth Rate".

MS. DJURDJEVIC: Can we make that KT1.3.

EXHIBIT NO. KT1.3: DOCUMENT ENTITLED "OEB STAFF CALCULATION: CAPITAL EXPENDITURES VERSUS CUSTOMER GROWTH RATE".

MS. O'CONNELL: Okay. So basically what I'm trying to do -- if you want to put it all on one screen there.

So what I'm trying to do is rec -- so column C and column D, scroll up there, shows the difference -- the percentage increase of capital expenditures 2016, 2017, as approximately 47 to 49 percent.

However, if you scroll down, the number of customers' growth is expected to be around -- just over 1.7 to 2.4 percent.

So basically, I'm trying to reconcile why such a high capex increase versus the actual expected increase in customer growth.

MS. PINKE: Yes, we'd like to maybe pose the question for it that we brought forth a correction this morning with respect to contributions. So these numbers are all going to have to be recalculated in order to confirm the numbers that you are presenting.

MS. O'CONNELL: Okay. If I could just direct you to two more pieces of -- documents. One is called "OEB Staff Calculation, Capital Contributions." That will be K?

MS. DJURDJEVIC: KT1.4.

EXHIBIT NO. KT1.4: DOCUMENT ENTITLED "OEB STAFF CALCULATION, CAPITAL CONTRIBUTIONS."

MS. PINKE: Sorry, that would be part of it. We'll have to do the changes to all the tables.

MS. O'CONNELL: Okay.

MS. PINKE: We will have to do the changes to all the tables.

MS. O'CONNELL: Okay,.

MR. VELLONE: Sorry, the 1.651 million, I want to make sure I understand this, is identified here as a discrepancy between 2 VECC 6 and appendix 2AA to 2BA?

MS. O'CONNELL: Yes.

MR. VELLONE: The witnesses haven't had a chance to review this, I don't think.

Are you aware of what discrepancy is being referred to by Staff?

MS. COWLES: I'm not aware of this discrepancy.

MR. VELLONE: But the correction you are making for the 2017 test year may or may not be the same number.

MS. COWLES: It may include that amount. It may be that amount, or -- yes, or may have nothing to do with it.

MR. SHEPHERD: I am a little confused here. I thought you said in your opening statement that the contributions for 2017 should be increased by 2.2 million, is that right?

MS. COWLES: Correct.

MR. SHEPHERD: So this $1.869 million for 2017 is low by 2.2 million?

MS. COWLES: I have to verify this.

MR. VELLONE: Well, the first line says "Total contributions as per 2 VECC 6", and the line says $1.869 million.

Let's assume, for the purposes of answering Mr. Shepherd's question, that that's from 2 VECC 6 and that's the right number.

MR. SHEPHERD: Yeah.

MR. VELLONE: Did that go up by 2.2 million? Is that what you're -- let's assume that's the old 2017 capital contribution number.

MS. COWLES: Sorry, could you repeat that? What number are you saying would go up?

MR. VELLONE: Row A, titled "Total contributions as per 2 VECC 6", column 2017.

MS. COWLES: Yes.

MR. VELLONE: $1.869 million. Let's assume that's the correct contribution amount.

MS. COWLES: That is the amount that would go up by 2.284.

MR. SHEPHERD: So then the net capital additions for the year, if you can think about it in the old terms, is going down by 2.2 million, right? 2.284. Rate base isn't going to go up as much as you had forecast.

MS. COWLES: Correct.

MR. SHEPHERD: So when we're talking about numbers like the 6,688,946 on the other page, that's the forecast capital for the year. We were talking earlier about how we are going to spend that 6.7 million. Well, you are going to net out 2.2 million from that, right?

MS. COWLES: Yes, we are.

MR. SHEPHERD: Actually more. You are going to net out 4 million from that. Your actual additions and your net additions are only going to be about 2.5 million, right?

MS. COWLES: No, I don't understand why we'd be taking out an additional -- we would be netting out an additional -- the 2.289.

MR. SHEPHERD: Yeah.

MS. COWLES: Includes --

MR. SHEPHERD: Oh, it already deducts --

MS. COWLES: It already deducts the 1.869 in contributions.

MR. SHEPHERD: So we just need to reduce that 6.689 by 2.284?

MS. COWLES: Correct.

MR. SHEPHERD: So really your capital expenditures forecast for 2017 are approximately comparable to your actual net in 2016, roughly.

MS. COWLES: Roughly.

MR. SHEPHERD: Thank you. That changes everything.

MS. O'CONNELL: Okay. So can I ask for an undertaking regarding KT1.4, to explain the difference of capital contributions for 2016 and 2013?

MS. DJURDJEVIC: That would be -- do we have that undertaking?

MR. VELLONE: We will do our best. We will have to figure out where the information is from first, but my understanding of the request is to explain the discrepancy between 2 VECC 6 and appendix 2AA -- 2AB --

MS. O'CONNELL: 2BA.

MR. VELLONE: Sorry, 2BA, with respect to 2013 of $65,229 and with respect to 2016 of $1.651 million, is that right?

MS. DJURDJEVIC: That's correct, yes. That will be undertaking JT1.12.

UNDERTAKING NO. JT1.12: TO EXPLAIN THE DISCREPANCY BETWEEN 2 VECC 6 AND APPENDIX 2BA WITH RESPECT TO 2013 OF $65,229 AND WITH RESPECT TO 2016 OF $1.651 MILLION

MS. O'CONNELL: Okay. So if we go back to KT1.3, what you are saying is that the 2017 -- so row F as in Frank, row G as in George, and row I as in igloo, those for 2017 will be reduced by an additional amount of about $2.284 million?

That's my understanding, or another number which would basically show not as a sizeable increase in capex for 2016 to 2017?

MR. CULBERT: Right.

MS. O'CONNELL: So it should be more in line with the growth rates.

MS. COWLES: Correct.

MR. VELLONE: I'm going to jump in there. I think they're saying they're going to reduce. But I'm not sure they're also agreeing saying that they are going to be in line with the growth rates.

Do you want to speak, Mr. Thompson?

MR. THOMPSON: I'd just like to clarify a misconception. They are not connected to the growth rates. Comparing them isn't a -- it may have value, but there isn't a direct connection.

For instance, the more likely comparison would be to compare the capital contribution to the growth rates, because that's the part that that's -- there is a whole bunch of capital that is being built and funded that is not in your math. And also there are a whole bunch of projects under renewal and things that aren't in your math.

So just to compare those two numbers is -- I think the fact that we've gotten them close I don't think is indicative of anything.

MS. O'CONNELL: Just to clarify, the numbers in rows F, G and I, they do -- they are net of capital contributions, just to clarify.

So I guess I'd like an undertaking with the revised 2017 numbers. If you could explain if there are any -- if there is a wide discrepancy between the capex growth rate and proposed growth rate in customers from 2016 to 2017.

MS. DJURDJEVIC: That's yes, okay, so we have that as undertaking JT1.13.

UNDERTAKING NO. JT1.13: TO PROVIDE THE REVISED 2017 NUMBERS IN KT1.3 AND EXPLAIN IF THERE IS A WIDE DISCREPANCY BETWEEN THE CAPEX GROWTH RATE AND PROPOSED GROWTH RATE IN CUSTOMERS FROM 2016 TO 2017.

MS. O'CONNELL: Okay. I have more questions, but feel free to jump in.

MR. SHEPHERD: Can you advise when we plan to take a break for lunch?

MS. DJURDJEVIC: How much longer do you have?

MS. O'CONNELL: I'll have a while longer, yeah.

MS. DJURDJEVIC: Well, Board Staff still has a fair bit. So if we said one o'clock, would that be acceptable to everyone?

MR. VELLONE: How much time do you need for the current line of questioning? I don't want to interrupt Staff.

MS. O'CONNELL: I'm not sure. Probably it will be a while. It will be a while, yeah.

MR. VELLONE: No matter what, we're interrupting you.

MR. VELLONE: We're in your hands.

MS. DJURDJEVIC: So we'll just carry on until one, and I'll continue with Staff's questions.

MS. O'CONNELL: So I also note that as part of 4.0 Staff 50, part (c), the response to part (c) -- keep going, keep going, keep going. So that table there also has different customer numbers as well.

So I -- is it still your position that we should look at Table 3.2 and not this table?

MS. PINKE: Yes, in response to your question, the customer number should align with the load forecast numbers that are used for rate-setting purposes.

MS. O'CONNELL: Okay. So what you are saying is that this number -- this table is not accurate; we should look at the exhibit -- the Table 3.2?

MS. PINKE: This table here was a forecast that was done prior to our load forecast being completed or undertaken at the time. It was from the business plan.

MS. O'CONNELL: Okay. So it is my understanding that we should look at Table 3.2 then, not this table?

MS. PINKE: Yes, that's correct.

MS. O'CONNELL: Okay --

MR. VELLONE: For what purpose? For what purpose?

MS. O'CONNELL: I'm just trying to reconcile discrepancies, and for example, in InnPower's evidence, they make statements like "growth will pay for growth", so I'm just trying to reconcile, for example, customer growth to any associated increases in capital or OM&A. That's my rationale.

MR. VELLONE: I see. So you are trying to figure out which one is the best number you can use?

MS. O'CONNELL: Yeah, which is the most reasonable and accurate, right?

MR. VELLONE: Because this is an extract from a human resources plan.

MS. O'CONNELL: Oh, I see. Okay.

MR. VELLONE: It is titled "human resources plan" and is --

MS. O'CONNELL: Okay.

MR. VELLONE: -- pulled from a business plan, so those numbers might have been the right one --

MS. O'CONNELL: Ah, okay --

MR. VELLONE: -- business planning purposes --

MS. O'CONNELL: -- thank you for clarifying. Okay.

MR. VELLONE: Versus the -- Mr. Bacon prepared a load forecast for this application.

MS. O'CONNELL: Okay.

MR. VELLONE: That is probably your most --

MS. O'CONNELL: Okay.

MR. VELLONE: -- reliable source for customer numbers, and then different numbers are used in different documents for different purposes.

MS. O'CONNELL: Okay, okay. My next question is -- regard to 2.0 Staff 18. So I had a question. It was for -- InnPower made a statement that capital contributions are expected to decrease in 2017 from 2016, but based on the revised net capital expenditures numbers, I don't think there will be a decrease; there will probably be on par or around that number, so -- okay. So I guess what I was looking at originally was asking why delays in construction schedules would decrease the capital contributions.

Can you just provide more clarification with that statement?

MS. PINKE: I don't think that I can provide you clarification to that --

MS. O'CONNELL: No.

MS. PINKE: -- statement, Fiona, but I can state that when we complete Undertaking JT1.6 outlining all the capital contribution changes, that we'll be able to provide an updated answer at that time.

MS. O'CONNELL: Okay. That would be great, thank you.

MS. PINKE: Okay?

MR. SHEPHERD: Can I follow up there, please?

You were asked why contributions went down. The correct answer was you made an error. But instead you gave this whole long explanation for a $2 million reduction. And I'm trying to understand, this explanation is clearly wrong. Where did it come from?

MS. PINKE: It -- I did not provide this answer.

MR. SHEPHERD: Well, somebody has got to answer it.

MR. VELLONE: So maybe the appropriate witness should speak to it.

MR. THOMPSON: Yeah, so there is a connection to development plans and capital contributions. We glossed over that a minute ago, but it's there, and if the subdivision doesn't get built then the capital contributions don't get made.

MR. SHEPHERD: We understand that. That's not -- that was not my question. My question is, there is an explanation here as to why you're expecting less contributions in 2017.

The explanation appears to be entirely made up; none of it's true. I don't understand. Because now we have the correct explanation, and there is no room left for all this other stuff, so who did this explanation and where did they get this information from?

MS. COWLES: I'm going to speak to that. When we have a subdivision that is going to be built and there is capital associated with it and approximately 80 percent is contribution, if that subdivision is delayed, then the contributions as well are delayed.

The error that we're talking about that was mentioned earlier of the 2.24 was for development work that's in anticipation of the development, not the development itself, which was captured in this answer, but in works that were going to be done to our infrastructure to allow for that development.

In the economic evaluation and the distribution system plan, it allows for utility to either build that infrastructure out themselves and put their own capital into it and get a return on capital or to get the developer to contribute to that.

What we've realized is that with our financial horizon, with the amount of growth we have, we have got to get -- with our customer feedback, we have got to get the developers to pay for their part of the growth, and these five projects that we are talking about is the error are actually projects that I think originally -- or the previous management had thought that InnPower would be financing that, and we realized that they're really related to system access and these new developments and that the developer has got to be the one to financially support that.

MR. SHEPHERD: So let me see if I understand this. When you answered this interrogatory it was correct because you weren't actually expecting to get $2.2 million from these developers in 2017, but then you changed your policy in some way, and now you are saying to the developers, "You have to pay us"?

MS. COWLES: I don't know about the plans specifically in the DSP.

MR. THOMPSON: I think what's relevant is that both answers are correct. The number would be $2 million higher if the development rate had continued as expected and if the excess dollars had been allocated in the right bucket in the first place. I think what we're seeing is $2 million showing up two different ways.

MR. SHEPHERD: You forecast a reduction in contributions of $2 million. It turns out that -- and you gave an explanation as to why that is, but there isn't actually a reduction in contributions.

So, therefore, the explanation explains something that doesn't happen. It's not expected to happen. So how can the explanation be correct? I don't get it.

MR. THOMPSON: So the projects that are going to attract the $2 million in extra contributions are additional projects over what was built in 2016. So if the development rate had happened at the same rate, the question would be: How come your -- how come your report only shows the same contributions when you've done all this extra work? I mean, the $2 million would still be there; it just wouldn't have shown up because the numbers would look the same.

MR. SHEPHERD: I'm going to leave this. This is a technical conference. We'll get to it later. Go ahead.

MS. O'CONNELL: I just wanted to clarify another point in this IR response, and then I'll move on to a different IR.

In part (a), you're talking about the delay of recognition of works performed in 2017 to 2018.

I'm just wondering if you could confirm that that delay is incorporated into the requested 2017 rate base, meaning the 2017 capex is lower because of this delay. Can you confirm?

[Witness panel confers]

MR. DAVISON: Yes, this delay was because of the labour strike that occurred in 2016.

MS. O'CONNELL: I just want clarification that the delay of the works from 2017 to 2018 is incorporated into the requested 2017 rate base, meaning those numbers have been taken out of the 2017 numbers.

MR. THOMPSON: I'm sorry. For clarity, are you asking us if the capital project had been deferred, or if the capital contributions have been taken out?

MS. O'CONNELL: I guess both, right; they go hand in hand.

MR. THOMPSON: All right. Just a sec.

[Witness panel confers].

MR. THOMPSON: Yes, they are.

MS. O'CONNELL: They are? Okay, thank you. So basically you've pushed out some of this from 2017 to 2018, and the lower amount is reflected in the 2017 rate base?

MR. THOMPSON: Yes.

MS. O'CONNELL: Okay. I have another document that I'd like to introduce, and that will be KT1.5, right?

MS. DJURDJEVIC: It would be KT1.4, unless I'm -- yes, you're right, KT1.5.

EXHIBIT NO. KT1.5: DOCUMENT ENTITLED "OEB STAFF CALCULATION, CAPITAL EXPENDITURES"

MS. O'CONNELL: It is called OEB Staff calculation, capital expenditures. Exhibit KT1.5.

MR. SHEPHERD: I'm sorry, I don't see that one.

MS. O'CONNELL: Sure.

MR. VELLONE: It is stapled together on the second page.

MS. O'CONNELL: It is called KT1.5. Actually, it's a different Excel spreadsheet, Cindy.

MR. SHEPHERD: All right.

MS. O'CONNELL: It is the other Excel spreadsheet, the second tab -- yes, it's the second tab there.

You will note that in row H as in Harry and J as in Jack, there are discrepancies between the numbers presented.

For example, in 2013 there is a $65,000 discrepancy, in 2016, a 61,000 discrepancy, and in 2015 about a 2.3 million discrepancy.

I would like an undertaking to explain these differences.

MS. DJURDJEVIC: That will be JT1.14.

UNDERTAKING NO. JT1.14: TO EXPLAIN THE $65,000 DISCREPANCY IN 2016 AND THE $2.3 MILLION DISCREPANCY IN 2015.

MS. O'CONNELL: My last question regarding Exhibit 2 before I turn it over to my colleague, Ted, I just had a question regarding 2 VECC 8. If you call up 2 VECC 8 and scroll down, that last line there before part (b) says 2017 double bucket model. It says "not received." Do you know if this truck has been received yet?

MR. MALCOLM: InnPower has received the chassis of the truck and the manufacturer has it at their facility to install the bucket portion of it.

MS. O'CONNELL: Will it be put in service by the end of 2017?

MR. MALCOLM: We're probably looking at an in-service date in the first quarter of 2018.

MS. O'CONNELL: Is it still expected to cost 490,000?

MR. MALCOLM: As of today, it is still on track as budgeted.

MS. O'CONNELL: Do you think it would be reasonable to take this out of rate base, because it won't be put in service until 2018?

MR. MALCOLM: As we are incurring costs on the trucks, we are booking it until 2017. So the truck chassis was the first part, so we booked that for 2017.

The cost of the -- our arterial device will be in 2017. So substantial completion of the vehicle will be done in 2017, but receipt of the vehicle won't be until 2018.

We'll have to go through our checks to make sure that what we ordered and anything that -- deficiencies are within that unit as it's being built are being addressed.

MR. SHEPHERD: You can help me understand how it's used for useful in 2017, there?

MR. MALCOLM: Pardon me?

MR. SHEPHERD: How is it used or useful in 2017 if it is still being worked on?

MR. MALCOLM: It does not provide a physical use for the utility, but we are incurring cost of the receipt of that vehicle. So it's not being used, but it is being --

MR. VELLONE: Can I mark an undertaking? I think I'd like to have a conversation with my client about what booked to rate base means, because I think that will help. And so if we could get back to you following an undertaking, that might be useful.

MS. O'CONNELL: Sure.

MS. DJURDJEVIC: That's JT1.15.

UNDERTAKING NO. JT1.15: TO PROVIDE AN EXPLANATION RELATED TO THE DOUBLE BUCKET MODEL

MS. O'CONNELL: Okay. I still have more questions, but I'll pass it on to Ted right now.

# Questions by Mr. Wojcinski:

MR. WOJCINSKI: Thanks, Fiona.

My questions will be related to information provided in the DSP. The first one is related to 2 Staff 17.

Your response to 2 Staff 17(b) provided the gross load forecast documents given to the IESO as the part of the regional planning process, and the documents provided information on inputs, load assumptions, scenarios, et cetera.

They show you are using 3.8 kilowatts per household to determine load growth, and it also states that your historical has been 3 kilowatts per household in the historical period on average.

So can you -- can someone just provide -- what new loads, house loads, would you say are causing the household peak demand to increase to 3.8 versus the historical 3.0 kilowatt, when we have other programs like CDM, energy efficiency appliances, everything else is becoming more energy efficient? What's causing the household load growth to go up by almost 25 percent?

[Witness panel confers]

MR. THOMPSON: We don't know exactly where that number comes from. It was given to the DSP and inserted as the load forecasting -- as the load forecasting number. My suspicion is that we believe the houses are larger. The houses along that -- in that neighbourhood, some of them are just converted cottages. There are some very small older houses, but I don't know where the number comes from.

MR. WOJCINSKI: Okay. Thanks. Yeah, and there may be something later on with that as well.

My next question is: In the response to (c) you indicate that the demand forecast, I think in the DSP, doesn't include CDM, and I do understand in the regional planning process IESO adds CDM in the end to get a final aggregated regional demand figure, so in a sense in the IRP CDM is included in their end result for forecast demand.

So as I understand it, this DSP forecast doesn't include the impact of CDM; is that correct? And if so, can CDM -- I know it may not be that big, but can it be included in the numbers in Table -- Figure 1.5, I believe, of the DSP?

MR. THOMPSON: To answer your first question, correct, the CDM is not included in the load forecast in the DSP.

MR. WOJCINSKI: Would we be able to get an undertaking to get the CDM included in the Figure 1.5?

MR. VELLONE: I think the witness is still formulating a response.

MR. THOMPSON: Yes, I'm sorry, I'm still thinking it through.

MR. THOMPSON: I suppose, if it pleases the Board, we could edit a table. This is it. The table is here, or at least the savings is here. At 3 megawatts, it wouldn't change anything about the system plan, not at this level.

MR. WOJCINSKI: Could we undertake then to revise? I understand it may -- these are the savings up to 2020. It will drop the final numbers by 3 megawatts, that's true, but for the sake of accuracy, could we undertake to get the forecast revised?

MR. VELLONE: I guess what's the point? If the test-year capital expenditures aren't going to change with this change in the numbers, I'm just trying to struggle to see why the work effort's required.

MR. WOJCINSKI: Well, generally when we do a load forecast in the DSPs, we're generally used to having all the combined inputs, say CDM, distributed generation, all the inputs that basically add and subtract to a load growth included in the final numbers for the sake of continuity, commonality, so if I'm looking at one DSP or another I know the numbers have, you know, the same inputs into them.

MR. VELLONE: So this is an OEB Staff request for comparison purposes.

MR. WOJCINSKI: Yes.

MR. VELLONE: Fine.

MS. DJURDJEVIC: We have that as Undertaking JT1.16.

UNDERTAKING NO. JT1.16: TO PROVIDE A REVISED FIGURE 1.5 WITH CDM INCLUDED.

MR. WOJCINSKI: Thank you. The next item in the response, housing unit impact methodology was provided in 2 Staff 17(e), and it provides, you know, the formula process that was used to get that 3.8 kilowatt number. And it looks like as per page 14 of the DSP, it looks like for 2021 there will be 1,466 general-service customers and 20,472 residential customers. So about 7 percent of the customer count is in general service.

Now, my question here is, when I'm looking at that methodology, you say in your response, you use a total residential customers divided by system peak load to determine demand per household.

Is that not overstating the residential impact due to -- because you've also got general service input to peak demand?

MR. THOMPSON: I'm sorry, can you point me to the evidence?

MR. WOJCINSKI: I'm looking at your response to IR -- to 2 Staff 17(e), okay? There you've provided, right after the table of CDM portfolio savings -- and I think you've got -- you've provided:

"The following methodology is used by InnPower to determine their per unit calculation or forecast study."

MR. THOMPSON: Okay.

MR. WOJCINSKI: You've got that?

MR. THOMPSON: Yes.

MR. WOJCINSKI: Okay. Great. So again, I'm looking at, when it's -- the response said, "Hey, we use customer account and use that residential count and divide it by system peak load to determine demand per household," so it's the fact that do you have a general service input in the peak overall system peak load, is that not overstating the residential impact? So in -- is the customer count in formula all customers or just the residential component when I see that?

MR. SHEPHERD: Would it make sense, John, if they looked at it over the lunch break and came back after lunch?

MR. VELLONE: We could do that. We could also take an undertaking. This is one of the pieces that unfortunately the witness that was unable to join us was the author of, so what you have is a bunch of witnesses trying to formulate what they did.

Maybe if you have follow-up questions, we could break them down into chunks of an undertaking and then just go away and provide you all the answers.

I understand the first part is you are trying to understand what is included in the 14233 customer account number, what classes of customers are in that number. You are just trying to get clarity on what's in there.

The second question is: Does the peaking load numbers include -- what class of customers are included in that peaking load. Is it GS, is it residential, is it the same or is it different.

If I understood your questions, that's what you are trying to get at?

MR. WOJCINSKI: Yes, I'm trying to understand versus

-- are you taking the system peak demand and by residential customer and saying that's my residential growth, or is -- it's an apples and oranges thing.

Your system peak demand has your general service, your residential impact, everything that is in there. So when you read what the response is to the IR, it raises a flag to me saying are we overstating the household impact.

MR. VELLONE: Sorry. Is there any different methodology that I'm not aware of?

MR. WOJCINSKI: Well, it would generally be the residential component, the residential peak demand load divided by the number of residences, however that would be calculated.

MR. SHEPHERD: How would you get a residential peak demand?

MR. VELLONE: That's what I'm struggling with.

MR. SHEPHERD: It is not a measured item, is it?

MR. WOJCINSKI: In a number of -- there are different methodologies around, and a number of methods they use say so many kilowatts per house, and --

MR. SHEPHERD: But then that's circular. You can go from the bottom up, but you can't go from the top down unless you are using all customers and all demand, right?

MR. WOJCINSKI: If you've got all your customers and you are looking at your total system peak demand, you are going to have your general service peak demand in there as well. So you're going to be overstating the household impact. That's all I'm saying.

The other question I would ask is have you compared this number with your neighbouring utilities? What are they using in their load forecast?

You know, as part of the IRP process, there are other utilities that were in that process; what were they using for their residential peak demand component?

MR. VELLONE: Let's pick it up after the break. I'm not even sure I could formulate an undertaking right now. Is that okay?

MR. WOJCINSKI: Fair enough.

MS. DJURDJEVIC: We are just after 1:00 now, so a good time to take a lunch break. Is an hour enough for folks?

We are back at a few minutes after 2:00.

Thank you everyone.

### --- Luncheon recess taken at 1:03 p.m.

### --- On resuming at 2:01 p.m.

MS. DJURDJEVIC: Welcome back, everyone.

We are still in the process of OEB's Staff's questions for the witness panel, so we will have Ms. O'Connell pick up where she left off.

MS. O'CONNELL: No, Ted will keep going --

MS. DJURDJEVIC: Oh, Ted -- sorry --

MS. O'CONNELL: -- questions --

MS. DJURDJEVIC: -- okay --

MR. WOJCINSKI: Thank you.

MS. DJURDJEVIC: Thank you. Sorry.

MR. WOJCINSKI: I think where we left off there was a bit before the lunch break -- a bit of a discussion on where the 3.8 or 3.4 kilowatt per household numbers came from in the load forecast methodology, and I'm just wondering over lunch if there was any additional information that could be provided to that regard.

MR. THOMPSON: Yes, thank you. We were able to get in touch with some of the authors of the load forecast and in particular some of the proceedings around the IRP as well. And this is the feedback: The 3.4-kilowatt per unit forecast figure is the figure that has traditionally been used by InnPower as a forecast figure, and it is one of those numbers that has been around for a long time and has never been pulled apart, other than the number it is.

However, within the IRP process the question of what number to use for new units came up and was compared to the PowerStream unit, the number, which turns out to be 3, so there is a difference -- is a recognized difference in the numbers that the two utilities are using.

The analysis at the time was that the conditions of InnPower were sufficiently different and the uncertainty is sufficiently high that it would be reasonable to continue to use the 3.4 planning number, and also in the assessment it had no impact on the planning requirements. It is a relatively small increment. And so the decision was made to continue with the 3.4 number. That's where it comes from.

MR. WOJCINSKI: Okay. Thank you. My next question is in regards to 2 Staff 22. Your response, you basically put forward your interpretation of maintain and improve reliability as it's used in various areas of the DSP.

One can argue the device does not fail, is performing reliably, but the risk of failure increases with age and condition deterioration.

So my only question is when you say "improve reliability", do you really mean reduce the risk of failure?

MR. THOMPSON: That would be a reasonable interpretation. In the context of looking forward, if we replace something because we think it will fail, then it obviously has not failed and hopefully has not failed, so therefore we are trying to improve the future reliability of the item or reduce the risk of failure. That would be reasonable.

MR. WOJCINSKI: Okay, thank you. The next question would be 2 Staff 6. The response to (f) seems to be an end-of-life statistic so I'm assuming -- and you just corroborate for me -- these 231 poles were proactively replaced before failure; they didn't actually come down before being replaced.

MR. THOMPSON: There's a concept around poles that needs to be -- we need to go back and touch on every once in a while. Poles reach end of life, and sometimes that is referred to as "failing", without necessarily catastrophically failing and causing an outage and falling down.

So InnPower is not experiencing a high number of poles catastrophically failing, which I think is a yes to your question.

MR. WOJCINSKI: Okay. Thank you.

The next question would be 2 Staff 27. One thing noted in the DSP is there are no material capital summary sheets for the -- for a number of post-2017 projects, such as DS oil reinhibit treatment, DS transformer oil containment, new subtransmission feeder line, and a number of the categories related from system renewals, system service, general plant.

I am just wondering why that is, why there are no material summary sheets for those post-2017 projects as per requirement in the DS -- in Chapter 5 of the filing requirements.

MR. VELLONE: What years are those projects occurring?

MR. WOJCINSKI: They would be occurring in 2018 through 2021.

MR. VELLONE: Because the Chapter 5 filing requirements only require material capital project summaries for the test year.

MR. WOJCINSKI: Okay. I must have missed that.

MR. VELLONE: It is not explicitly stated in the filing requirements, but back when they were released BLG reached out to the Board to seek clarity because as you move into future years in this distribution system planning period the level of uncertainty with the forecasts increases each year you move out. And so it becomes very difficult to create a list that provides value of material capital projects three, four, or five years out.

As a consequence of that, it has become the norm with all of the applications that have been filed before the Board to provide this level of granularity in respect of the test year only. Does that help?

MR. WOJCINSKI: Yes, thank you very much. Next question would be 2 Staff 28. I understand the general rationale for project need and most of the really bad poles in this particular project would be replaced probably in 2017, and you are pacing the entire line over a number of years.

On page 112 of the DSP, the 2017 component of the project scored over 500 points to make it your number-one project along with the 5th Side Road rebuild.

You show an alternative scoring based on increased pace of project implementation. In this case, the project only scores 57.6 points. So can you explain to me why, you know, ensuring public and worker safety, risk probability factor, goes from "likely significant to unlikely moderate" if the project pace is increased? Would the initial starting risk probability not be the same regardless of project pace?

[Witness panel confers]

MR. THOMPSON: So you are right, there are two tables shown. The first table is the risk profile of the initial construction period, and the second table becomes the risk profile of the remaining poles. So while it would make a certain amount of sense to replace all of the poles on this road as a single project, it turns out that managing the risk is reasonable and rate impact would be too high to do all the poles in one project.

MR. WOJCINSKI: I think you answered my question. So that table below then is for after the first year is done?

MR. THOMPSON: Yes, that's my understanding.

MR. WOJCINSKI: Thank you. I know you haven't done -- later on that same line -- well, there is no material summary sheets for these. Was there any kind of relative scoring for this project compared to others beyond -- in the 2018 to 2021 period, or not?

MR. THOMPSON: No, we did not prioritize projects beyond the test year.

MR. WOJCINSKI: Okay. Thank you. Next is 2 Staff 29. You mentioned that you intend to be at or better than provincial and national averages for performance metrics. This would put you somewhere in the second quartile of performance of sample set of entities being benchmarked, I would think.

Is there any intent to demonstrate continuous improvement?

MR. DAVISON: In what metric?

MR. WOJCINSKI: In any of the metrics. I mean, you mention in terms of your -- you mentioned you're going to be at better than provincial and national averages for performance metrics, so any of the metrics.

MR. VELLONE: Sorry, which response are you reading?

MR. WOJCINSKI: We're looking at 2 Staff 29.

MR. VELLONE: Yes, part...? I see A, B, C, D, E, F, G. Which one are you reading?

MR. WOJCINSKI: Let me see. That would be -- okay, that's (f).

MR. VELLONE: The question asked how lack of targets for InnPower's customer scorecard would lead to performance improvements. The answer is InnPower uses specific industry targets in the scorecard for its own performance and it strives do better.

And the question: Do you strive to do better?

MR. WOJCINSKI: The question is is there intent to demonstrate continuous improvement beyond provincial and national averages.

MR. VELLONE: It says strives to be at or better than.

MR. WOJCINSKI: If the averages go down, would that be acceptable for the performance to go down?

MR. THOMPSON: Are you referencing to specific metrics?

MR. WOJCINSKI: No, just the general statement that was made there in terms of comparisons to provincial and national averages for performance.

Averages can -- say the averages go down, and then my natural question is would you then say it's fine for our numbers to go down?

MR. VELLONE: It depends on the reason, wouldn't it?

MR. WOJCINSKI: Sorry?

MR. VELLONE: It would depend on the reason. SAIDI and SAIFI are reliability measures which -- if there are bad weather that affects the province as a whole and, as a result, averages get worse and that bad weather event also happens in Innisfil, then yes, the performance would get worse.

The scorecard is a compilation of a variety of different performance measures, and to get into the rationale as to why the performance changed on each one of those measures would be an involved process. So the witnesses could speak specifically to -- with regards to customer service metrics. What specific steps are they taking with regards to SAIDI and SAIFI, what specific steps are they taking with regard to ROE, what specific steps are they taking.

So I'm trying to unpack your question to try to get a sense of what you're going to.

If you are asking are they trying to do better than the provincial averages, then I think the answer is in the written response already. And if you are looking for something more than that, you are going to have to help me get there.

MR. WOJCINSKI: Well, it just seemed that, you know, the responses were looking at provincial and national averages. In general, you are looking at -- there is the desire to have continuous improvement, and I guess when I was reading this thing here, what I'm seeing is I'm not -- I wasn't quite sure whether there was that impetus to move towards continuous improvement in terms of philosophy of operating the system or some --

MR. THOMPSON: Are you referring to continuous improvement as a process model? Or are you referring to it as just metrics that continue to improve?

MR. WOJCINSKI: Metrics as a process model. As a process model, continuous improvement as a process model.

MR. VELLONE: That might be a term of art that I don't understand. Can the engineers please explain?

MR. THOMPSON: We don't want us to do that...

MR. VELLONE: You are going to have to bring everyone in the room along with you. What do you mean by that?

MR. WOJCINSKI: Basically, I mean are you looking to continually improving your process to increase your performance metrics?

MR. VELLONE: Perhaps Mr. Malcolm can speak to this at a higher level.

MR. MALCOLM: From InnPower's point of view, yes, we are striving to increase and improve our reliability and our performance. Each component has a specific requirement and a specific role to play, so I'm trying to understand.

From a general case, yes, as a utility, that's our role and responsibility is to ensure that we provide the optimal service to our customer base. Any performance that we can do to improve that, definitely we're going to seek that.

MR. WOJCINSKI: Okay, thank you. Next question is 2 Staff 0 (sic). Thanks for your response. I notice there is considerable improvement to reliability stats when MEDs are excluded.

What was the cause of the MEDs in '14 and '15?

MR. THOMPSON: In the DSP on page 50 -- I'm sorry, I really struggle to reference page numbers in a useful way, but it is page 50 of the DSP itself. There is a description of the major outages in 2014, a permanent fault on one feeder due to a failed switch gear. This was a scenario where the back up also went down. There was multiple outages due to major storm that damaged multiple poles. In 2015, a storm -- a large tree caused an outage on a major feeder, a 44 kV feeder.

Multiple outages on the 17th and 18th of June due to what's called a downburst, so a weather event; poles fell, trees damaged lines.

And a truck from a third-party construction company struck a sub transmission line that, would be a 24 kV line, which would result in entire stations going offline.

Another major storm in September 2014; it looks like another construction truck on September 25, 2014. That's most of them.

MR. WOJCINSKI: Okay, thank you.

Do you see -- in terms of the MED events you were mentioning, do you see the system renewal projects lessening the impact of similar future similar events?

MR. THOMPSON: Yes, many poles are damaged or in a weakened condition or -- so an MED event is defined in a specific mathematical way, but for the purposes of definition it's a big one, and the poles that we're talking about replacing, a number of the streets, I will try not to say them because I'll get them backwards, but they are the large 44 kV poles that are -- that do affect a lot of the customers, and I would say it is the overall intent wherever possible that these projects that have been proposed, particularly in the 2017 test year, are as directly as possible focused on those specific kinds of problems.

MR. WOJCINSKI: Okay, thank you. Next question is 2 Staff 31. In your answer to part (a), meeting legislative requirements is considered in the prioritization of projects. Safety is considered a top priority when prioritizing projects. Then meeting legislative requirements and environmental risk mitigation are the next highest priorities.

What project examples can you give me where meeting legislative and thereby legal requirements would not be considered mandatory, and are there any project examples where legislative requirements and environmental risk mitigation are not considered top priority after safety?

MR. THOMPSON: I'm sorry, I feel like I misinterpreted your question. Could you ask it again?

MR. WOJCINSKI: What project examples can you meet (sic) where legislative and thereby legal requirements would not be considered mandatory, because you are using that -- these criteria in your prioritization process, and are there any project examples where legislative requirements and environmental risk mitigation are not considered top priority after safety?

MR. THOMPSON: The project prioritization function of the DSP uses a numerical method that is admittedly somewhat subjective, and it assigns values and weights and it aligns with InnPower's corporate objectives and morals and company visions.

In that evaluation you will see that the safety element, if it applies, has the highest possible weighting, and that the legislative requirements and the environmental risk components are also very high, and I believe they are the same weight, but they are very high, and they are second.

So anytime a project has either a safety or a legislative or an environmental component, it will receive the same weight for that component, which will be one, two, and three.

MR. WOJCINSKI: Thank you. Now, in terms of the environmental risk components, would you know how many of the scored discretionary project had significant environmental risk associated with them? And if so, if it was immediate hazard, would you not replace it immediately under emergency conditions?

MR. THOMPSON: Yes, of course. The environmental risks in the electrical system are generally related to oil containment at substations. There is a small number of other applications.

InnPower has projects in the DSP and descriptions of their intentions within the DSP to install oil containment in existing substations for the purposes of mitigating environmental risk.

However, risk has a probability and a consequence factor, so transformers, for instance, that are full of oil are inherently risky.

There is a high probability -- a high consequence if something were to go wrong, but the probability can usually be managed. Therefore, InnPower has undertaken a program of installing oil containment at the situations where the consequence would be the highest; i.e., those areas that are closest to wetlands, and associated with that where the transformers are the oldest and most in need of remediation at some level.

So in those cases the environmental priority is given. That is an environmental project.

MR. WOJCINSKI: Thank you. Next question is 2 Staff 32. And the IR asked some questions about IT investments expected to reduce costs, and just to confirm, so based on your response to (a), there are no IT -- 2 Staff -- based on your response to (a), there is no IT cost reductions expected for both those two projects there?

[Witness panel confers]

MS. COWLES: So the GF001 project is ongoing requirements to upgrade finance software, so it's our accounting software package that has to be upgraded. It has got payroll information in it, and if we don't upgrade it on a regular basis then we cannot use some of the processes that are included in the software.

As a result of the upgrade, the IT maintenance charges sometimes go up. They go up incrementally. If we add licences and things like that they also go up.

This last upgrade we removed some of the features, and those were some offsetting lower costs, but not substantially, they wouldn't go down.

We also have a -- a project anticipated that would not reduce cost but provide for more automated, less paper-based system, and would probably -- well, we anticipate it would help us avoid having to hire additional staff in the future, that we could gain some efficiencies through that software.

MR. WOJCINSKI: Okay. Thank you. And that kind of goes, just to confirm again, so almost -- I think you got that in your last statement there, that the response to section (b), would it be a more accurate statement it is that future FT needs are -- would be deferred with these expenditures?

MS. COWLES: Correct.

MR. WOJCINSKI: Thank you. Next is just a minor clarification at 2 Staff 34. And if we go down a bit more there is a table, I think.

In that -- yeah, that table there, just minor clarification. I assume when you say "projected to purchase 80,000 residential and 80", those are dollar figures, not numbers?

MR. BROWN: Yes, that is correct.

MR. WOJCINSKI: Okay. Fair enough.

In the -- I guess part of what I was asking for is, is there any -- in answer to (c) there -- any quantifiable numbers to compare the 2016 to 20 -- in terms of number of meters installed or projected to be installed? Are they -- that's kind of where the question was going at.

MR. BROWN: Could you just help provide clarity on that question again? Sorry.

MR. WOJCINSKI: The original question was to provide a comparison between 2016 and 27 (sic) in terms of the number of meters -- number of quantifiable number meters (sic) installed or projected to be installed, so be able to compare the two years?

MR. BROWN: So I was responsible for this table, and I would say that I was taking this as dollars, not numbers of meters.

MR. WOJCINSKI: Would you say that the numbers in 2016 and '17, to your best guess, would be comparable, in terms of --

MR. BROWN: At the time I did the table, yes, that is correct.

MR. WOJCINSKI: Okay. Thank you.

Going back to one of our favourites, 2 Staff 38, Degrassi Cove. Do you know what the specific -- it mentions that there is quite a number of outages occur and so on and so forth. Do you know what the specific frequency of -- frequency of power outages in this area in the historical period compared to the system average to be able to say, well, system average is this in '13 through '16, for each of those years here's the average for this particular area, just to get an idea of the difference.

MR. BROWN: We would not have that information available, and my statement earlier was strictly based on my customer service level dealing with outages and understanding that this area is one of concern typically when we have storms.

MR. WOJCINSKI: So it is anecdotal feedback from customers is what you're getting, I take?

MR. BROWN: It is actually when I'm helping with the outages that we understand the areas are out. So we work with the engineering groups. So we know that this treed area is always -- typically, not always -- typically an area that suffers from power failures when the winds come up due to the trees.

And that's my experience from dealing with customer outages.

MR. WOJCINSKI: Thank you. Those are all my questions.

# Continued Questions by Ms. O'Connell:

MS. O'CONNELL: I will move now to 3.0 Staff 41. The first thing I wanted to clarify was in part (a). You reference 2.53 million. Do you really mean 2.35 million in accordance with the settlement agreement?

MS. PINKE: Yes, that is correct. It was a transposed digit.

MS. O'CONNELL: So the settlement agreement basically said that revenue offsets from leasing revenues should be included in the next cost-of-service application. However, it appears that InnPower did not include these revenue offsets related to leasing revenues in the revenue requirement.

Can you provide a direction from the OEB which would allow you not to comply with the settlement agreement?

MR. VELLONE: Can we pull up the settlement agreement, please? Or should I have to -- I want this in front of us.

MS. O'CONNELL: Page 12 of the settlement agreement.

MR. VELLONE: Page 12. So we are going to go to the web drawer to pull it up. So it's EB-2014-0086. I think this is page 10.

MS. O'CONNELL: Scroll down. Keep going, keep going.

The last sentence in bullet point 3 in the third paragraph; the last sentence in the third paragraph.

MR. VELLONE: Okay. I think it might make sense to ask the question in two chunks and I'm going to guide us through it, if that's okay.

MS. O'CONNELL: Sure.

MR. VELLONE: As part of your amended application, you excluded that vacant chunk of the building by the road, so let's ignore the excluded portion for now.

All of the rest of the building you include as revenue offsets leasing revenues in your rate application, the balance of the building excluding that part.

MS. COWLES: Yes, that is correct.

MS. O'CONNELL: Sorry, what you are saying is you include the vacant part of the building. You excluded the vacant part of the building, so that's why you're saying that the leasing revenues should not be included as a revenue offset. That's what your argument is?

MR. VELLONE: We haven't gotten there yet, but you are inferring. And that's roughly the position that the applicant is taking.

MS. O'CONNELL: But that's not what the settlement agreement said.

MR. VELLONE: If the settlement agreement was an agreement to set and just and reasonable rates back in 20 -- when the application was brought to the Board. It was open to the applicant to bring the application today that included the full costs of the building in rate base and record as a revenue offset any amounts of leasing revenues for the full costs of the billing. That's one way that could have been done.

Another way that could be done is to include in rates a subset of the cost of the building, and exclude from rates any costs associated with the portions of the building that are not being claimed from customers and at the same time, exclude revenue offsets. There is no revenue offset, because ratepayers are funding that portion of the building. No one is paying for that portion of the building, so why are you recording a revenue offset for it.

MS. O'CONNELL: That's not what the -- the settlement agreement said to exclude the cost and also include the revenue offset. That's what the settlement agreement said.

MR. VELLONE: The settlement agreement was to set rates back then. Rates -- just and reasonable rates are based on a cost of providing service. The actual costs of this building are on evidence as above $13 million.

The applicant is not asking for that full cost in rates. They're asking for something less associated effectively with a piece of the building that Mr. Shepherd saw when he was there, that is roughly termed "leasing space." They have excluded that from rates. They've excluded all operating cost for that portion of the building from rates, and they're also not recording revenue offsets for that portion of the building.

In effect, ratepayers are off the hook for the risk for that piece of the building.

MR. SHEPHERD: Can I suggest something, John? Fiona is asking how is that consistent with the agreement; it clearly isn't. You agreed to do something in the future and you didn't do it, which is put leasing revenue in as an offset.

So I take it -- and tell me whether this is right -- that what you are asking the Board to do now is to decide that the approach you've taken is equivalent to the result that was sought in the settlement agreement. But that's a decision you want the Board to make now.

MR. VELLONE: Yes.

MR. SHEPHERD: Is that fair?

MR. VELLONE: Yes, that's fair.

MR. SHEPHERD: Okay.

MS. O'CONNELL: That's what -- okay, can I just point out one more comment? You said that the expenses -- so the leasing area has been removed from the revenue requirement.

It is my understanding that it still is in the revenue requirement and its about 30 to 37K. Although immaterial, it is part of the OM&A.

MR. VELLONE: I'll let the witness speak to this. But my understanding is that all the expenses associated with the leasing space have been removed from -- even operating expense have been removed from the test year revenue requirement, is that correct?

MS. PINKE: That's correct.

MS. O'CONNELL: No, there was an IR -- there was an IR and it said basically that it as immaterial, so you didn't include it as part of the 3 percent reduction to the revenue requirement for OM&A.

MR. VELLONE: Just bring me to the IR. That might help.

MS. O'CONNELL: Sure, just bear with me one second. Okay, it's IR 4 Staff 48 on page 156, and basically it is stated that the removal of the expense has -- from the leasing area has minimal effect on the revenue requirement.

And then in part 2 it says a 3 percent reduction envelope, only envelope, is in addition to reduction of the leasing reduction -- base reduction. So implies that a 3 percent cut was made but not the removal of the 30 to 37 K of leasing space maintenance expense.

MR. VELLONE: We can put that to the witnesses. I'm not sure that's a correct reading.

MS. PINKE: Okay. If I can clarify there. So in response to (a) -- or actually (i), it is talking about -- it's saying that although it was -- it had minimal effect, there was an effect. It was removed.

MS. O'CONNELL: I don't think so, because I did the math, and you did a 3 percent across the board. You know, I don't want to quibble, it is immaterial, but it can --

MS. PINKE: No, they were taken out of very specific accounts.

MS. O'CONNELL: Umm...

MS. PINKE: We can take an undertaking on that one, but they were taken out.

MR. VELLONE: So was a 3 percent reduction applied before or after they were taken out?

MS. PINKE: The 3 percent reduction was applied after they were taken out.

MS. O'CONNELL: Taken out -- was applied after the maintenance lease and expense was reduced?

MS. PINKE: Correct.

MS. O'CONNELL: Okay. And this was like 30 to 37K, right, around that?

MS. PINKE: For 2000, yeah, 37,502 --

MS. O'CONNELL: Yeah. You know, it is immaterial, so, you know, I will just leave it, okay?

So my next question was, I just wanted to confirm that the 100,000 that you removed from leasing revenue is recorded in account 4390, "miscellaneous non-operating expenses."

It seems like from one version to another that you've dropped it from 160,000 to 60,000.

MS. PINKE: Are you referring to a specific page or a specific IR?

MS. O'CONNELL: So page 31 of the amended filing, May 8th.

MS. PINKE: Okay. So we can confirm that it was -- originally 4390 was 160,000 --

MS. O'CONNELL: Yeah.

MS. PINKE: -- and it is now at 60,000.

MS. O'CONNELL: Okay. That's great. Thank you.

My next question was Appendix 2H, submitted as part of -- on August 3rd, 2017. Account 4210, "rent from electric property". Let's see if we can call that up.

MR. VELLONE: Sorry, bring us there again. We're going to -- it is going to take us a second to pull it up.

MS. O'CONNELL: Sure.

MR. VELLONE: Just give us the citation again.

MS. O'CONNELL: Sure, Appendix 2H.

MR. VELLONE: Which date?

MS. O'CONNELL: Your August 3rd IRs.

MR. SHEPHERD: Page 152.

MR. HARPER: It's also 139 of the IR responses. 139 of the IR responses.

MR. SHEPHERD: I have it on 152, but all right. Maybe it's more than once.

MR. HARPER: It is there too, yeah, in both places.

MR. VELLONE: You have 159, Jay?

MR. SHEPHERD: 152.

MR. HARPER: 152. It is in both places.

MS. O'CONNELL: Okay. So -- okay. So that number here -- okay, I'm going to be pointing this out in a subsequent question, but there are some inconsistencies, but for example, that top line there, 4210, "rent from electric property" for the 2017 test year is 326,000.

Okay? I another version of Appendix H you showed a balance of 162,000. So I just wanted to clarify that the difference between the two of 164,000 is reflecting your removal of an increase to the pole attachment revenue.

MR. VELLONE: Where is the second Appendix 2H number you are pulling?

MS. O'CONNELL: Okay. So I showed you May 8th filing, right, of 326, and it is right there, 326. And then if you call up the Excel Chapter 2 appendices, there is 162.

MS. PINKE: I don't have the Excel version in front of me --

MS. O'CONNELL: Okay. I think --

MS. PINKE: -- so it is very hard to call it up --

MS. O'CONNELL: -- they're going to -- they're going to call it up, yeah.

MR. VELLONE: Filed with -- the Excel version filed with the interrogatory response --

MS. O'CONNELL: Yes, August 3rd. Yes.

MR. VELLONE: Okay, what tab?

MS. O'CONNELL: 2H, please. Go to the left. 2H.

MR. SHEPHERD: H is the --

MS. O'CONNELL: H to left.

MR. SHEPHERD: You sure?

MS. O'CONNELL: So if you go to line 4210, the top number there, it says 162 under 2017, so I just want to confirm that the delta between these two different versions, Appendix 2H, relating to account 4210, is related to removal of the incremental pole attachment revenue.

MS. PINKE: That is correct.

MS. O'CONNELL: Okay. Thank you.

MR. SHEPHERD: Sorry, does that mean that your forecast incremental fore -- pole attachment revenue was $164,000? That seems high.

MR. HARPER: They were more than doubling the rate.

MR. SHEPHERD: Okay. All right.

MS. O'CONNELL: Okay. My next --

MR. VELLONE: Are you certain on that response? I just want to make sure, 100 percent certain on that response.

MS. COWLES: This one, this chart here behind us on the display shows a reduction in taking the poles out of the top line and a reduction on the 4390 line for the rental property.

MR. VELLONE: So both.

MS. COWLES: Both.

MS. O'CONNELL: Okay. My next questions, basically, I noted some inconsistencies in the evidence, so I'm hoping that you could look at some inconsistencies that I've pointed out and do a double-check of the evidence before the next iteration to make sure they are all consistent.

For example, Appendix 2H, there are discrepancies for 2015, '16, and '17 test years. One is a version that was filed in Excel, August 3rd, which agreed to the PDF that was filed August 4th as part of the interrogatory response, I.0 -- 1.0 Staff 13, page 28.

Another version was part of the Appendix 2H included in the resubmission of Exhibit 3 as part of the August 14th, 2017, interrogatory responses, page 139.

The third one was another version of operating revenue relating to appendix 2H, included in the response to interrogatory 3 VECC 21, page 152.

For example, for 2017 for 2H, one version has 975,000. Another version has 1.2 million, another version has 1.1 million.

So I'm just pointing out to you there are some discrepancies and they need to be addressed.

Another example is appendix 2K. There are discrepancies relating to 2016 and 2017 related -- so there is one version that agrees to the Excel version filed August 3rd, and also agreed to appendix 2K filed August 4th, as part of interrogatory 4.0 Staff 49, page 158. Also agreed to interrogatory 4 Staff 34, page 183.

Then this is also compared to another version which is reflected in the PDF appendix 2K, August 4th, as part of interrogatory 4.0 Staff 53, page 174, and also interrogatory 4.0 VECC 30, page 204.

So to summarize, there are two different versions of 2K. For example for 2017, one version shows 4.1 million and the other version shows 4.2 million, and there are also discrepancies in the 2016 year.

So I am just pointing these out to you and if you could look at it again before you resubmit and...

MR. VELLONE: Should we get these explanations of the differences, an identification of what is the correct evidence marked as an undertaking for the purposes of the evidence, I think, or appendix 2H and appendix 2K?

MS. O'CONNELL: Basically, I think it is a bigger question than that, that there needs to be checks and balances to make sure all the evidence is consistent.

That's what I'm getting at. These are just examples.

MR. SHEPHERD: We're going to go into an oral hearing, and if this starts to get brought up in the oral hearing, it is going to be a mess.

MR. VELLONE: But a many of these as you can catch and draw our attention to would help, because I think what you have in front of you is the best effort. But if you bring us to specific questions and clarifications that you need, it helps us. It drills my attention, for example, on to specific areas that can help reconcile it for you.

MR. SHEPHERD: Is it worthwhile to talk about this off the record at the break?

MR. VELLONE: Sure.

MS. O'CONNELL: That's fine.

MR. VELLONE: Why don't we get these two marked as an undertaking, because you've spent this time to put it on the transcript. Let's get something useful out of it.

We are at 17, I think?

MS. DJURDJEVIC: Yes, JT1.17.

UNDERTAKING NO. JT1.17: TO EXPLAIN THE DISCREPANCIES BETWEEN APPENDIX 2H OF 1.0 STAFF 13, PAGE 28 AND FILED IN EXHIBIT 3 OF THE AUGUST 14TH, 2017 INTERROGATORY RESPONSES, PAGE 139; AND BETWEEN THE VERSION OF APPENDIX 2K OF FILED AUGUST 4TH AS PART OF INTERROGATORY 4.0 STAFF 49, PAGE 158; IN INTERROGATORY 4 STAFF 34, PAGE 183; INTERROGATORY 4.0 STAFF 53, PAGE 174; AND INTERROGATORY 4.0 VECC 30, PAGE 204

MS. O'CONNELL: I just want to ask you another question regarding appendix 2M in the Excel or in the PDF; you can to do 2M in the PDF. So it is page 177.

I just wanted to confirm that the number here under the 2017 test year, 217,500, that is not what you are asking in the revenue requirement.

I believe you are requesting 97,000, so I just wanted you to confirm. The 97,000 is in appendix is in Appendix 2CC. Keep going down, it is line 47. So that's 97,000.

I just want to confirm that the total regulatory cost that you are requesting is the 97,000, and not the 217,000 on Appendix 2M.

MR. VELLONE: Do you guys want to take this off line and mark it?

MR. SHEPHERD: It wouldn't be 217,500 because that includes the one-time cost. It would be 102,012.

MS. O'CONNELL: I did the math. It seems to be that the 97,000 might make sense, but...

MS. PINKE: That is correct. It should be the 217,000 cost.

MS. O'CONNELL: I don't think so.

MR. SHEPHERD: No, it can't be. It should be 71,000, plus a fifth of 151,500, right?

MS. O'CONNELL: Exactly.

MR. SHEPHERD: Can you undertake to provide the correct number?

MS. DJURDJEVIC: That will be JT1.18.

UNDERTAKING NO. JT1.18: TO CONFIRM THE TOTAL REGULATORY COSTS REQUESTED.

MS. O'CONNELL: Okay. The next is 4.0 Staff 49. You talk about the 3 percent reduction to OM&A, but you didn't describe the items that you specifically will not be able to accomplish if the OM&A is reduced by 3 percent, nor did you provide a list showing the levels of prioritization.

So, just a two-part question. One, if you could list the item that InnPower will not be able to accomplish with the 3 percent reduction to OM&A, and two, prioritizing within that list, Staff 49.

MR. SHEPHERD: Where's the reference to not being able to accomplish -- sorry, Fiona.

MS. O'CONNELL: Sorry.

MR. SHEPHERD: Where is the reference to asking what they are not going to be able to accomplish?

MS. O'CONNELL: Oh, I'm just asking them now. It's not in the…

MR. VELLONE: That is an assumption you are making. That's really the question that you are asking is are you able to accomplish the same things you were planning to do Before, or are you going to do less. That's kind of the premise of your question?

MS. O'CONNELL: Yes, yes.

MR. VELLONE: Let's ask that one first.

MS. O'CONNELL: So the question is: With the reduction, what are you not able to achieve and prioritizing it.

MR. VELLONE: I think we are going to lend that to an undertaking.

MS. O'CONNELL: Sure, no problem.

MR. VELLONE: So create a list of -- just to make sure I've got it right, with respect to the proposed 3 percent reduction in the test year budget, with respect to the OM&A programs that are forecasted for the test year, what reduction in scope of those programs, if any, is InnPower proposing to achieve that 3 percent reduction? Is that basically, on a program-by-program basis, is that really what you're getting at?

MS. O'CONNELL: Basically yeah, and just -- yeah, something along those lines with a narrative and a prioritization.

MR. VELLONE: Yeah, if there's anything listed. There may not be.

MS. O'CONNELL: Yeah, I guess I'm trying to get at is, you know, what -- the 3 percent reduction, what are you not able to do compared to if you had the full amount; right?

MR. VELLONE: Like, Mr. Malcolm can speak to this, but my understanding was they are not hiring new bodies. That's where the 3 percent reduction came from in large part, but that the intent was full steam ahead with the existing work force. Is that -- that's my high-level understanding.

MR. MALCOLM: Yes, Mr. Vellone, you are correct that we are not adding any additional FTEs. However, the existing FTE count remains the same.

MS. O'CONNELL: Okay. I still would like a response to the undertaking, please. Thank you.

So interrogatory -- did you say it already?

MS. DJURDJEVIC: No. So this would be Undertaking JT1.19.

MS. O'CONNELL: Yes. Yes.

UNDERTAKING NO. JT1.19: WITH RESPECT TO THE PROPOSED 3 PERCENT REDUCTION IN THE TEST YEAR BUDGET, WITH RESPECT TO THE OM&A PROGRAMS THAT ARE FORECASTED FOR THE TEST YEAR, TO CONFIRM WHAT REDUCTION IN SCOPE OF THOSE PROGRAMS, IF ANY, IS INNPOWER PROPOSING TO ACHIEVE THAT 3 PERCENT REDUCTION, ON A PROGRAM-BY-PROGRAM BASIS

MS. DJURDJEVIC: And I'm clear on what --

MS. O'CONNELL: Yeah.

MS. DJURDJEVIC: -- the question is and what --

MS. O'CONNELL: Yeah, yeah. Okay. So the next thing is that I noted that the OM&A -- that the bridge-year OM&A actuals of 5.688 million were actually lower than the 2016 bridge-year OM&A forecast of 5.835 million, 83 million.

So basically I'm just wondering what assurance can you give that the amount -- that the 5.990 million that you are requesting for OM&A for 2017, what assurance can you give us that you're actually going to spend that money versus underspending?

MS. COWLES: Our actuals for 2016 are largely underspent because of vacancies that we had throughout the year. When these are filled our expenses should be up around the budgeted amount.

MS. O'CONNELL: Okay. My next question is 4 Staff 52. Okay. So that table that you provided, if you scroll down -- okay. So it's -- keep going, keep going. Okay. So it is Table 4.3, "Recoverable OM&A per customer."

MR. VELLONE: Are you sure it's in the response --

MS. O'CONNELL: That's it, right there. Yeah. Okay. So basically I inquired about the number of customers that were included in this table, and basically it is my understanding that you responded saying both customers and connections should be included, but it is my understanding it should just be "customers", so I would like you to restate the table, just including customers and not connections.

MS. PINKE: The table inside the Chapter 2 appendices states "number of customers/connections" with a table of -- a footnote of 2 and 4. So I'm very confused as --

MS. O'CONNELL: Okay. Can you --

MS. PINKE: -- how --

MS. O'CONNELL: -- pull up the Excel version, please?

MR. VELLONE: Where would we find recoverable OM&A for customer and for FTE in the Chapter 2 appendices?

MS. PINKE: It's -- if you go the index -- I'm sorry, the very first page. Just, I've always gone to the index; it's a little bit easier. Okay. Under index, and...

MS. O'CONNELL: It is 2JB.

MS. PINKE: Yeah, so we click on that, it will take us right there.

MS. O'CONNELL: Yeah.

MS. PINKE: No, that's not --

MS. O'CONNELL: No, it is not that one. Sorry, you're right.

MR. BACON: Keep going back. Right. Go right.

MS. PINKE: OM&A per customer, 2L.

MR. BACON: 2L.

MS. O'CONNELL: Okay.

MS. PINKE: If we looked at line -- at row 19 --

MS. O'CONNELL: Okay. I see --

MS. PINKE: -- it is number of customers and connections.

MS. O'CONNELL: Okay. In other applications I've seen it just "customers", but I'll leave it, because it does say "customer and connections."

MS. PINKE: I think that needs to be clarified if you're having --

MS. O'CONNELL: I know.

MS. PINKE: -- because this is also how we report on PBR, which has a really big impact on the, you know, the PEG data.

MR. BACON: Can you just scroll down to row 30 and see what that says. Connections for street -- yeah --

MS. PINKE: Street light, Sentinel, and USL. So --

MR. BACON: Right. The spreadsheet itself shows connections.

MS. O'CONNELL: Okay. Okay. That's fine. Okay. My next question is 4 Staff 50. Okay. So if you can call up 4 Staff 50. Okay. If you can go to the vacancy chart that you submitted as part (e) of the response.

Okay. So I note that some positions have been vacant for a while. For example, I point to the operations manager. That has been vacant for over a year.

So I am just asking you: What do you think the most reflective -- appropriate way to reflect the compensation and benefits of the operations manager in the 2007 test when it's been vacant for over a year?

MS. COWLES: I'm not sure of the exact amount that we would take out of labour for that employee as a result of that vacancy, and we have had short term people come in to try to fill it. But we've had our unionized staff on step-up, so there's been some increases in labour to offset the labour that's not being charged to that vacancy.

MS. O'CONNELL: I also know that you include an operation supervisor as well in the row below; is that the union person that you were referring to?

MR. MALCOLM: We were having difficulty filling the operation manager position. It's required to be a tradesperson as well as doing administrative-type work inside.

What we are looking at to go is splitting that role into two operation supervisor. So what would happen is that we would eliminate the manager position and have two operation supervisor positions. One would be to divvy up the workload because one person cannot do it all. It requires two people to do the amount of work that's required for this position, as well as move some of the administrative staff over to the engineering administration staff folks to help out.

MS. O'CONNELL: Wouldn't two supervisors be more expensive than one manager?

MR. MALCOLM: We are also looking at re-doing some of the internal structures within the operating division, so we have a number of positions. We have another supervisor position that is open. We have a -- on the line side, we have a step-up on a sub-foreman that we need to address as well.

So in the short term, yes, it does increase, but we are looking at what we need to do on the engineering side to offset that balance.

MS. O'CONNELL: Because it says here the sub-foreman has been -- is in place in this chart.

MR. MALCOLM: Yes, that sub-foreman person is in place with the operations manager. But with the changes we are looking at making, there is going to be a reorganization in that group.

MS. O'CONNELL: In the end, what's the impact on the test year of all this?

MR. MALCOLM: There is a reduction in the labour cost for the operation manager position since we do not have that position filled. As well, we do not have the operation supervisor position filled as well. So there will be a reduction.

MR. VELLONE: To be clear, are you planning to have these positions filled any time in the next five years?

MR. MALCOLM: Yes, we are.

MR. VELLONE: Did you actually propose reductions during your test year OM&A budgets to reflect the fact that you are currently seeking candidates for these roles, or does the budget include these roles?

MR. MALCOLM: The budget includes the roles.

MR. VELLONE: That's what I thought.

MR. SHEPHERD: So the budget you have includes costs that you know you are not going to incur in 2017?

MR. MALCOLM: Those costs were determined from last year, from 2016 when we did our budgets.

MR. SHEPHERD: I understand.

MR. MALCOLM: We had an individual that was in the operations manager position in November, but only lasted two weeks.

MR. SHEPHERD: I'm not suggesting you're doing something wrong. I'm just trying to understand what you --

MR. MALCOLM: I am trying to clarify so you understand where we're at with our budgets, and where our positions are trying to be filled.

MR. SHEPHERD: So the budget we're working on right now has some stuff in it that you are not going to spend.

MR. MALCOLM: As of today, yes.

MR. SHEPHERD: Do we know what the dollars are for that, the total dollars per year? Or can you give us just a ballpark? Are we talking about a couple of hundred thousand dollars, or are we talking about a million dollars?

MR. MALCOLM: Currently with the position vacant, we are looking at $100,000 plus the benefits.

MR. SHEPHERD: That's just for that position, and then you have some others as well, right?

MR. MALCOLM: That's correct.

MR. VELLONE: Ms. Cowles, can you also quantify the cost that you are incurring to deal with the fact that that position is vacant didn't with your union staff as well?

MS. COWLES: We have -- one of our unionized position that is on step-up, they get an extra percentage for being in that role. They're also having to on on-call days, evenings, and weekends. So that's an extra expense which normally would be undertaken -- part of that would be undertaken by the manager.

There is more overtime being booked and for union staff, that's double time, so there are additional costs. There is an additional line person as well that's been put in place to fill-in for the line foreman.

MS. O'CONNELL: So are you proposing the impact of all this would be at least $100,000 reduction in the test year? Is that what you are proposing, or more?

MR. VELLONE: That's not what I've heard. I heard the opposite.

MS. COWLES: No, I'm saying it would be less than 100,000 because of the offsetting increase in cost for the other staff that's filling in for this position and vacancy.

MS. O'CONNELL: But it would be above materiality, 60,000?

MR. VELLONE: Do we know that?

MS. COWLES: I haven't done the analysis to be able to calculate that.

MS. O'CONNELL: I think it would be worthwhile to get an undertaking.

MR. VELLONE: Is the analysis doable in a reasonable period of time?

MS. COWLES: It would probably take me a few days to put together the information on cost incurred to date. However, I would want to forecast additional cost towards the end of the year that we'd have to incur to continue to -- if we're not hiring someone into that position for the end of the year, we are going to have additional costs. So I'd like those estimated as well and included in it, not just to-date.

MR. SHEPHERD: Are we getting somewhere a year to date OM&A breakdown? Can we get that?

I mean, you record your OM&A every month, right, so you can probably give us to the end of August perhaps?

MS. COWLES: We don't have August. I could give you to the end of the July.

MR. SHEPHERD: Good. That would help us, right.

MS. O'CONNELL: Yeah, yeah.

MR. SHEPHERD: That would take us a long way there, and that's a lot less work than what you're talking about. I wonder if that's a good solution.

MS. O'CONNELL: I think so, yeah, I think...

MR. SHEPHERD: By program, the most desegregated you can. By program if you can. If you can't, then whatever granularity you can give us.

MS. COWLES: Okay.

MS. DJURDJEVIC: That will be Undertaking JT1.20.

UNDERTAKING NO. JT1.20: TO PROVIDE THE OM&A BREAKDOWN TO THE END OF JULY, INCLUDING LABOUR VERSUS NON-LABOUR

MR. SHEPHERD: In your desegregation, can you make sure that we have labour versus non-labour? That should be fairly easy, right?

MS. COWLES: Yes, it is segregated. Labour is segregated from the others. You will see that.

MR. SHEPHERD: Thank you.

MS. O'CONNELL: Okay, my next question is -- so, just to summarize, you were able to do -- you were able to cope with reduced staff, i.e. the operations manager, by having two supervisory operations' roles; is that fair to say?

MR. MALCOLM: The two supervisory roles were never filled.

MS. O'CONNELL: Okay. So how have you been able to cope without this operations manager for over a year?

MR. MALCOLM: By placing the workload on the other management staff within the engineering and operations group, as well as the vice-president of engineering and operations taking on an extended role.

MS. O'CONNELL: Okay. So part (e) of this response, that table right there, if you scroll down, shows 41 FTEs for 2016, but if you go to part (c), if you scroll up to part (c) of this response, it shows 44 FTEs.

So for 2016 one area shows 41 FTE, another area shows 44 FTEs. Can you explain?

MS. PINKE: Yes, the discrepancy in 2016 -- and it is referred to in another IR response -- was that these are identified wedge band positions on the table. When we did some backfill, we had backfill with students and with contractors where we needed to be, which still put us at a 44 FTE --

MS. O'CONNELL: Okay. I --

MS. PINKE: -- and if you count it by the positions, though, it came up to 41.

MS. O'CONNELL: Okay. I think you responded to a VECC IR with that, right? So you are saying that you had a budget for 44 FTEs, you had 41 FTEs, and then the difference 3 percent were due to contract and student workers.

MS. PINKE: Correct.

MR. SHEPHERD: Sorry, when you are reporting FTEs throughout your application, are you reporting approved FTEs as opposed to actual FTEs?

MS. PINKE: We are reporting actual FTEs. It was a mistake on that -- on that vacancy table.

MS. O'CONNELL: So are you saying part (e) should show 44 FTEs and not 41? That table in part (e)?

MS. PINKE: Yes, but it would have to be updated to show where we brought in students and contractors.

MS. O'CONNELL: Uh-hmm.

MS. PINKE: The table is made of our actual positions that we have available at this point in time.

MS. O'CONNELL: So permanent positions; is that what it is?

MS. PINKE: I'm going to say more defined positions.

MS. O'CONNELL: Okay.

MR. SHEPHERD: Sorry, I just want to clarify this. So if you have 44 approved positions and only 41 full-time people doing the work, but you have some -- you do some -- the work is still getting done, you are assuming that you then have 44 FTEs; right? Because you've got 44 FTEs at work then?

MS. PINKE: I don't think we're assuming we have 44 FTEs; I think the calculation identifies that there is 44 FTEs.

MR. SHEPHERD: But those other three are actually -- like, did you count and say, well, this student worked for three weeks and so we count that as, you know three-fifteenth second of an FTE, or did you just assume that since those vacant positions, their work actually got done, somebody must have done it? I don't understand.

MS. PINKE: I don't quite understand your question either. I'm sorry.

MR. SHEPHERD: Well, I don't know how you got from 41 to 44 --

MS. PINKE: So are you trying to understand the calculation?

MR. SHEPHERD: Yes, how did you get from 41 to 44?

MS. PINKE: On this table, I didn't, because this table basically is just adding up the values by the job title.

MR. SHEPHERD: No, but the previous table has 44, and it says -- and you said that's real people, right? 44 real people.

MS. PINKE: It is the equivalent of full-time employees.

MR. SHEPHERD: Okay. So the other three that is in there, that was a bunch of other people; right? That wasn't three people; that was 12 people.

MS. PINKE: Potentially, yes.

MR. SHEPHERD: And you actually counted up how much they worked?

MS. PINKE: How many hours and stuff by the number of days, equal up -- are they equal to an FTE or not.

MR. SHEPHERD: All right. Okay. Thanks.

MS. PINKE: 44 FTE doesn't give me -- I'll leave that one.

MS. O'CONNELL: Okay. So -- okay.

MR. VELLONE: How's the court reporter doing? Or when do you need a break? Now?

MS. O'CONNELL: Okay. Could I just ask one last question before we move?

MR. VELLONE: It's in her hands.

MS. O'CONNELL: So what would be the impact on the 2000 (sic) test year if you had 41 FTEs that were in place in 2016 versus the 44 in 2017?

So just to recap, if the 2000 (sic) test year showed -- 2000 (sic) test-year approved reflected 41 FTEs versus 44 FTEs. Would you still be able to get your work done?

MR. MALCOLM: Is the question can InnPower sustain our program with 41 FTEs --

MS. O'CONNELL: Yes.

MR. MALCOLM: -- as opposed to 44?

MS. O'CONNELL: Yes, yep, that's my question.

MR. MALCOLM: No, we cannot.

MS. O'CONNELL: Okay. And why is that?

MS. MALONE: Because the additional workload is being placed on our existing staff and it is causing work overload for our existing staff. They are taking on too much of other duties that are way beyond and putting in a lot of overtime to keep up with that workload.

MS. O'CONNELL: Okay. That's great. Okay. We'll continue after break.

MR. VELLONE: And would it be fair to say that the reason why one of the staff is not here today is, in part, because of that workload?

MR. MALCOLM: That is correct.

MS. O'CONNELL: Sorry, I missed that.

MR. VELLONE: The reason why one of the staff members are not able to attend today is because of that overwork.

MS. O'CONNELL: Okay, okay. Thank you for clar -- we'll break now?

MS. DJURDJEVIC: Yes. Let's come back in 15 minutes? 3:45?

MR. SHEPHERD: Sure.

### --- Recess taken at 3:29 p.m.

### --- On resuming at 3:43 p.m.

MS. DJURDJEVIC: Welcome back, everyone. We will continue to Board Staff's questions and move forward and get as much as we can get done today.

UNIDENTIFIED SPEAKER: Mr. Vellone is not in the room, so I think you may want to wait for him.

MS. DJURDJEVIC: Okay. We'll just go off the record and wait for counsel.

(Pause in proceedings)

MS. O'CONNELL: So my next question 4 Staff 51. Part (b) of your response said that most management employees are entitled to a salary adjustment.

So my question is: Why are most management entitled to this, rather than on a more selective basis?

MS. COWLES: I think when they say most are --sorry, can you show me where -- is it in (a)?

MS. COWLES: Can you -- most management employees -- what's meant by the statement "most management employees" is not that most management employees will receive it, but that any management employees that hadn't reached the 100 percent target of the banding were not eligible for the 105 percent. So they were not eligible to qualify for it.

But the performance metrics are to each individual and separate for each individual, and they have to attain certain performance metrics to be able to get all or part of that extra 5 percent.

MS. O'CONNELL: I guess what you are saying is that if -- I may have heard you incorrectly, but what I hear is that most of the management get an increase within the band, right, and not all get the 105 percent; that's what you're saying?

MS. COWLES: Management employees that are already at 100 percent of the pay band qualify for somewhere between 100 and 105, depending on their evaluation. But there are also management employees that are not at 100 percent of the pay band and they do not qualify.

MR. SHEPHERD: Sorry, let me follow up on that. This says that most management employees have favourable performance and got an upper salary adjustment, correct?

MS. COWLES: I don't know if that -- I don't think that is what is meant by "most management employees", but I don't have a number of who got an increase or how much the increase was. That's part of the HR department. I don't have that information.

MR. SHEPHERD: This is for 2016. So, Mr. Malcolm, in 2016, did most management employees get an upward salary adjustment due to favourable performance?

MR. MALCOLM: The current management employees, when I started in August last year, they were at the 100 percent and were eligible for the 105 percent. During the remainder of 2016, there was no one that moved from 100 percent to 105 percent within my area.

MR. SHEPHERD: Yeah, my question is about favourable performance.

This appears to say that most management employees in 2016 were assessed to have favourable performance.

MR. MALCOLM: So each employee goes through a performance evaluation. They have goals and objectives set up at the beginning of the year. They are monitored during the course of the year. Once they achieve those results, they are eligible for an increase between 100 and 105 percent.

MR. SHEPHERD: That wasn't my question. My question was actually much simpler than that. Did most management employees in 2016 have an assessment of favourable performance?

MR. MALCOLM: As I stated, the ones that achieved it, achieved their performance benchmarks, did achieve the incentive. But we had management employees that are not at the 100 percent.

MR. SHEPHERD: We're missing each other. It doesn't matter whether they are at the 100 percent. Their performance -- if they have favourable performance, they get a salary increase, right?

MR. MALCOLM: Regardless of were they in the band, yes.

MR. SHEPHERD: Yes. So did most management employees get a favourable performance review and get a salary increase, yes or no?

MR. MALCOLM: Yes.

MR. SHEPHERD: Thank you.

MS. O'CONNELL: Can you clarify that the same type of incentives and salary adjustments are not available to the unionized employees?

MS. COWLES: That's correct, they don't have the same management performance measurements.

MS. O'CONNELL: Are there any additional on top of that, or no?

MS. COWLES: Any additional incentive programs?

MS. O'CONNELL: Any additional types of compensation for the union employees?

MS. COWLES: Just the union negotiated increase.

MS. O'CONNELL: Okay, thank you. I wanted to ask you -- sorry, back to the management. You've said that they have received a cost of living adjustment ranging from 2 percent to 2.7 percent. What cost of living adjustment is forecasted for the 2017 test year?

MR. MALCOLM: The amount was 2 percent.

MS. O'CONNELL: Okay. Thank you. Was the management incentive program that was introduced in 2015 included as evidence in the 2013 process service proceeding?

MS. PINKE: No, it was not included in the previous rate application.

MS. O'CONNELL: My next question is 4.0 Staff 49, page 163. Scroll up. Scroll up. Under the heading "New corporate headquarters", the property tax is expected to increase by over 100,000. I just wondered if you have a notice of assessment to support that increase.

MS. COWLES: We do have a notice of assessment to support that.

MS. O'CONNELL: Are you able to put it on the record?

MS. COWLES: As an undertaking?

MS. O'CONNELL: Yes, please.

MS. COWLES: Yes.

MS. DJURDJEVIC: That will be JT1.21.

UNDERTAKING NO. JT1.21: TO FILE THE NOTICE OF ASSESSMENT THAT SUPPORTS THE INCREASE DESCRIBED UNDER "NEW CORPORATE HEADQUARTERS" IN 4.0 STAFF 49 PAGE 163

MS. O'CONNELL: Thank you. I'm assuming that you are not going to challenge this notice?

MS. COWLES: No, there is no intention to challenge the notice at this time.

MS. O'CONNELL: Thank you. My next question is 8 Staff 57. So basically what is happening here is that InnPower proposes to have a fixed rate for the GS greater than 50 class, $463.79. However, Staff notes that the most recent approved number for this class was 151.60 and that on the filing requirements, page 56 of the Chapter 2 filing requirements state that distributors are not -- are generally not expected to raise the fixed charge further above the ceiling for any non-residential rate class.

So basically I just wanted to hear more about your view, and if you agree to refile the RRWF and the billion-pack model -- the RRWF tab-through rate design to reflect the 151.60 rate.

MS. PINKE: Let me try and clarify -- I think you've asked about a total of three questions there.

MS. O'CONNELL: Yes, sorry about that.

MS. PINKE: So can we go with the first one?

MS. O'CONNELL: Sorry, yeah.

MS. PINKE: So the first one is I think you asked: Are we willing to go back to the 151.60?

MS. O'CONNELL: Yes.

MS. PINKE: And our answer to that at this point in time would be no. The 151.60 reflects the revenue requirement based on a previous cost application, so based on our current allocation, if I -- if we change the ratios back to what were there from the previous cost of service the amount is actually 236.

MS. O'CONNELL: Okay.

MS. PINKE: So, I mean, there is just no way to go back. I mean, if we go back to the 151 you are taking an existing ratio for a customer and you are probably bringing it down to about 15 percent fixed.

MR. SHEPHERD: Can I just jump in here?

MS. O'CONNELL: Sure.

MR. SHEPHERD: The Board has a clear policy. If you are above the minimum assistance plus PLCC you can't go higher, so why do you think you should be able to go higher and nobody else can? I don't understand.

MR. BACON: There has been a number of cases where this has gone before the Board and the fixed/variable split has been maintained, and so, yes, that is what it said in the filing requirements, but there are cases, a number of cases, and we listed them a number of times before, where the Board has decided to maintain the fixed/variable split.

MR. SHEPHERD: So you are saying you should be an exception to the filing requirements?

MR. BACON: I'm saying there has been cases in the past where that has been the case, and the --

MR. SHEPHERD: Planning requirements say something different, and I'm asking you to tell us why the -- you should not comply with the filing requirements?

MR. BACON: Well, okay. Go ahead.

MS. PINKE: I'm sorry. We are maintaining the same fixed and variable splits that were agreed upon in the last cost of service. The portion that's changed here is the revenue-requirement amount, which is going to change. We're not going to have the same revenue requirement that we had from 2012.

MR. SHEPHERD: How is that responsive to my question, which is: The filing requirements say one thing; you are doing something else. Why do you think that's okay?

MS. PINKE: I think that we are following Board policies when it comes to maintaining the fixed/variable splits.

MR. SHEPHERD: The Board doesn't have that policy.

MS. PINKE: Well, it has precedents.

MR. SHEPHERD: All right. Go on.

MR. HARPER: Actually, it is Bill Harper. If I could step in for a minute.

I just want to clarify, when you say you maintain the fixed/variable split, are you saying you are maintaining the same fixed/variable split that resulted from the filing, your last approved filing, or are you maintaining the fixed/variable split that results from applying your approved rates -- your approved rates to the forecast loads for 2017, which would give you a different number than what was approved last time, because load and customers don't increase at the same amount, and I'm just trying to understand when you say you are maintaining the existing split. Which existing split are you talking about?

MS. PINKE: The final change for this rate class --

MR. HARPER: Right.

MS. PINKE: -- we have applied the fixed/variable split that was the outcome of our previous settlement agreement for this rate class.

MR. HARPER: Okay. Actually -- and maybe we were talking about inconsistencies going through for -- I think what I would ask you to perhaps do, and it was one of my questions, is for these various classes that you -- excluding the residential class, which has got its own little methodology for coming up with a monthly service charge, for the other ones, if you could perhaps look at tabs 12 and 13 of the -- you should -- excuse me, tab 13 of the revenue-requirement work form and just ensure that the rates coming out of that are consistent with the rates in your approved tariff sheet that you filed with the -- with the interrogatories. I'm not too sure if all those numbers are exactly the same, so that is maybe just another place you can check and see.

MR. SHEPHERD: Can I just ask another little follow-up here?

MR. VELLONE: Let's just ask Mark Bill's question as an undertaking --

MS. DJURDJEVIC: It will be JT1.22.

UNDERTAKING NO. JT1.22: TO CONFIRM THAT THE RATES IN TAB 13 OF THE REVENUE REQUIREMENT WORK FORM ARE CONSISTENT WITH THE RATES IN THE APPROVED TARIFF SHEET FILED WITH THE INTERROGATORIES.

MR. SHEPHERD: In the answer to this interrogatory you have a table here that says "Fixed charge analysis, previous cost-of-service application", and it has a table, "2006 rates from OEB-approved tariff", and that doesn't look like the 2016 rates that I see here. Is there -- am I missing something here? Like, this says that the 2006 rates from the OEB Board-approved tariffs for GS over 50 is 320.64. I am looking at your tariff sheet. It's 151.60, which I think you agree is correct; right?

MS. PINKE: That's fine.

MR. SHEPHERD: Is there some problem in that table that I don't -- haven't seen?

MR. VELLONE: Mr. Harper, is this the same concern that you caught, or is this different?

MR. HARPER: Well, I must admit, what I wasn't clear about was when it came to -- and maybe this would answer Jay's question -- is when it came to the fixed/variable splits that were used in the revenue-requirement work form, which is where you show the ultimate rate design, how those fixed/variable percentages were derived, what rates were -- what loads were used, what rates were used, and how they were derived, and maybe, I think -- and again, whether the rates that come out of that in the form are the same as the ones -- if they are the ones you are proposing or not. It seems to me, if one could clarify that, one would at least understand what the basis is for the current application you've got before the Board.

Would that help you, Jay, in terms of knowing what the number is that we're -- what the number is they're landing on at the end of the day, I guess?

MR. SHEPHERD: Well, I want to know what their starting point is, because I think their starting point is 151.60, but they have this table here that says, no, it's 320.64. Maybe I'm misunderstanding the table, because it doesn't look right to me.

MR. BACON: You're right, Jay. It should be 151.60. That's what it should be, so we need to look back and see why it is --

MR. SHEPHERD: So in this table, which appears to be relative to a previous cost-of-service application, maybe the label from 2016 rates from OEB-approved tariff is wrong.

MR. BACON: It could be. But I understand where you are coming from, and it should be 151.60.

MR. SHEPHERD: Okay. Thank you.

MS. O'CONNELL: Did you want an undertaking for that, or...

MR. SHEPHERD: No.

MS. O'CONNELL: Okay. Moving on to --

MR. VELLONE: I think I do. I just want to get the table --

MS. O'CONNELL: Okay.

MR. VELLONE: -- correct on the record. Sorry.

MS. O'CONNELL: Okay. That's okay.

MR. SHEPHERD: You are not allowed to ask for undertakings. Sorry, John.

MR. VELLONE: Volunteering. I'm volunteering an undertaking.

MS. O'CONNELL: You want to put it on?

MR. VELLONE: Yes, I think I need to understand what the correct table will look like.

MS. O'CONNELL: Okay.

MS. DJURDJEVIC: JT1.23.

UNDERTAKING NO. JT1.23: TO UPDATE THE TABLE FILED IN RESPONSE TO 8 STAFF 57 ENTITLED "FIXED CHARGE ANALYSIS PREVIOUS COS APPLICATION EB-2012-0139 SETTLEMENT" TO REFLECT THE ACTUAL BOARD-APPROVED TARIFF FOR 2016

MR. VELLONE: To update the table filed in response to 8 Staff 57 entitled "Fixed charge analysis previous COS application EB-2012-0139 settlement" to reflect the actual Board-approved tariff for 2016.

MS. O'CONNELL: Okay, moving on to 8.0 Staff 71.

So I understand that InnPower's counsel sent a letter to the OEB on August 28th and in that letter, it was specified that the pole attachment rate will be withdrawn for numerous reasons, one being that InnPower was not confident in the calculations or the methodology, and that InnPower attempted to reproduce the calculations but were unable to do so. One of the reasons was that individuals that prepared the table are no longer with InnPower.

So that was table 8.14 for the pole attachment rate. My question to you is: Is a similar analogy applicable for the other four tables, table 810 through table 813, for the other specific service charges that you are requesting, such as the disconnect/reconnect charge, et cetera?

MR. SHEPHERD: This is not in this document, right?

MS. PINKE: You are referring back to the submissions...

MR. HARPER: Second IR response.

MR. SHEPHERD: There is another set of interrogatories.

MR. HARPER: August 4th they were filed.

MR. VELLONE: Which one were you pointing to?

MS. PINKE: Can I just clarify what tables you were referring to?

MS. O'CONNELL: Sure, table 810 through table 813.

MS. PINKE: And that would be in the actual submission, not in the IRs?

MS. O'CONNELL: That was in the May 8th filing, yes. Scroll down -- so all these tables for each of the calculations.

MS. PINKE: As per our letter indicated, the issues specifically surround the disconnect/reconnect -- not the disconnect/reconnect, sorry -- the pole attachment charges.

MS. O'CONNELL: So if I understand, you are confident in the calculations and methodology for these other tables?

MS. PINKE: Are we?

MR. VELLONE: Different witnesses are responsible for different tables. Can we go through them one at a time?

MS. O'CONNELL: Sure. The reason that I asked this is, for example, for table 813 in IR 8 Staff 71. So it is the IR 8 Staff 71. Yes, right there.

Like, for example, you were asked to explain the discrepancy in hours and then you said, you know, 292 square kilometres increase to four hours. But there was no precise calculation of how many kilometres per hour or things of that nature. And the second is the 1.5 hours management time in part (b). It is not clear if time sheets were used or what kind of analysis or breakdown was used to support these numbers.

[Witness panel confers].

MR. DAVISON: Yes, we're comfortable with these hours. And just like we say, the service territory is large and what this is -- the disconnect/reconnect is multiple trips to install and remove.

MS. O'CONNELL: But you don't have any -- for example, the management or supervisory, is it supported by time sheets or anything like that?

MR. DAVISON: Yes, it is. It is reflected into hours into the time for the project.

MS. O'CONNELL: So what you are saying is the 1.5 hours is defensible?

MR. DAVISON: Yes, we get that from historical information.

MR. SHEPHERD: Do you use a job costing system where the people who work on a project or a job book their time to a particular job?

MR. DAVISON: Yes, we do. We take work orders out for it, correct.

MR. SHEPHERD: And is that management time as well?

MR. DAVISON: Yes, it is.

MR. SHEPHERD: So you could track back to this sort of activity and show that on average, management time in this type of project is 1.5 hours?

MR. DAVISON: That's how we come up this typical hourage.

MR. SHEPHERD: Thank you.

MR. HARPER: Actually, I have one question on this, which maybe is easier to ask it now because this is everything where the discussion is taking place on the record, if you wouldn't mind, rather than bouncing it in later on. And it had to do specifically with the response to Staff 71, and I guess Staff 71 might have been asking you about that table 813 and why the number of engineering hours was so high, and you said it was travel time.

And I guess I was trying to reconcile higher -- higher than what was in the Board's standard rates that was in the original handbook, I guess; that's the benchmark that the interrogatory was using.

I guess -- I was trying to reconcile your answer, which was that there is more area, with the fact that in that same table, the field staff hours is roughly equivalent to what the Board standard is. So it isn't like the field staff also went up because of travel time.

And also, if I look at tables 11 and 12 where they also involve engineering staff, and again the times for those engineering staff are virtually the same as those in the Board handbook, and don't show an increase, which if that same explanation applied across the board, you would expect you would see it affecting all sort of activities that were similar in nature, basically install and remove certain equipment.

I was wondering if you could explain why the travel time issue, if it is travel time in the end, just affected this one particular aspect and didn't seem to affect any of the other sort of time requirements for field staff engineering staff.

MR. THOMPSON: Could you scroll up to the next table, Please? The next one, please.

MR. DAVISON: Well, the hours we're looking at, the management typically doesn't go out to the field.

MR. HARPER: No, I wasn't looking at management. I was comparing, let's say the engineering -- if I look at Table -- if I look at Table 11, the engineering time requirements there are two hours versus one and a half in the Board's handbook.

If you look at Table 12, the engineering requirements there is one-and-a-half hours versus one and a half in the Board's handbook.

So, again, like, they were perfectly aligned. I was wondering why this anomaly was just popping out in the one place, which was Table 13.

MR. DAVISON: Well, the difference is, is the one has no transformer and the other one has a transformer, so it would be a more complicated --

MR. HARPER: But you said the reason was travel time, you know, and that's what I was trying to relate it back to. You said the reason was travel time, which has got nothing to do with the complication of the transformers. Whether I've got a transformer in the back of the truck or not, it is the same amount of travel time.

MR. DAVISON: Well, yeah, it is just basically a travel time, and it is more complicated because there is a transformer there.

MR. VELLONE: Does the engineer have to go there if there is a transformer versus if there's no transformer, the engineer doesn't have to make as many trips?

MR. SHEPHERD: The engineer doesn't have to go anyway.

MR. HARPER: Well, this would suggest it does, because it's the engineering time that has gone up significantly, and the reason given was it was travel time.

MR. SHEPHERD: The engineer goes to the site?

MR. VELLONE: That's what the justification is.

MR. SHEPHERD: Who does that?

MR. HARPER: I don't know if you want to take this away and consider it. I was just trying to reconcile the justification, which was travel time, with some of the numbers I saw in the other tables which didn't seem to have been increased for the same, you know, didn't seem to show increases, which suggest there was no problem with travel time, and I couldn't reconcile the inconsistency in my own mind and I was hoping you could do it for me.

MR. THOMPSON: So you will pardon us again. The person that did this estimate isn't in the room, and we are just comparing notes of what we recall him saying, but the fact is that the four-hour difference between the handbook numbers and the estimated numbers is travel time; that's correct.

The reason it only applies in 813 is because in 813 is the only one of the four categories in which the engineer would be going to site to review the installation, so when it's a service without a transformer it is done from the office, and therefore travel time wouldn't come in.

MR. HARPER: Okay, fine. Okay --

MR. THOMPSON: And that applies to all three of the first three tables.

MR. HARPER: Okay. Fine. No, I understand now. Thank you very much.

MS. O'CONNELL: Okay, I'm almost there.

8 Staff 69. The burden rates that you discussed, do you have those broken down, you know, by post-employment benefits, things of that nature, within those burden rates?

MS. COWLES: For the purpose of answering this IR, the manager preparing this IR was only given the burden rate. We do have a breakdown of burden by different components that go into that calculation.

MS. O'CONNELL: Okay, so it's the same thing with 8 Staff 70 about burden rates. Would you be able to provide the breakdown for one of those burden rates?

MS. COWLES: Yes, we can provide the breakdown.

MS. O'CONNELL: Okay. Thank you.

MR. SHEPHERD: There is only four of them, right, there's only four rates, burden rates? Or there is a table of them, I guess, right?

MS. COWLES: A table of the different burdens that are put together into -- there is one -- there's two burden rates that apply to different staff.

MR. SHEPHERD: Okay, so can we have both calculations then?

MS. COWLES: Yes.

MR. SHEPHERD: Thanks.

MS. DJURDJEVIC: That will be Undertaking JT1.24.

UNDERTAKING NO. JT1.24: TO PROVIDE THE CALCULATIONS FOR THE TWO BURDEN RATES IN 8 STAFF 69

MS. O'CONNELL: Okay. And then I just had another question with 8-6 (sic) 69, part (b). You say that you used the average of the -- average costs between two contractors. One is urban and one is rural. Can you just provide some rationale as to why an average makes sense?

MR. BROWN: With our contractor we have two rates. One is urban, one is rural. Because of the nature of the territory there is more windshield time for contractors, so we're charged -- what we are using is the actual contractor rates in here, because primarily we use contractors for disconnects and reconnects. We use internal staff from time to time, but typically it's done by contracted staff.

MS. O'CONNELL: But --

MR. BROWN: What I've done in the calculation was take all of the charges for a year, and I averaged the cost of the trip to disconnect and reconnect, so that's what was used was the average.

MR. SHEPHERD: So it is a weighted average?

MR. HARPER: Yeah, so it really isn't the average of the two weights, it is the average cost blended by the number of trips of each type.

MR. BROWN: That's correct.

MR. HARPER: Weighted by the --

MR. BROWN: Yes, it is a weighted average cost, correct.

MR. HARPER: Yeah.

MS. O'CONNELL: And then back to 870, the management time, you said before that it's defensible through time sheets; does this also apply here?

MR. BROWN: I'm sorry, for clarity, are you asking about 870 --

MS. O'CONNELL: 868, part (b) --

MR. BROWN: -- or are you asking about 869?

MS. O'CONNELL: -- part (b).

[Witness panel confers]

MR. DAVISON: Yes, it is defensible by a time sheet.

MS. O'CONNELL: Okay. Thank you. And then my last question is regarding 8 Staff 72. I note that this IR was completed referencing account 4375. It should be account 4235, so I'm just asking if you'll do an undertaking to revise the response to reflect account 4235 instead of account 4375.

MR. VELLONE: So we are looking at part (a), right:

"Please complete the following table --

MS. O'CONNELL: Yeah. So it --

MR. VELLONE: -- with the detail for each specific charge contained in US of A account 4375."

Is that the question?

MS. O'CONNELL: Yeah, so it should -- the question was worded incorrectly. It should be account 4235 and not account 4375.

MR. VELLONE: The answer was to the question that was asked. You are asking a new question now.

MS. O'CONNELL: Well, the intent was always 4275 -- 4235, but it was a typo and I put in 4375.

MR. VELLONE: We are happy to answer the same question.

MS. DJURDJEVIC: That will be undertaking JT1.24.

MS. O'CONNELL: JT1.25. JT1.24 is the calculation of -- sorry, I didn't catch that sooner.

MR. VELLONE: The court reporter got that right. This is 1.25.

MS. O'CONNELL: This is JT1.25.

UNDERTAKING NO. JT1.25: TO REVISE THE RESPONSE TO 8 STAFF 72 TO REFLECT ACCOUNT 4235 INSTEAD OF ACCOUNT 4375

MS. O'CONNELL: And then I'm done with my questions. I'd like to introduce Raj Sabharwal, who will talk about another couple of issues.

MR. SHEPHERD: What is our timing, by the way? This is supposed to end at 4:30, right? Are we going to continue?

MS. DJURDJEVIC: It is scheduled until 5:00.

MR. VELLONE: Do people have time restraints that we should be trying to accommodate? None of the witnesses do.

MR. SHEPHERD: No, I just want to know because I have other things I have to do. I thought it was ending at 4:30. It's not; it's going to 5:00?

MS. DJURDJEVIC: Is that okay?

MR. SHEPHERD: That's fine.

MR. VELLONE: Raj, do you think you can get yours done in half an hour?

MS. SABHARWAL: I shouldn't take long.

MS. DJURDJEVIC: Let's have Ms. Sabharwal's questions and then maybe we can break for the day. She will be less than half an hour, probably much less than that. So we can all be out of here by five and continue tomorrow.

# Questions by Ms. Sabharwal:

MS. SABHARWAL: I am Raj Sabharwal, OEB Staff. My first question is on 4 Staff 45.

MR. VELLONE: Can we get the handout marked?

MS. DJURDJEVIC: There was a handout?

MS. SABHARWAL: Yeah, it is 4 Staff 45. There was a handout.

MS. DJURDJEVIC: And that will be KT1.6.

EXHIBIT NO. KT1.6: DOCUMENT PROVIDED BY MS. SABHARWAL

MS. SABHARWAL: So the question was we had asked for notices of assessment for 2014 and 2015, but they were not provide. Can we get the CRA notices of assessment for 2014 and 2015?

MS. COWLES: Yes, my apologies. I missed that in the question. I can provide that.

MS. DJURDJEVIC: That will be undertaking JT1.26.

UNDERTAKING NO. JT1.26: TO PROVIDE NOTICES OF ASSESSMENT FOR 2014 AND 2015

MS. SABHARWAL: So the next one is about 4 Staff 46. So your answer indicated that there were losses carried forward from whatever was -- so you went back and used up the losses incurred in '14. You used them up in '11 and '12 for an amount of 2,386,011. So you carried back losses, and then carried forward to 42615.

You incurred more loses in 2016 and you carried those back as well. So as of 2016, you had no more losses left to be used.

So my questions are: Given that you earned at least 9 percent return, can you provide reasons that InnPower had such significant losses? It is 3 million or something in total over a few years.

MR. SHEPHERD: Can I clarify something? Did they have loses one year, or in several years?

MS. SABHARWAL: They had loses '14 for 2.628916.

MR. SHEPHERD: Is that the only year in which their ROE matters?

MS. SABHARWAL: No, I'm just saying because 9 percent is built into rates for whenever -- so their last cost of service, whenever it was, I think --

MR. SHEPHERD: Sorry, I'm just clarifying. The question says that there were years in which the losses were incurred. But it's not true. There was only one year where there was a loss, right?

MS. SABHARWAL: Losses were incurred in two years, '14 and '15.

MR. SHEPHERD: I thought in '15 they used losses from '14.

MS. SABHARWAL: Sorry, '14 and '16, I should say.

MR. SHEPHERD: Okay. Once InnPower switched over to international financial reporting standards and also implemented the change in useful life of assets, we're looking at a difference in the CCA that used to be calculated in our assets. Our assets used to be amortized over a 20-25 period and CCA was along those lines as well.

When we extended our useful lives out to 40 years, we ended up with these future income tax obligations and temporary adjustments that actually drive us into a loss. But I would want to verify, go back to that year and verify the full impact of the losses. But I believe it is to do with the useful life of assets and the future income taxes.

MS. SABHARWAL: If you extended the useful life to 40 years as opposed to -- I don't know. It was, I think, an average of 27 before. So you probably had a bigger amount in CCA before, and now with IFRS you would have lower CCA.

MR. SHEPHERD: How would it change her CCA, Raj?

MS. SABHARWAL: Actual CCA would have changed.

MR. SHEPHERD: Your actual depreciation --

MS. SABHARWAL: Yes, I'm sorry, yeah. Yeah, CCA would not change, you're right.

MR. SHEPHERD: Depreciation goes down, which mean you have a shelter in effect.

MS. SABHARWAL: So you are saying it is the difference between CCA and depreciation?

MS. COWLES: My add-back for depreciation is lower.

MS. SABHARWAL: Yes, but that happened in '14, the biggest loss was in '14. You probably switched to --

MS. COWLES: IFRS in '14, '13.

MS. SAB: Okay, thanks.

MR. SHEPHERD: Can I just follow-up on that? Does that mean that you owe the ratepayers a bunch of money for your change in -- what is that? 1575? No, not 1575. What's the account that goes into?

MS. COWLES: 1575. We already paid that amount back over four years. I think the payments back to the ratepayer were completed in 2015 -- 2015 or 2016.

MS. O'CONNELL: I think what happened is they made the depreciation and capitalization policies change effective January 1, 2012. And then when they rebased in 2013, it flowed through the calculations in 2013, the clearance of 1576.

MR. SHEPHERD: Then why would there be a big loss suddenly in 2014? You should start -- the losses should be in 2012 and 2013, when you went into MIFRS for the tax losses? This sort of change is not a one-off thing.

MS. O'CONNELL: I think they had to restate the comparable year, 2014, and I think IFRS was adopted in 2015.

MS. SABHARWAL: '15.

MS. COWLES: I believe January 1st, 2015, was the implementation of IFRS, and 2014 was the restated year.

MR. SHEPHERD: Okay.

MS. COWLES: I believe we implemented the change in useful life early as an accounting estimate change, not as part of IFRS.

MS. O'CONNELL: I think you made the depreciation life changes and the capitalization policy changes effective January 1, 2012.

MS. COWLES: True. We didn't have capitalization policy changes, though.

MS. O'CONNELL: You're right, you're right, yes. But wouldn't that generate a loss in 2012 rather than 2014?

MR. SHEPHERD: Actually in '11, because it would be the restated year that it would be a loss. I don't understand.

MS. COWLES: I'd have to have the paperwork in front of me.

MR. SHEPHERD: Is this worth an undertaking, just to explain how the loss incurred in 2014 and how it relates to your regulatory changes?

MS. SABHARWAL: Yes.

MS. DJURDJEVIC: It will be JT1.27.

UNDERTAKING NO. JT1.27: TO EXPLAIN HOW THE LOSS OCCURRED IN 2014 AND HOW IT RELATES TO THE REGULATORY CHANGE to mifrs

MS. SABHARWAL: So the next one is on 9 Staff 64. I just wanted some clarification, because the years shown on the continuity schedule that was dated November 26th, I believe, was different years than the one on -- that was provided as part of IR response.

So the continuity schedule, I just want to clarify whether it is 2009 to 2015 or 2008 to 2014 that counts for disposition, residual amounts in 1,595, so please confirm the years for which dispositions are being sought.

And the other question I have is, this is account 1595, which is group one, and it gets disposed of annually. Why are residual amounts from 2009 still in old years? So why are they still not disposed of, or have they been disposed of before and there's an error or something?

MS. PINKE: I can confirm your first question there. The years that are being sought would be the 2009 to 2015 that were completed on the updated DVA model.

MS. SABHARWAL: Okay. So the other part of the question, 2009, why is it still in there?

MS. PINKE: They're looking up that answer at this point in time.

MS. SABHARWAL: Okay.

MS. COWLES: I'm looking at the IR response at page 246. I don't see an amount in -- can you point me to a model or a table, please?

MS. SABHARWAL: Okay. So '13, '14, and '15. '15 is not -- should be disposed, so it's '13 and -- or is it...

MR. SHEPHERD: It is '12 and '13.

MS. SABHARWAL: Okay, so '12 and '13 or... There is '12 -- okay. So there's '12 also in there, and that's old also in '13. And the new one shows...

MR. SHEPHERD: This table on page 246 is the most up-to-date table; right?

MS. PINKE: This table here?

MR. SHEPHERD: Yeah, the one that is on the screen right now. That's the most up-to-date table?

MS. SABHARWAL: Okay.

MS. PINKE: That is our PBR submission. It is not the model. So I guess we just need to understand. This was in response to another IR, which basically, we went to, as saying it didn't show an amount for 1595 for that year, but I think if the question is coming from the model I would like to look at the model.

MS. SABHARWAL: So you should rephrase the question, that the years just don't match the ones originally filed. The years were -- so I know for disposition it's '12, '13, '15 (sic), and '15 originally in November 28th model submitted, and the more current version has '12, '13, '14, and '15, so there were two amounts for '15.

MR. BACON: Go to tab 2, the far right.

MS. SABHARWAL: The years don't match. I just wanted to confirm the years that are being shown on the models.

MR. BACON: Go to the left, the claim amount.

MR. SHEPHERD: Right there, total claim.

MS. PINKE: Could you go to Appendix A tab, please? I just want to see some...

MS. COWLES: I'm not sure why there is an amount showing in 2009. I'd have to look into the background information to find out the reasons for that appearing there.

MS. SABHARWAL: It's okay. It's a small amount. I just wanted to just make sure that you do something with it.

So the next one is 9 Staff 68.

MR. VELLONE: Sorry, Raj, did you want that marked as a --

MS. SABHARWAL: No, I'm okay with that, because it's a small amount. As long as they do something with it and it doesn't keep showing up. It just messes up stuff.

MR. VELLONE: Okay.

MS. SABHARWAL: Accounts 1588 and 89 are PP true-ups with IESO and GA reasonability test. You had shown 2015 RPP true-up credit of 148,378 in account 1588 in the continuity schedule.

So my question is whether this was related to amount that was disposed in 2015 and -- or was -- is it related to amount for 2016, or in terms -- like, the end of the year kind of adjustment, that you haven't yet done the true-up with IESO?

MR. SHEPHERD: Undertaking? Please?

MR. VELLONE: Unless the witnesses can answer this off the top of your head, I suggest we take an undertaking.

MS. COWLES: Okay. We'll take an undertaking.

MS. DJURDJEVIC: JT1.28. Is the question clear for -- or do we need to restate it?

MR. SHEPHERD: It is written out in here.

MR. VELLONE: Yes. It's clear.

UNDERTAKING NO. JT1.28: RE: ACCOUNTS 1588 AND 89 ARE PP TRUE-UPS WITH IESO AND GA REASONABILITY TEST. YOU HAD SHOWN 2015 RPP TRUE-UP CREDIT OF 148,378 IN ACCOUNT 1588 IN THE CONTINUITY SCHEDULE. SO: TO ADVISE WHETHER THIS IS RELATED TO AMOUNT THAT WAS DISPOSED IN 2015 OR WAS IT RELATED TO AMOUNT FOR 2016, OR IN TERMS -- LIKE, THE END OF THE YEAR KIND OF ADJUSTMENT, THAT YOU HAVEN'T YET DONE THE TRUE-UP WITH IESO; TO ANSWER, WITH RESPECT TO KT1.6, ALL OF STAFF'S QUESTIONS REFERENCE 9 STAFF 68 IN RELATION TO ACCOUNTS 1588 AND 1589 AND THE GA REASONABILITY TEST

MS. SABHARWAL: So --

MR. VELLONE: Could I ask Staff to file all of these on the WebDrawer at some point?

MS. O'CONNELL: Definitely, yeah.

MS. DJURDJEVIC: Yes, we'll do that.

MR. VELLONE: These documents?

MS. SABHARWAL: So the next one is related to this first part, because if it's 2015 and true-up related to amounts already disposed, we don't want it in the continuity schedule. But if it's -- it was -- it hasn't yet been disposed, and it's going to be an RPP settlement that was done in 2017 related to '16, then you want you to leave it in. So that's just making sure that you shown it properly in the GA analysis.

Once you've done -- made the adjustment, then the rate riders will need to be recalculated, of course, because it's going to have an impact if, you know, if it's determined that it has an impact.

Also there was a discrepancy between the previously-submitted amount for GA. It was a lot different from what's being shown now in the continuity schedule and in the rate rider calculations. We would like you to confirm that amount shown now is the correct amount.

I think what happened was that you hadn't originally shown the dispositions that were already made.

So, I think it is related to that, but of course we would like you to confirm that.

MS. COWLES: Is this all related to the same continuity schedule?

MS. SABHARWAL: It is all related to the same analysis, yes.

MR. VELLONE: I think this is going to be one big undertaking to respond to parts 1-6 of your questions.

MS. SABHARWAL: I just wanted to highlight that we have a new work form that we would like you to use; it makes things more clear for us.

MR. VELLONE: Has this been provided to us?

MS. SABHARWAL: It is on our website in the rates page for 2018. But it's in -- part of the continuity schedule, DBA continuity schedule. And also there is a stand-alone GA analysis there, as well. It was posted, I believe, on July 24th.

MR. VELLONE: We'll find it.

MR. BACON: Just a detail, though; that does assume 2016 balances. That model works for the --

MS. SABHARWAL: It will work for the -- yeah, it should be fine.

MR. BACON: Okay.

MS. O'CONNELL: Did you want them to answer all your questions as an undertaking, or --

MR. VELLONE: So I think the last undertaking we gave was to answer all of these questions, including the last one which is to rerun the numbers in the new model that was filed on OEB's websites on July 24th, 2017.

MS. SABHARWAL: 2017, yeah.

MS. O'CONNELL: So did you want -- JT1.28 is basically to answer all these questions that suggest a true-up.

MR. SHEPHERD: All of the rest of them or just the ones in...

MS. SABHARWAL: Up to 6, and then I have some questions also related to the same kind of thing, but -- yeah, it's still -- yeah, these are additional questions just to clarify when you do this analysis for me to be able to see whether the adjustment that you are making is right or not.

MR. VELLONE: These are numbered number 1, 2(a) and (b), 3(a)(b), and (b) goes up to part 4?

MS. SAB: Yes. Like said, the OEB has updated the GA analysis work form and just so I could assess it properly, we would like to know if in booking expense journal entries for charge type 1142 and charge type 148 from the IESO invoice, we would like to know what approach InnPower uses, whether charge type 1142 is booked into account 1588 and charge type 148 is prorated based on RPP and non-RPP consumption, and then booked into 1588 and 89, or charge type 148 is booked into 1589 and the portion of charge type 1140 to equalling RPP hope for RPP consumption is booked into 1588, and the portion of charge type 1143, including equal GRPPs is credited into 1589.

So those are two different approaches and they would require different adjustments for you when you do the GA reasonability test.

MS. O'CONNELL: Raj, should we expand JT1.28 to answer all the questions related to 9 Staff 68(f) and the GA reasonability test?

MS. SABHARWAL: Yes, that should do it.

MS. O'CONNELL: So it will be JT1.28.

MS. DJURDJEVIC: We will evolve something for JT1.28. Yes.

MS. O'CONNELL: This will replace it.

MS. SABHARWAL: The whole thing, because you will need to look at the questions to answer them.

MR. VELLONE: We are in agreement with that. So that is to answer, with respect to KT1.6, all of Staff's questions reference 9 Staff 68 in relation to accounts 1588 and 1589 and the GA reasonability test?

MS. SABHARWAL: Yes.

MS. O'CONNELL: Great. Thank you.

MS. SABHARWAL: That's it for me.

MS. DJURDJEVIC: We will call it a day and continue tomorrow morning at 9:30.

MR. VELLONE: Quick time estimates for folks. We got through Staff today, is that accurate?

MS. DJURDJEVIC: We can talk off the record.

### --- Whereupon the conference adjourned at 4:53 p.m.