

ONTARIO ENERGY BOARD

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| FILE NO.: | EB-2016-0085 | InnPower Corporation |
| VOLUME:  DATE: | Technical Conference  September 13, 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 Wednesday, September 13, 2017,

commencing at 9:33 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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**M. Davison, D. Thompson, B. Bacon, B. Pinke, J. Cowles, W. Malcolm, S. Brown**

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Wednesday, September 13, 2017

### --- On commencing at 9:33 a.m.

# INNPOWER CORPORATION - PANEL 1, resumed

Michael Davison

Daryn Thompson

Bruce Bacon

Brenda Pinke

Jennifer Cowles

Walter Malcolm

Shannon Brown

MS. DJURDJEVIC: Good morning, everybody. Welcome to the second day of the technical conference in EB Number 2016-0085, InnPower Corporation.

I believe we're moving on to intervenors' questions for the witness panel, okay, and I believe that will be Mr. Harper. Go ahead.

MR. HARPER: That's correct. Thank you very much.

# Questions by Mr. Harper:

MR. HARPER: I sent in some questions to the applicant last week, but I'd like to cycle back on one issue that we talked about yesterday before we do that. And unfortunately the monitors aren't working, but maybe in your paper copy if you could turn up to Exhibit 3. That was on the original application, page 14.

MR. VELLONE: Mr. Harper, there were a few different iterations of what might be the original application. Which date are you looking at?

MR. HARPER: I'm looking at November 28th.

MR. VELLONE: Thank you.

MR. HARPER: I think that was the very original.

MR. VELLONE: Believe it or not, there was one before that.

MR. HARPER: Okay. I apologize. Okay.

MR. BACON: Sorry, Bill, which page?

MR. HARPER: Page 14. I'm looking specifically at lines 5 to 9, actually. And actually, I just wanted to cycle back on the discussion we were having yesterday about the customer count forecast for -- particularly for the residential class, because I noted in the original application here, actually, that the geometric mean analysis approach was used for all of the customer classes in this initial application except the residential and the GS less than 50 and that the rationale for using something other than the geo mean for those two classes was -- maybe to go back, for those two classes, particularly for residential, specifically it notes that:

"The forecast number of customers is based on growth forecasts developed utilizing information from developers, growth plans from the City of Barrie..."

Et cetera, which suggests to me that between the original application and the application that's now before us, there was a change in the approach for forecasting the residential customer count.

MR. BACON: Yes.

MR. HARPER: And I guess when I take that and what sort of was niggling in the back of my mind, to be quite honest with you, was the comment that was made yesterday that there was -- and I will quote -- the words I believe quoted were "unprecedented growth going on in Innisfil" which, to some extent in my mind, supported the use of the original approach using the developers' and growth plan forecast, as opposed to looking at historical data.

And I was wondering if you would just maybe articulate for us whether it's once again -- or just sort of clarify why this change in approach was appropriate and specifically you went away from using the growth plans for developers -- from developers in the town itself for this particular class.

MR. BACON: Okay, no problem. So when we -- when I received the 2016 information, the actual information from Innisfil, it did not move as high as I expected, based on the information we had originally in the original application.

So I looked at that and go, well, this is interesting. This isn't moving to the level that we thought it would. And then also I looked at, the 2017, we had three months of 2017 actuals -- it's not in the evidence, but I have it in my file and if you need it we can give it to you.

And so I looked at that and I go, boy, it's not tracking to where I would expect it to go with the growth that is outlined in these various -- can you hear me when I go over here? Oh. Sorry.

I couldn't see the growth happening in specifically the first three months of 2017 that was outlined in the various reports, the developer reports, the growth plans, the City of Barrie, Town of Innisfil. I just couldn't see it happening, so I just used the geo mean and sort of used it -- well, you know what the geo mean does. It does the average growth rate on history.

MR. HARPER: That's fine, and I don't need your papers, because I believe there is an undertaking to give us residential customers up to August, I believe it was, was what the undertaking was addressing anyway.

MR. BACON: Yeah, that'll do it.

MR. HARPER: So if we look at that, we'll see whether or not the basis of your switch is still continuing on. So that's --

MR. BACON: Yeah, and John, can you just move back a bit so I can see Bill. Thank you.

So -- yeah, and all I'm saying is I haven't seen August, okay? I saw March, okay? And I based my decision on March, and August data could be different, so --

MR. HARPER: Okay. Well, we can wait and see. No, thank you very much for that.

MR. BACON: Okay.

MR. HARPER: So actually, if we move to the issues that I had forwarded last week, and the first one has to do, if you could turn up what your response to 3-VECC-18, and it has to do with the response to part (b).

Actually, the response to part (b), it states here:

"Please note that the Hydro One long-term load transfer customer numbers are not included in InnPower's customer numbers. As based on historical practice the Hydro One long-term load transfers are not charged in Innisfil Power's monthly service charge."

And that sort of got me thinking in terms of, well, how are these guys treated overall sort of thing, and why. And so I guess, you know, my first thought was is that maybe just run through just so we have a general understanding, these are customers that are in Innisfil Power's service area but the -- but physically they're served by facilities owned by Hydro One? Am I correct in that?

MS. PINKE: Yes, you are correct.

MR. HARPER: And maybe you could clarify for me. So actually what -- whose -- whose rates do they pay? Do they pay the rates approved from Innisfil Power or do they pay the rates approved for Hydro One?

MS. PINKE: Okay. Let me just firstly go through that. So typically an invoice that is issued to these LT customers is issued by Hydro One.

MR. HARPER: Okay.

MS. PINKE: Okay? so the revenue technically goes to Hydro One, and then we invoice Hydro One and they pay us --

MR. HARPER: Okay. And --

MS. PINKE: -- for variable rates that they charge us --

MR. HARPER: Right. Okay. And -- but the customer -- and the customers are invoiced -- the customers are invoiced by Hydro One using Hydro One's rates?

MS. PINKE: Hydro One rates.

MR. HARPER: Oh, okay. And then basically you invoice Hydro One using Innisfil Power rates?

MR. BROWN: Yes, that's correct.

MR. HARPER: And when you invoice Hydro One, I understand from this you only invoice Hydro One for the variable charge; is that what I'm interpreting from this response?

MR. BROWN: That is correct as well.

MR. HARPER: Okay. And that's been sort of long-time practice since who knows when, I guess, is the...

MS. PINKE: Since before my time.

MR. HARPER: Okay.

MR. BROWN: Yes, and I've been doing the calculations annually, so we harvest the information, the real data from Hydro One, for these long-term load transfer customers, and then we calculate based on our approved rates at that time.

MR. HARPER: And so basically Hydro One does all the -- Hydro One owns the meters, I assume?

MS. PINKE: Yes, they --

MR. HARPER: And Hydro One does all the billing? If a customer has a service complaint or outage complaint I assume they would contact Hydro One?

MS. PINKE: They do contact Hydro One.

MR. HARPER: Hydro One. And basically the only costs you have involved in serving these customers is basically the invoice you have to send Hydro One. Would that be a fair comment?

MR. BROWN: Yes, that's correct, once annually.

MR. HARPER: Okay. Because I was then trying to mirror that, and I haven't come to a conclusion on this yet. I was just trying to mirror that down to the sort of the cost allocation because in the cost allocation I assume what you do -- maybe this goes to Bruce then -- in the cost allocation you don't include the customer accounts.

MR. BACON: Well, okay. I will talk to -- do you want me to talk to cost allocation? Okay. I will talk to cost allocation. It is not actually on my list of responsibilities, but I will do it.

MR. HARPER: Or, no, I'm sorry, I --

MR. BACON: Okay. So I'll answer your question as best I can, because it is probably best I do.

A number of -- what was your question, sorry?

MR. HARPER: My question is, we've got a load forecast that does not include the customer numbers, but --

MR. BACON: Right.

MR. HARPER: -- includes the volumes. So I assume that that load forecast is then used in the cost allocation. We have a cost allocation that does not include the customer accounts but does include the volumes for these customers.

MR. BACON: It does. And you are absolutely correct. We haven't -- I know where you are going with it, and you're -- yeah. We put the loads in and they get allocated. Cost associated with their loads, we don't directly assign billing, if it --

MR. HARPER: But there really are no costs --

MR. BACON: I know.

MR. HARPER: -- associated with these customers. Okay. I've got the facts and that's all we have to establish at this particular point in time, so I understand what's going on there. That's fine. Thank you very much.

My next question has to do with, we could turn to 3-VECC-20.

MR. VELLONE: Mr. Harper, would you like to mark the document titled "VECC's technical conference questions" as an exhibit just to get it on the record?

MR. HARPER: Sure. That would be fine if we could and that way --

MS. DJURDJEVIC: That is -- I believe we are at K -- no, no, no, we're at KT2.1.

EXHIBIT NO. KT2.1: DOCUMENT ENTITLED "VECC'S TECHNICAL CONFERENCE QUESTIONS"

MR. HARPER: Thank you much, Mr. Vellone. I sometimes overlook these procedural matters.

If we could go to 3-VECC-20 now, in part (a) the interrogatory had asked for a copy of your CDM plan and the response you provided, I believe, was in appendix 1 of the -- appendix 2 of filings which are sort of like -- I'm not too sure what it is actually, but I don't believe it was actually the formal CDM plan for Innisfil; would that be fair?

MS. PINKE: The plan that was filed was the previous plan.

MR. HARPER: Okay.

MS. PINKE: The plan that you had downloaded, Bill, was basically version 2. At the time we had approval from IESO on version 1 of our plan. The Ministry directive asked us to do a version 2. Approval only came in that version 2 was approved about a week before we filed.

MR. HARPER: Okay.

MS. PINKE: At the time, I gave you the approved version.

MR. HARPER: Thank you very much. And maybe just following on the suggestion I had from Mr. Vellone, along with our sort of the technical conference questions, I also filed a couple of attachments. And I believe there was an attachment A, which I believe is the second CDM plan which was the one that was approved.

Maybe if we could mark that as an exhibit as well, if that's acceptable.

MR. VELLONE: Ms. Pinke, have you had an opportunity to review this document? It was circulated in advance of the technical conference.

MS. PINKE: Yes, I have.

MR. VELLONE: Is that the approved plan?

MS. PINKE: It is the approved version 2 plan.

MR. VELLONE: I have no objection to this.

MS. DJURDJEVIC: This will be KT2.2.

EXHIBIT NO. KT2.2: SPREADSHEET SHOWING CDM RESULTS

MR. HARPER: I notice in that plan, the plan savings for 2017 -- I apologize for my transcription error, but the plan savings in that plan are roughly 2.1 gigawatt hours for 2017, if I'm correct. And I believe in the application, what you've got in terms of CDM savings you're using for your load forecast is about 1.1 gigawatt hours for 2017, which would have been based on the original plan, I guess.

MR. BACON: That's right.

MR. HARPER: Would you agree that it would be appropriate to update the load forecast to reflect the more efficiency --

MR. BACON: Absolutely, Bill, yes.

MR. HARPER: Okay, fine. Thank you very much.

MS. DJURDJEVIC: This is undertaking --

MR. HARPER: No, I think probably as a result of the technical conference, they are probably going to be going away and checking and changing a number of things, and I would just expect this to show up in the changes that are going to be coming about as a result of the technical conference, if that's acceptable to Innisfil.

MR. BACON: I think -- I hope -- I think generally we understand we're going to be updating the models, right? So that’s I kind of we understand. So we will be going through that process, and this is one of the things that will change.

MR. VELLONE: Why don't we put this on the transcript for the benefit of the panel reading it later, because there were sidebar are bar discussions that weren't transcribed.

The applicant is going to undertake to address a number of what were identified as inconsistencies in some of the underlying numbers and models, and refile a complete new package -- which I think Board Staff was hinting at -- and this request, among others, would be addressed in that complete package.

The intent would be to get evidentiary record in front of the Board panel by the time we go to oral hearing that is as complete, consistent and reliable as possible.

I do think that September 20th for that exercise will be very difficult for the applicant to meet. It is just a lot of work that needs to go into it to make sure they're all done correctly, so I'll put that out there. I think we can probably get it done in two and a half Weeks, which will give it to you well prior to the oral Hearing, but maybe a week prior, not two weeks prior.

There is nodding. Is Staff okay with that, too?

MS. O'CONNELL: What you are proposing would be that the 28th, 27th?

MR. VELLONE: Can I pull up my calendar?

MS. O'CONNELL: Sure, yeah.

MR. SHEPHERD: That's not for all the undertaking responses. That is just for the model?

MR. VELLONE: Correct. So our intent would be to file undertaking responses that are formally marked in this proceeding as required by September 20th.

The fix the model request and make sure that everything reconciles request is the thing that would take longer.

MS. O'CONNELL: Okay. So the undertakings you are proposing to file by September 20th?

MR. VELLONE: We're required to.

MS. O'CONNELL: Yeah, okay. And then the whole Update, how about the end of September 25th?

MR. VELLONE: You just heard the answer is -- that's the individual that’s doing the work.

MS. O'CONNELL: I know. But we need time, too, right.

MR. VELLONE: That's the individual that's doing the Work; I just said that. It is a lot of work. I think realistically, the best we can commit to -- and I'm looking over here, September 28th, which is two weeks and a day.

MS. O'CONNELL: You know what? We have to take that away and discuss.

MR. BACON: Just to confirm, it looks like -- yeah, I can commit to the 28th for the project that you are talking to.

MR. SHEPHERD: You guys can take that offline.

MS. O'CONNELL: Take that -- yeah. Was your intent to file this as another undertaking, or...

MR. VELLONE: No.

MS. O'CONNELL: Okay. We'll take that offline.

MR. VELLONE: What it would be effectively is a correction and update to the evidence.

So for example, that 2.2 million capital contribution that was caught in oral testimony, that would also be rippled through all the models, so it would be done correctly.

MS. O'CONNELL: Just to confirm, the undertakings will be filed -- undertaking responses September 20th, and then you are proposing September 28th for the whole update to the models and evidence, and everything like that?

MR. VELLONE: Correct.

MS. O'CONNELL: Thank you.

MR. VELLONE: Sorry, Mr. Harper.

MR. HARPER: That's perfectly fine. I'm glad we got the clarification.

If we could stay with 3.0-VECC 20 and move to part (b), in part (b) we asked you for a copy of the verified results for 2015, and you provided a PDF copy. Unfortunately, those files are -- they’ve got things to click on to open, et cetera. And I just wanted to confirm, as VECC attachment B to my questions, I attached an Excel version of what I believe is the same model.

And if I could just confirm that those were the same results as you provided in the PDF, and maybe have attachment B marked as an exhibit, that would be useful for my purposes.

MS. PINKE: I can confirm that that's the same file, Bill.

MR. HARPER: Okay. If you could maybe mark attachment B to the VECC questions as an exhibit, that would be fine.

MS. DJURDJEVIC: That will be KT2.2.

MR. VELLONE: Point-3, I think.

MS. O'CONNELL: This is the second. We have two -- KT2.1 which was the first VECC exhibit. What was that exhibit called?

MR. HARPER: Actually it was just called attachment A.

MS. O'CONNELL: Attachment A. And then KT2.2 was?

MR. VELLONE: Let’s be clear. KT2.1 is a document entitled VECC’s technical conference questions, and a list of questions.

KT2.2 is the second round of the CDM results, a one- page spreadsheet, basically.

MS. O'CONNELL: Okay.

MR. VELLONE: And this would be KT2.3, attachment B to the VECC technical conference questions.

MS. O'CONNELL: Okay, thank you so much.

EXHIBIT NO. KT2.3: ATTACHMENT B TO THE VECC TECHNICAL CONFERENCE QUESTIONS

MR. HARPER: I guess the 2015 results were pertinent to the load forecast when you were using data that basically ended in 2015, with the last actual year you used for your first -- your original filing.

But I guess in the update, you've updated the load forecast and that includes 2016 actual data. Am I correct?

MR. BACON: Yes, it includes 2016 actual data.

MR. HARPER: So I guess what's probably pertinent now is the 2016 CDM report on verified results that's been issued by the IESO, because that's what would be involved in doing the CDM adjustment forecast for 2017; is that correct?

MR. BACON: That's right. I would be the 2016 persistence in the 2017.

MR. HARPER: As attachment C to my questions, I'd attached what I understand to be the persistence report, sort of the 2016 verified results for Innisfil Power, which included a value for the persisting effects in 2017 from those 2016 verified results.

Maybe if Innisfil could just confirm that I've downloaded the correct document, and that is the correct document?

MS. PINKE: That is correct.

MR. BACON: Yeah, it's correct.

MR. HARPER: So we are all on the same page.

MR. BACON: That's part of the corrections. We'll put that in there.

MR. HARPER: So I think you -- maybe if you want to mark that as an exhibit as well, that way you can then refer to it.

So that would be -- VECC attachment C would be the next exhibit please.

MS. DJURDJEVIC: That will be KT2.4.

EXHIBIT NO. KT2.4: ATTACHMENT C TO THE VECC TECHNICAL CONFERENCE QUESTIONS

MR. HARPER: And I think, Mr. Bacon, you have sort of anticipated my next question, so I won't go there in terms of just incorporating those results in the load forecast update. That would be fine.

MR. BACON: Yes, Mr. Harper.

MR. HARPER: Okay. I'd like to then turn to VECC-7 -- sorry, 7-VECC-53.

MR. BACON: I can short-change this one, Mr. Harper, if you'd like. We agree we'll fix it in the next round.

MR. HARPER: This is -- actually, it might be useful for everybody if I sort of ask my question so we understood what you were agreeing to.

MR. SHEPHERD: These telepathic questions are really messy.

MR. HARPER: I guess I just noted, and actually, the response outlines your proposed revenue to cost ratios for 2017, and I was just happening to notice that there was an increase in the ratio for Sentinel lighting, which was already above 100 percent, and I was just curious. I know sometimes in the rounding there is a -- one can't get precise, and I just wanted to clarify whether or not this was a rounding error or something which was sort of an explicit proposal by Innisfil to increase the ratio. That's all I was interested in confirming, in the first part.

MR. BACON: The answer is, we'll fix it.

MR. HARPER: Okay. So it was a rounding error, I guess. Yeah.

And I guess -- and the second part was basically the fact that there hadn't been any adjustment to the USL revenue to cost ratio equivalent to the other classes and your view is that it's part of the update. You will be adjusting that as well.

MR. BACON: That's right.

MR. HARPER: Okay. That's fine. Thank you very much.

Okay. Now, if we turn to 7-VECC-41. And here the question had been asking about the derivation of the weighting factors for allocating, billing, and collecting costs, and you provided a table that broke down the costs to the different customer classes by various, I'd say aspects of the billing and collecting functions as a supervision, billing, collecting, miscellaneous, et cetera, and what wasn't clear from the response was how you actually got the costs allocated to each customer class within each of those sub-categories, and I was wondering, was that done by time sheets, or was there some -- or was that itself an allocation process?

MR. BROWN: Yes, the costs are based on time sheets, and then that's allocated by the number of customers in the rate classes.

MR. HARPER: Right, so --

MR. BROWN: That's our understanding.

MR. HARPER: -- like, each of those individual numbers under supervision is based on a -- derived from time sheets, and simply under billing they are each derived by time sheets.

MR. BROWN: That's correct.

MR. HARPER: Okay. Fine. No, that's all I wanted to clarify, whether there was some explicit allocation underneath that I didn't understand, which there isn't, but that's great.

If we could turn to 8-VECC-55. I apologize for a moment. I am a bit confused. I'm flipping over the page, as to where I am in the process here.

Right. And actually, this has to do with the -- the first part has to do with the rates for the residential class, and actually, maybe if you turn to the revenue requirement work form that you filed with the interrogatory responses, that might be a better place to look at, because really all I was noting was that tab 12 is the rate design tab where you actually go through the residential rate design, and then 12 -- tab 13 is where you go through the sort of the whole revenue requirement sort of reconciliation.

And I notice that the residential rates in tab 13 weren't the same as the ones in tab 12. I assume the ones in tab 12 are the correct ones, and they need to be updated in number 13?

MS. PINKE: It's part of the correction process.

MR. HARPER: Okay. That's great. And that would apply, I guess. The second part of my question, though, would that flow through to the proposed tariff sheets that you had as well sort of thing.

MS. PINKE: It would, yes.

MR. HARPER: Great. Okay.

MR. VELLONE: Sorry, I didn't follow all of that. So tab 12?

MR. HARPER: Tab 12 derives the residential monthly service charge, and then if you go 12 -- 13 -- tab 13 in the same file, the monthly service charge there is not the same as the one in tab 12.

MR. VELLONE: I see.

MR. HARPER: And so it is just a matter of -- again, it's a matter of going through and ensuring there is consistency as you work through.

MR. VELLONE: Thank you, Mr. Harper.

MR. HARPER: Okay, fine.

If we could turn to VECC-56. And this one is the one where we were asking you about the derivation of the retail transmission service rates, and you provided an update based on the Board's most recent model.

And when I open the model and was looking at it, I just wanted to ask you to verify. I think there was an error in inputting the Hydro One subtransmission rates into the RTS file. I think we slipped a decimal point, actually, and maybe if you could just look into that.

MR. BACON: Could we pull it up so we actually see it?

MR. HARPER: Sure.

MR. VELLONE: Which document, Mr. Bacon?

MR. BACON: It would be the RTSR work form.

MR. HARPER: And it will be tab 5.

MR. VELLONE: Sorry, which tab?

MR. HARPER: Tab 5. If you go over to the 2017 rates. You will notice on the line connection rate there is seven cents, whereas in previous years it's been like 77 cents. I think the correct number is .771, as opposed to .0771.

MS. PINKE: We will undertake that correction.

MR. HARPER: Okay, thank you very much.

MS. DJURDJEVIC: Is this a separate undertaking or part of the --

MR. HARPER: No, I think in my mind (multiple speakers) that could be part of the overall update.

And then I guess that would require a subsequent revision in the low voltage rates as well, because they are derived from the allocation of the retail service rates.

Those are all of my questions. Thank you very much.

MS. DJURDJEVIC: Thank you, Mr. Harper.

And Mr. Shepherd next.

MR. SHEPHERD: Yes. Just give me one second.

I realize that the materials that are on the record right now don't include two of the attachments to our interrogatories.

MR. VELLONE: We have no objections to those being added.

MR. SHEPHERD: No, I know. I'm just sending you an electronic copy so you can put them on the screen when I ask questions. I just sent them now.

MR. VELLONE: To me?

# Questions by Mr. Shepherd:

MR. SHEPHERD: Yeah. All right. Hi. So I want to start with sort of a general question. I think this is probably for you, Mr. Malcolm. I take it you'll agree that in the last few years InnPower has had some unhappy customers and has had some challenges in keeping its customers satisfied all the time.

I'm not asking you to -- I'm going to assume that you agree with that, and as you said yesterday, the past is the past; right? And it's time to move forward. And we've talked about this, as you know, and I -- there are sort of two ways that you can right the ship. One is to have a grand strategic plan and make a bunch of big changes, and I take it you're not doing that, but you are going the other route, which is basically every single item that you are doing in the utility, you are trying to push your staff to do that thing a little better and a little better and a little better so that over time you turn the ship around and your customers are happy again.

Have I characterized that -- that's what it sounded like you said yesterday. Have I characterised that roughly correctly?

MR. MALCOLM: Thank you very much for your question, Mr. Shepherd. One, unhappy customers, the customers of Innisfil represent the sentiment in the province of Ontario. If you look at past customer surveys that InnPower has undertaken, that sentiment wasn't really there.

As changes occurred and as the commodity price increased throughout the province, that's when the customers in Innisfil, as well as the rest of the province, have voiced their concerns, not only to us, the utilities, but also to the provincial government, and the provincial government has responded in the Fair Hydro Act.

Strategic plan, yes, we will be undertaking a strategic plan for InnPower. In order to start the strategic plan, you have to feel the pulse of your customers. So my discussion yesterday was to undertake how we're going to get our sentiment of our customers to us. So by engaging our customers, by having meetings with our customers, we find out who our customers are and what they want.

Every customer in every rate classification has different needs and requirements. We need to understand what are those needs and requirements of each of those customers. Once you undertake what the customers are looking for for your utility, you also have to go to your shareholders and your internal staff. What is it that we need to do internally to make things better?

So one of the steps that we have already started to undertake is an efficiency committee within InnPower, so that as group of employees from all across the organization and from every department who are looking at what do we do today, what are the requirements to the work we do today, and what are the future requirements, and then taking a look at those requirements and saying are we doing it in the most efficient way, are there other efficient ways of doing it, and how do we get there.

So that's what we are proposing to do. There will be a formal strategic plan. There will be a formal business plan, but the engagement of identifying your strengths, weaknesses, and opportunities and threats in your organization needs to come before that full-blown strategic plan.

MR. SHEPHERD: I'm sorry. I probably worded my question inelegantly.

It was actually a softball question to try to give you the opportunity to that your strategy is stick to our knitting, be a very good utility and over time, our customers will be happier.

Have I read that wrong in what you’ve said?

MR. MALCOLM: What you are not reading is the fact That yes, InnPower, under my guidance and leadership, are looking at performance of the utility to make sure that we are providing the necessary services to our customers, and the services that the customers are requiring from their utility. That is the ultimate goal of our organization is to make sure that we are meeting the needs of our customers.

MR. SHEPHERD: All right. You've raised another thing and I'll go to it now, even though it is sort of out of order a little bit. Can you turn to 1-SEC-15, please?

We asked you -- you’ll agree that at your community days, you had hundreds of customers very upset with you?

MR. MALCOLM: Yes, we had 150 customers during the afternoon session, and 150 customers in the evening session.

MR. SHEPHERD: And it was a boisterous meeting?

MR. MALCOLM: It was very vocal.

MR. SHEPHERD: So we asked you why did you get such a strong negative response, and I'm looking at the answer and it looks like you're saying really, it wasn't our fault. Really, they are not actually angry at us; they are actually angry at government policy and things like that, and not really at us. Am I reading that wrong?

MR. MALCOLM: The customers at our community day were upset at the whole electricity industry. They brought up concerns about the provincial government. They brought up concerns about the high cost of the commodity rates.

They brought up the cost of our building. They brought up the cost of our sculpture in front of our building. They brought up the fact that our distribution rates, which was published in the Financial Post, as being high.

So they were, in general, upset about the whole industry. They were also upset and what really -- when I talked to the customers one-on-one, the Ontario Energy Board with the community day sent out a notice just prior to the community day, and it just happened around the same time as the provincial government announced the Fair Hydro Plan about cutting hydro rates 25 percent.

So once the provincial government -- so Premier Wynne came to Barrie, and on CTV Barrie announced this is what her government is planning on doing.

Following that, we are having an OEB community day and notices are going out to our customers saying that our rates are going up. So the interpretation from our customers, the one I talked to, was the provincial government's giving us the 25 percent rebate on our hydro and InnPower is taking that rebate that the government is giving us and taking it away from us.

That was the sentiment of the group that I talked to.

MR. SHEPHERD: That was also said vocally at the community day, right?

MR. MALCOLM: That's correct.

MR. SHEPHERD: Lots of people that talked about that.

MR. MALCOLM: Lots of people. And people that are on oxygen machines, who need to run their machines all day regardless of the time, saying the rates during the first bucket at the highest rates, there is no way of them converting or doing anything about running their machines during that day. And so the high cost of that tier in the time of use rates was causing extreme grief amongst our customers that are on medical assistive devices.

MR. SHEPHERD: Now, you have in the Innisfil community or -- sorry, your service territory, which is not just Innisfil, I know -- you have a number of groups of homes that are essentially retirees that have retired on a relatively low income, is that fair?

MR. MALCOLM: Yes, we do have a retirement community within Innisfil.

MR. SHEPHERD: Is it only one or -- it seemed to me that there are a lot of retirement people -- people retiring in Innisfil.

MR. MALCOLM: There is one particular area that has a retirement village, but there are other people who have retired to Innisfil. They have worked and lived in the GTA area. Now that they've restored, they have decided to sell their home in the Toronto area and move up to be near the lake at Lake Simcoe.

MR. SHEPHERD: And that is not, for the most part -- in Innisfil, anyway; in some other places, it might be true. But in Innisfil, it is not for the most part wealthy retirees. You have sort of more regular people who have retired there?

MR. MALCOLM: I don't have the demographics of our community, but the folks that I have talked to, there is a variety of them. There’s people that have lived and worked in Toronto, retired from Toronto, good paying jobs in Toronto, and have moved up to the Innisfil area.

There are others that have lived in the community the majority of their life, and have decided to retire in that same community.

MR. SHEPHERD: So, still with this interrogatory response, the one thing I didn't see here -- you said that the response to your customers’ unhappiness was going to be to improve your customer engagement and enhance your communication and educational programs.

What I didn't see is we're also going to get our costs down, so our rates aren't so high. Is that an omission? Or is it your fundamental view here that really upset customers is not your fault; it's really other people's fault?

MR. MALCOLM: InnPower takes full ownership of what our customers feel. We take their concerns seriously, and we take ownership of it.

We have a new executive team. We are not going to hide from that. We recognize that there’s been issues in the past.

When I started in this role, I knew there was big challenges in InnPower. My role and responsibility, and that of my executive team, is to listen to our customers, delve into those areas, and make sure that we make the improvements that they're looking for.

MR. SHEPHERD: All right. Let me ask you about your rates. I think the reference here is 1-SEC-31. I've sent the table that is referred to in this interrogatory to your counsel, so that it can be put up on the screen.

MR. VELLONE: Which of the two documents? Sorry.

MR. SHEPHERD: This is the list of rates, the rate comparison.

MR. VELLONE: I'm just going to confirm that my clients have seen this table before. I believe it was filed as part of the interrogatory responses.

MR. SHEPHERD: They responded on it.

MR. VELLONE: I just want to make sure.

MS. PINKE: Yes.

MR. SHEPHERD: Now, in your original custom IR application, your rates -- you were proposing a much bigger increase in your rates than you are today, right?

MS. PINKE: Yes, we were.

MR. SHEPHERD: So you've ramped that back -- and we're going to talk about how did you that in a minute, but you've ramped that back, in part because you realised you were going to have among the top five rates in the province and that would be a bad thing, right?

MS. PINKE: That was a consideration, yes. Any -- to it...

MR. SHEPHERD: And, now, when was that decision made to try to find a way to get rates that were lower than originally planned?

MR. MALCOLM: When I started in August 2016 there was a custom IR in front of the Ontario Energy Board. It was later rejected as being incomplete. I took a look at the cost of service and I took a look at where our rates are, so as a new president-CEO you go through the accounts, you go through the organization, and you determine where we are.

What I noticed was a lot of areas where we were adding, for one instance, staff without the growth being there. So I took a look at our human resource plan and noticed that we were asking for more positions, but the positions were based on future growth. And it is not fair to the customer to pay for that future growth of adding more staff when we don't have that need for those extra staff at the time.

When the customers come online, yes, we need extra staff to maintain and operate our system, but at the time when the custom IR went in, one of those areas was on the human resource side. Under my direction I said we are removing that component and freezing those jobs until the growth appears in Innisfil.

MR. SHEPHERD: So this is an underlying change of approach that you start -- you had an approach in effect that you would put your resources in place in anticipation of the growth, and you said instead, "No, we're going to put the resources in place to follow the growth."

MR. MALCOLM: That's correct.

MR. SHEPHERD: Okay. So it is a timing issue, because the growth is going to happen; right?

MR. MALCOLM: That's correct.

MR. SHEPHERD: But it means that rates will not bump up before the new customers are there to start paying for them.

MR. MALCOLM: Correct.

MR. SHEPHERD: All right. We sent you a document entitled "InnPower changes to capital and operating budgets" --

MS. O'CONNELL: Sorry to interject. Did you want that Exhibit KT15? KT -- KT2.5?

MR. VELLONE: Do you need this on evidence, Jay?

MR. SHEPHERD: Well, I'm going to be using it, sure, so, yes, sure, you might as well.

MS. DJURDJEVIC: Okay. That will be KT2.5.

MR. SHEPHERD: It has actually been filed already, because it is attached to our interrogatories. It just didn't get into the interrogatory responses.

EXHIBIT NO. KT2.5: DOCUMENT ENTITLED "INNPOWER CHANGES TO CAPITAL AND OPERATING BUDGETS", ATTACHMENT TO SEC TECHNICAL CONFERENCE QUESTIONS

MR. SHEPHERD: So I -- do you have that other document that I just said? Okay, so... No, not that one. Sorry, this document is -- last week. "InnPower changes to capital and operating budgets"... I try to keep you on your toes.

And so what we've done is we've looked at four different sets of --

MR. VELLONE: Just before you jump in, because it is going to help, have the witnesses had an opportunity to review this document?

MS. COWLES: Yes, I've had an opportunity to review the document. There is a few anomalies in it that I'd just like confirmation of.

MR. SHEPHERD: Okay.

MS. COWLES: In 2017, under your comparison of the business plan, custom IR fourth-generation and update for capital.

MR. SHEPHERD: Yes.

MS. COWLES: I can't find the number that you got for the business plan for 2012. I'm getting a different number. The three numbers there, I'm getting different numbers, and it is a 6,179,199 instead of the 6,389,873.

MR. SHEPHERD: Okay.

MS. COWLES: I also have -- this one is immaterial -- in the DSP for 2019, the 898,813 under general plant is -- they have different number in the DSP than that, but it is an immaterial amount. But it is different.

MR. SHEPHERD: All right.

MS. COWLES: Also the breakdown between total distribution plant and general plant, I notice that in your totals you have included IT projects in the total distribution plant line, and we actually categorize IT as general plant, so when you are comparing business plan to actual, the actual for general plant will appear, though, because you've classed it up in the upper line, but in the business plan it should be in the lower line.

So there is just some -- it depends what you are using the report for. There is some --

MR. SHEPHERD: Okay.

MS. COWLES: -- anomalies we might come across.

MR. SHEPHERD: All right. I'm not going to go into that level of detail, I think, at this point, but we can talk offline and get that corrected if it's going to be necessary in the hearing.

What I really want to explore, though, is how you changed your plans from your original business plan to your custom IR to your fourth generation to your update, because there's been some trends, right, in each case?

So starting with the capital budget for 2016, your capital budget -- no, your capital budget has not changed, actually, from -- in your update, right? It changed from your custom IR to your fourth generation. And basically, that was in your system service line. Mostly it was in your system service line; right?

MS. COWLES: Yes, that's correct.

MR. SHEPHERD: All right. And then in 2017 -- now, these numbers are wrong now, right, because actually your update is now going to be 2.2 million lower.

MS. COWLES: Correct.

MR. SHEPHERD: The reason why that's interesting is because your DSP still has relatively large -- much larger numbers in subsequent years.

Is the DSP now going to change or should we expect that there's going to be a substantial jump in 2018 and thereafter?

MS. COWLES: Daryn, can you speak to that?

MR. VELLONE: Can I ask a question just before someone speaks to it?

MR. SHEPHERD: Sure.

MR. VELLONE: Are the numbers in the columns titled "Fourth generation IR and update", are they capital additions, like, actual dollars expended? Or are these the amounts that are booked to rate base? If they are pulled from the DSP I think they're additions, which means they are not net contributions. Does that make sense?

MR. SHEPHERD: Okay, so --

MR. VELLONE: I just want to make sure I'm looking at the same numbers and understand what they are.

MR. SHEPHERD: If the DSP numbers here are -- these actually came from the custom IR application, I guess, but if the DSP numbers here are not net, then that would solve that problem, I think. But you can just tell us whether that's the case.

MR. VELLONE: The easiest way to check this is to look at the service system line in the DSP, because there's a table in there that says what the contributions are. So what's the total expenditures for system -- or system access. Let's do system access. What's the total expenditures in the DSP for system access prior to contributions being removed?

MR. THOMPSON: Pardon me. I'm just looking for the summary page.

Okay. I'm sorry, on page 126 of the DSP, which is Table 4-16, as the summary columns -- but it's got a different number for the 20 -- the renewal is right.

MR. VELLONE: Look at the column titled "fourth generation IR."

MR. THOMPSON: Oh, I'm sorry, they're in a different order. Please turn it back on.

I'm sorry, so your table is in a different order. That was confusing me. It is 31, 1186, 1216, 1187. So this table is -- the fourth generation IR table is the table from the DSP; that is correct.

MR. SHEPHERD: What about 2018?

MR. THOMPSON: '18. Oh, it changed. Could I have that back, please?

MR. VELLONE: I believe Ms. Cowles has already done that, so I'm not sure there is a necessity to validate the number from the document. Can you go to Table 4-1?

MR. THOMPSON: 4-1.

MR. VELLONE: This, for the system access category, shows both the capital expenditures and the -- for the material capital projects, as well as the contributions.

MR. THOMPSON: Right.

MR. VELLONE: I'm doing the math in my head. Perhaps rather than hold this up, we can just do this offline, if you want. I mean you had this for a few days so...

MR. VELLONE: Assume the worst case, and continue with your questioning maybe.

MR. SHEPHERD: Well, if the explanation is this doesn't include contributions, then that's the end of the discussion.

If it is net -- if these numbers are net of contributions, then my question still stands. Are you planning to bump up your capital spending starting next year?

MS. COWLES: I believe that those tables are net of contributions.

MR. SHEPHERD: Okay.

MS. COWLES: So that is a valid question.

MR. SHEPHERD: So is it your expectation that you are going to bump up your capital spending starting next year?

MS. COWLES: When we recognised that there were projects in 2017 that should be allocated up to system access and have contribution and that same analysis has to be done for the future years, we can see that some of the future years in system service also have to be reallocated up to system access.

MR. SHEPHERD: That will change your contributions?

MS. COWLES: That will increase the contributions.

MR. SHEPHERD: All right, I'll leave that then. You are you going to provide some more information on that? Can you provide some more information on that, or is that something you were planning to do in the next little while?

MS. COWLES: I believe we had already undertaken to update those tables in one of the first undertakings. Correct? Yes, we did.

MR. SHEPHERD: Thank you. Let me go to OM&A, because this is the more interesting area anyway.

With respect to 2016, the changes in 2016 are not because you changed your plan. It's because you actually got actuals now, right, for 2016? The update figures are now actuals?

MS. COWLES: Yes, that's correct.

MR. SHEPHERD: And so in O&M, you are basically the same as you planned to be anyway; lower than your business plan, but the same as your custom IR. But you've cut back on billing and collecting and you've cut back on admin.

Why is that? What happened to make that the case? It’s basically like $250,000.

MS. COWLES: There’s a combination of reasons there. Most of it has to do with labour. We had labour vacancies, but we also had labour that has been allocated to in-services, the shared services that were not originally in -- well, it depends what line you are comparing to.

So the business plan back in 2012, to use that as a comparison, we'd never in 2016 go back to 2012 and use that as a number. So for 2012, the shared services weren't in place, the wastewater billing wasn't in place. But to compare to what we were anticipating budget-wise to what our actuals were had to do with the vacancies and some of the shared services.

MR. SHEPHERD: Now you still have vacancies, right?

MS. COWLES: Yes, we do.

MR. SHEPHERD: And you still have the shared services arrangements?

MS. COWLES: Yes, we do.

MR. SHEPHERD: So those impacts that we saw in 2016, they should continue into the future, likely?

MS. COWLES: I would say that the shared services impacts will, but the vacancies should not.

MR. SHEPHERD: But you still have the vacancies now, right, as we speak?

MS. COWLES: If we don’t fill those vacancies -- we have to fill those vacancies; that’s not an option. We’ve had five staff on medical leave in the year. We’re trying to deal with these vacancies and the additional workload, so we need those vacancies filled.

MR. SHEPHERD: So then go to 2017, and in the 2017 numbers, if I understand what Mr. Malcolm said yesterday, basically you've taken a different approach. You've said let's see how we can cut this back, line by line, by not anticipating growth, but reacting to it. Is that fair?

So, for example, O&M you've reduced by 150,000 from your custom IR application.

MR. MALCOLM: So the reduction in the staffing levels that were open proposed in the human resource plan have been removed for 2017. So that's where the savings come into play.

MR. SHEPHERD: Now, I take it that this reduction of almost $900,000 from the custom IR to now, which is a big reduction in O&M, is not because the custom IR application was gold plated. It was because if you take a different view of it, you can spend less and -- you have to push yourself a little more, but you can spend less; is that fair?

MR. MALCOLM: Depending on the direction that is undertaken at the corporation, you will get different numbers.

My approach is looking at the efficiency of the utility and making sure that we meet the needs of today, as well as look into the future.

MR. SHEPHERD: Now, the only numbers we have for OM&A for 2018 to 2021 are the custom IR numbers.

I take it that those numbers are all probably well too high as well right now. You didn't really expect to spend $7.4 million next year on OM&A.

MS. COWLES: So the years from 2018 to 2021 were increases based on the custom IR. They will have to be updated, because we are no longer going forward with that plan.

MR. SHEPHERD: In the strategic plan that you are sort of aiming to have done by next year some time, right, that will include a budget, like a long term budget like this, right?

MR. MALCOLM: That's correct.

MR. SHEPHERD: And we can assume that these numbers are going to be substantially lower; the OM&A numbers are going to be substantially lower in that budget?

MR. MALCOLM: The numbers will be lower. The exact amount I don't know until we do the budget.

MR. SHEPHERD: Of course, of course. I'm thinking ahead to your next rebasing and thinking, well, wait a second, 8 million. Okay.

Let me ask you some more detailed questions.

MR. VELLONE: Before we leave this document, file XT, comparison spreadsheet, should we mark it?

MS. DJURDJEVIC: That will be KT2.6.

EXHIBIT NO. KT2.6: COMPARISON SPREADSHEET

MR. SHEPHERD: Let me start with 1-Staff-6. 1-Staff-6 asks about the relationship between the InnPower budget and the shareholder, the town. It basically says, if I can paraphrase it, that the shareholder chooses the board of directors, but otherwise isn't really involved in the budget. Is that fair?

MR. MALCOLM: The shareholder does select a board of directors.

The shareholder also receives an annual report at an annual general meeting, at which time the budget is presented to them.

MR. SHEPHERD: But by that time it is already an approved budget.

MR. MALCOLM: It is approved by the board of directors, which then goes to the shareholders for their annual general meeting, so they are updated as to what is involved in our budgeting and where we are at as a corporation.

MR. SHEPHERD: But that's for information only; they don't have any approval rights, right?

MR. MALCOLM: The board of directors has the approval rights.

MR. SHEPHERD: Now, your board includes councillors and staff of the town?

MR. MALCOLM: Our board includes the mayor of the Town of Innisfil and the chief administrative officer of the Town of Innisfil and two independent directors.

MR. SHEPHERD: So the town is still actively involved in your budgeting process.

MR. MALCOLM: The town isn't involved; the four board directors are. The board directors are -- they put their town hat off and put on their responsibilities as a board of directors for InnPower.

MR. SHEPHERD: The chief administrative officer of the Town is on your board; right?

MR. MALCOLM: Correct.

MR. SHEPHERD: And he's not paid to be on your board; right?

MR. MALCOLM: Yes, he is.

MR. SHEPHERD: He is paid separately from his salary from the town?

MR. MALCOLM: It is a small amount. It is an honorarium.

MR. SHEPHERD: Oh. Okay. That's unusual. Interesting. But he is still on your board to protect the interests of the town, the shareholder; right?

MR. MALCOLM: He's there to protect the interests of InnPower.

MR. SHEPHERD: Okay. Fair enough. And so you're saying that there is no discussions between InnPower management and town officials, in their capacity as town officials, about what you plan to spend, how you plan to spend it, or anything like that?

MR. MALCOLM: That's correct; there is no interaction between the management at the town of Innisfil and the management of InnPower. It is all handled through the board of directors.

MR. SHEPHERD: Okay.

MR. SHEPHERD: You have a shareholders' declaration?

MR. MALCOLM: Yes, we do.

MR. SHEPHERD: And it gives the town veto rights on certain things, right?

MR. MALCOLM: I'd have to take a look at the document to see what those rights are.

MR. SHEPHERD: Including, for example, your business plan.

MR. MALCOLM: Again, I would have to take a look at the plan and get back to you.

MR. SHEPHERD: All right. Well, it will speak for itself. I thought you would know.

Okay. Let me go to 1-Staff-7. And this asks about your rate overview session in March 2016. And that was intended to be basically like a community day, right, except that you ran it instead of the OEB?

MS. PINKE: Yes, it was not intended to be like a community day; it was intended to review what the custom IR plan was for our original submission and to get our feedback from our customers and their concerns.

MR. SHEPHERD: But I -- my point is that it wasn't a selected group of customers. Anybody could come. You advertised it in lots of places. You tried to get people to come; right?

MS. PINKE: We certainly did.

MR. SHEPHERD: But you only ended up with 16 people showing up; right?

MS. PINKE: Just verifying the number, Jay.

MR. SHEPHERD: It's in the response.

MS. PINKE: Yes, that many.

MR. SHEPHERD: The reason I ask that is because you had 300 or so or more, I thought -- it looked like more to me, but I'm sure you did a count -- at the community days that the OEB ran.

MS. PINKE: Yes.

MR. SHEPHERD: Why the big difference one year later?

MS. PINKE: I think the primary difference is that, although we advertise in the newspaper, the library, at our front desk, we had registry -- pre-registrations for the session, again, it boiled down to the timing of the Ontario Fair Hydro Plan.

The OEB notice that said it was a 10.69 increase in rates, you know, and then people are going, oh, well, 10.69, if I take that and the 25 percent reduction, what's going on here?

There wasn't a correlation of, it was just distribution rates, and I think that's something we struggle with as an LDC, trying to educate consumers, what portion of the money comes to us and what portion goes for everything else.

MR. SHEPHERD: But even before the Fair Hydro Plan there was a lot of controversy in the community about your building; right?

MS. PINKE: There was controversy, I'm going to say, about the building. However, you know, we did have many educational sessions where we took concerns back about comments about the building and the cost, and in all those events I can talk to maybe two customers that really wanted an explanation of the cost.

When we had our open house for the building we had over 500 people attend, and, you know, there were concerns that it was going to be riled up about the price of the building.

We had -- it was amazing. We had over 500 people with families coming through seeing, you know, what goes on at a utility, the work functions that we do. It was a very positive event.

So, yes, costs are a concern. I think a lot of our customers, though, recognize that, you know, when they went into our old location, they thought that we all worked in that one little tiny wooden building. They didn't realize it was the five non-contiguous buildings and stuff, and so, you know, by the size, when you told them, oh, it's really that building plus the garage and the trailer and everything else they go, "Oh, we didn't know that."

MR. SHEPHERD: So tell me more about this open house. I hadn't heard about it before. When was it and...

MS. PINKE: It was exactly one year to the date from the OEB community day, so I don't know if that was like a symbol.

MR. SHEPHERD: So --

MS. PINKE: Oh, I'm sorry, were you talking the actual community day?

MR. SHEPHERD: No, no, I'm talking --

MS. PINKE: Or the --

MR. SHEPHERD: -- about the open house you had --

MS. PINKE: Oh, the open house we had when we -- it was held on -- there was -- it was in the custom IR application, but on Appendix 2A, I think we had -- April to May, so we invited -- we can send you any information on it you want, Jay, the advertising and stuff too.

MR. SHEPHERD: It was 2015, though; right?

MS. PINKE: It was in 20 -- April 11th, thank you, Shannon. The date wasn't coming to mind.

We basically gave an overview of all the departments in InnPower, talking about, this is what the operations team does, the regulatory team, the customer service. We had demonstrations of our CISs, you know, tools that customers use, we had CDM things, we had scientific things on electricity for the children, how to fry a pickle, the safety guy.

You know, it was just, it was an amazing outreach from the community.

MR. SHEPHERD: I'm very taken aback by 500 people showing up at an open house. That's -- and I --

MS. PINKE: I think there's where some of the difference, sorry, lies in Innisfil. You know, I -- the community day, we look at it as somewhat as a positive too.

In our area people had a place to come out and voice their concerns and let us know what they were, but I think they also came to our open house and counted, you know, the celebration of what's going on for the hydro company with the building.

MR. SHEPHERD: How did you advertise that differently than your --

MS. PINKE: We advertised exactly the same way. We had it in the newspapers and the library postings, on the town. You know when you come into Innisfil you've seen the mobile signs.

MR. SHEPHERD: Yeah.

MS. PINKE: We had them posted exactly the same. In fact, we had it posted in a shorter time frame than we had the overview session for the rate overview session.

MR. SHEPHERD: Have you internally talked about why you had such a great turnout for that and such a terrible turnout for your information session?

MS. PINKE: I think -- we have had discussions about it. I think we were concerned that there might be some protests about the building and the costs or a lot of negative, and we were prepared for that, to talk to it. It just didn't --

MR. SHEPHERD: It just didn't happen. Was the sculpture not up yet?

MS. PINKE: The sculpture was up.

MR. SHEPHERD: All right. Okay. This is very good. I'm -- that's very interesting that --

MS. PINKE: I think, you know, another thing too is that it was on a Saturday, and it is right across from the town campus and the Innisfil rec centre, so we have a lot of demographics. We either have -- our demographics are almost 50/50, like, if I look at it from a CDM perspective. We have all the commuting and families that work in Toronto, so when you have Saturday events, they seem to have a little bit more attendance than on ones that are held during the week.

MR. SHEPHERD: So if the OEB, for example, was going to have community days in the future, that might be something they would consider for towns like Innisfil?

MS. PINKE: And there were two letters that came back from the session, saying that customers did not appreciate the -- not enough warning, and that they should consider Saturday meetings because they do not have the time to come to meetings during the week.

MR. SHEPHERD: Excellent.

MR. BROWN: If I could just add as well, I think the nature of the events themselves drove some of that customer engagement where Saturday, with bucket truck rides, all informative stuff, people can bring their families out, whereas in a evening like Ms. Pinke had alluded to, it is difficult for people to come out and address rates per se and have children with them.

So I think just the nature of the events themselves clearly showed the differences.

MR. SHEPHERD: Understood. Let me move to 1-Staff-16 then, please. I just -- this is about the CHEK benchmarking study.

You were asked basically sort of what did your board of directors think about it. Your answer in (c) is the board of directors doesn't -- I think you are saying the board of directors doesn't see it. Is that right, that you don't show the CHEK benchmarking study to your board of directors?

MS. PINKE: That is -- not the check one. Basically, InnPower's board of directors only reviews our MDA and our results.

MR. SHEPHERD: Why wouldn't you show them the CHEK comparison? It has a lot of useful information, right?

MS. PINKE: It certainly does have -- do you want to answer?

MR. MALCOLM: I cannot explain what they presented to the board in previous sessions. But I can tell you that moving forward, any studies, reports that are prepped by external parties that impacts InnPower will and does go to the board of directors.

MR. SHEPHERD: All right. Are you still participating in that study, the check study?

MS. PINKE: Yes. The CHEK analysis is conducted every year. In fact, we did file the 2016 with the IRs.

MR. SHEPHERD: Okay.

MS. PINKE: Or the 2015, sorry. We provided you originally the 2014, and then we provided the 2015 and there has been a tremendous change in our results.

But I think after -- as we stated in the response, there is a lot of different variables between InnPower and a lot of our LDCs that are in the check organization.

MR. SHEPHERD: So you don't think that the comparison is as helpful as it appears on the face of it?

MS. PINKE: I think you have to analyse the comparisons and sort of say can we improve here based on -- where do we want to make the improvement, for ourselves or to another CHEK LDC? Those are the decisions that we have to make internally.

Our goal is to improve our benchmarking for ourselves, to exceed everything that we possibly can and build those plans around it.

I think what I'm trying to say is that it's not the only tool pushing us forward.

MR. SHEPHERD: Okay, all right. I wonder if you could turn to 1-SEC-21^. This is your forecast cost benchmarking for 2018 to 2020. Perhaps you could put up the historical data in the table, the benchmarking table that I sent you, because that has the previous years.

We should mark this.

MS. DJURDJEVIC: KT2.7.

EXHIBIT NO. KT2.7: BENCHMARKING RESULTS FOR 2010 TO 2015 FOR ONTARIO LDCS

MR. VELLONE: Can we get an explanation on the record, so we know what that is?

MR. SHEPHERD: This is the benchmarking results for 2010 to 2015 for all LDCs in the province. It is just taken directly from the PEG reports. It is something that we keep up to date every year.

If you go down to where InnPower is, the reason I wanted to ask about this is because starting in 2010, your costs -- your benchmark costs were actually well below the predicted costs in the model.

That continued to be the case until 2014 and then in 2015, you went the other way. And you continued to be -- that's the answer to 1-SEC-21 is you continued to be well above benchmark costs in the future, and you expect to be well above in the future. That's almost entirely because of the building, right?

MS. PINKE: Yes, the one time capital cost of the building certainly had an impact on it. But our goal has always been to, at least for the time of going through this timeframe, was to stay in that group 3.

Yes, we realize it swung from a minus 7 to the 8.5, but it is in that 10 percent variable.

MR. SHEPHERD: It is still a big -- from the point of view of your customers, it is still a big cost increase, right?

MS. PINKE: It is a consequence in terms of cost for our customer.

MR. SHEPHERD: What I'm trying to get at here is not to beat you up about it. What I'm trying to get at is it seems to me that the only material reason for this is the building. If there's other material reasons for this change, can you help me out? It seems to be that the big one is the building, is that right?

MS. PINKE: I'm going to say the building is the major contributor. I think there are also some labour or new positions that came in from that time. We had a Smart Grid. We had -- we basically tried to stay up with market demands for updated Smart Grid and engineering.

MR. SHEPHERD: Well, see that's why I took you to the benchmarking numbers, because all the other LDCs have those same things and so that would be in the benchmarking results.

MS. PINKE: Correct.

MR. SHEPHERD: So you would sort of be even that way. But I am looking for what is different for you, for your costs, that caused you to change where you are ranked to other people. And that seems to me to be only the building; is that fair?

MS. PINKE: Yes, it is the building.

MR. VELLONE: I have a follow-up question just while we're there.

MR. SHEPHERD: Yes.

MR. VELLONE: Do we know what was in rate base for the old building -- I guess the trailer, plus the wooden building, plus the whatever, whatever. Do we know roughly what was in rate base in those old years that these benchmarking results pertained to? Or can we find it out?

MR. SHEPHERD: It looks like $1.95, or something like that. It wasn't very much.

MS. PINKE: Well, the building itself -- yes, it was filed in evidence.

MR. SHEPHERD: It helps me understand.

MR. SHEPHERD: Well, and sort of where I was going with this -- I don't actually have a lot of questions about the building. But where I was going with this is that at some point, it would be useful for the Board, I think, in the hearing to see a straight-up calculation of what happened to costs, all costs, capital and OM&A as a result of the new building and why.

And in that way, you can look at your cost structure and say, well, all this other stuff is pretty much the same, so this is the change -- if that's the case.

MR. VELLONE: We can do that.

MR. SHEPHERD: That would be great.

MR. VELLONE: That would help me as well.

MS. DJURDJEVIC: This is JT2.1.

UNDERTAKING NO. JT2.1: TO PROVIDE A LIST OF COST CHANGES RELATED TO THE NEW BUILDING AND TO EXPLAIN THEM

MS. O'CONNELL: JT2.1.

MS. PINKE: Jay, can we just clarify that? Are you looking for the amount of the building over the cost of the previous building?

MR. SHEPHERD: No, I'm not.

MS. PINKE: Just the new building itself?

MR. SHEPHERD: I'm looking at all impacts of the building on your cost, on your revenue requirement, if you like, because that will say rates are going up by X percent because of the building.

And so when the board's looking at this, it can say, well, all right, this is how much attention we have to pay to all these other things.

All right. So let me -- why don't we take a break, if that's convenient?

MS. O'CONNELL: Sure.

MR. SHEPHERD: Is it a good time to take a break?

### --- Recess taken at 10:54 a.m.

### --- On resuming at 11:20 a.m.

MR. SHEPHERD: I have some questions about the documents that were filed in confidence, and so I think it's appropriate to go in camera for that discussion.

MR. VELLONE: The applicant agrees.

MR. SHEPHERD: So are we now in camera?

I want to turn to -- well, let's start with, tell me about InnServices Corporation. What is it -- InnServices Utilities Inc., I guess is the entity. What is it?

MR. MALCOLM: InnServices is a municipal service corporation that provides water and wastewater services to the Town of Innisfil.

MR. SHEPHERD: Now, does it provide the services to the town or to the customers?

MR. MALCOLM: To the customers.

MR. SHEPHERD: Okay. So the town used to provide those services?

MR. MALCOLM: As a department within the organization.

MR. SHEPHERD: And all the way along, like, before InnServices was incorporated and even today, InnPower provides some of the -- does some of the things that are required to provide those services; right?

MR. MALCOLM: The water and wastewater billing was provided by InnPower.

MR. SHEPHERD: And that's always been true.

MR. MALCOLM: (Witness nods)

MR. SHEPHERD: And you also provide financial services.

MR. VELLONE: Nods don't show up on the transcript. Can I ask you to answer? Nods don't show up on the transcript.

MR. MALCOLM: No, I just...

While I was with the town, only water and wastewater billing was provided by InnPower.

MR. SHEPHERD: Just the billing component.

MR. MALCOLM: Just the billing.

MR. SHEPHERD: But now -- and so because it was included, the activities were included in the town's financial records?

MR. MALCOLM: Yes.

MR. SHEPHERD: But now InnServices Utilities relies on InnPower for, what, it's financial back office?

MR. MALCOLM: That's correct.

MR. SHEPHERD: So -- okay. And it pays you for that?

MR. MALCOLM: Yes.

MR. SHEPHERD: And so I'm looking at IR number -- I can't find the IR number. Hang on a second, because it's just page after page of tables.

Here it is. 4-SEC-34. And if you would look at page 184 you will see the -- these are the shared services arrangements that you have; right?

MR. MALCOLM: That's correct.

MR. SHEPHERD: So in 2015 InnServices was incorporated; right?

MR. MALCOLM: Correct.

MR. SHEPHERD: And yet this shows that you're still providing your water and wastewater billing to the town, not to InnServices. I don't understand.

MR. MALCOLM: It was broken up into part of the town, and then when it changed over as far as the financial services going to InnPower, that's when InnPower took over, so there was an overlap in 2015.

MR. SHEPHERD: No, but the water/wastewater business is being carried out by InnServices; right?

MR. MALCOLM: The billing is carried out through the agreement with InnPower. InnServices does the water and wastewater operational and maintenance services, so we do the supply and distribution of water within the Town of Innisfil.

MR. SHEPHERD: So -- okay. InnServices does the operations side of water and wastewater, yes? And owns the assets?

MR. MALCOLM: It owns the assets. It does exactly what a municipal utility does for water and wastewater supply and delivery.

MR. SHEPHERD: But it doesn't bill and collect?

MR. MALCOLM: We contract that portion out to InnPower, so we provide the information, the meter reads, to InnPower. InnPower bills on our behalf, so we provide them with the rates to bill the customers.

MR. SHEPHERD: Okay. But this says that InnPower does the billing on behalf of the town. I thought InnServices was doing this now.

MR. MALCOLM: Thank you very much. The town of Innisfil noted on there should read InnServices.

MR. SHEPHERD: So that's just incorrect. Okay.

MR. MALCOLM: That's just the wording, yes. That's incorrect.

MR. SHEPHERD: And so in 2015 it should be -- there should be some for town of Innisfil and some for InnServices, because halfway through the year you changed it; right?

MR. MALCOLM: We have to verify the information as to the exact date that the transfer took place.

MR. SHEPHERD: Well, and you filed the agreements with -- the agreement with InnServices?

MR. MALCOLM: The financial services agreement and the wastewater and water billing agreements were filed.

MR. SHEPHERD: With InnServices; right? That's agreements with InnServices, because you've reported here that your agreement is with the Town of Innisfil on the billing, but --

MR. MALCOLM: But it's InnServices, so --

MR. SHEPHERD: And I -- I think I --

MR. MALCOLM: --it's during the timing, so we'll have to straighten out the timing of the date of incorporation for InnServices.

MR. SHEPHERD: InnServices was incorporated June 30th, 2015.

So what I'm trying to nail down here is that you are not providing any -- you, InnPower, are not providing any services to the town of Innisfil any more; right?

MR. MALCOLM: That's correct.

MR. SHEPHERD: Okay. And haven't been since InnServices was incorporated.

MR. MALCOLM: That's correct.

MR. SHEPHERD: Okay. So then -- and what this says is that you are charging InnServices, I guess, in the test year, for example, you are charging InnServices for all of the services you provide, $479,198; right?

MR. MALCOLM: 423,429 for the test year 2017.

MR. SHEPHERD: Okay. I am just adding the two up here. On the screen you have 479,198. So is that not correct?

MR. MALCOLM: 477,198.

MR. SHEPHERD: 198. So is that wrong?

MR. MALCOLM: That is correct.

MR. SHEPHERD: That is correct. Okay. So then can we go to the financial statements of InnServices.

Mr. Malcolm, what is your role in InnServices?

MR. MALCOLM: President and CEO.

MR. SHEPHERD: And are you paid by InnServices?

MR. MALCOLM: My salary is paid through InnPower, but 50 percent of it goes to InnServices, and InnServices reimburses InnPower.

MR. SHEPHERD: Is that part of this 477? Where does that show up in the accounting?

MR. MALCOLM: Yes, that would show up in that 477.

MR. SHEPHERD: So 50 percent of your salary plus benefits, the whole -- your full remuneration goes through here.

MR. MALCOLM: That's correct.

MR. SHEPHERD: And then some of the CFO as well?

MR. MALCOLM: The CFO for InnServices is through the town of Innisfil, so we have an interim role. So the current CFO/treasurer of the town of Innisfil is the interim CFO/treasurer of InnServices.

MR. SHEPHERD: All right. Does that person have any role with InnPower?

MR. MALCOLM: No role with InnPower.

MR. SHEPHERD: Completely separate, okay. I am looking at the financial statements now, and there is --there is an amount for operating expenses in the statement of comprehensive income and loss. And I'm going to note 16 to look at that, and it shows the three categories of expenses.

I am deliberately trying to avoid saying any numbers, so that we can have as little as possible in confidence. But I'm looking at these numbers and I'm wondering which of those amounts are -- well, first of all, which of those amounts are paid to InnPower. Under what category are the things that you get paid from InnServices?

MR. MALCOLM: We'll have to check with the current CFO and treasurer to find out which line item that is. Nobody here was involved in the preparation of that financial statement, so we'll have to go to the CFO.

MR. SHEPHERD: You are the CEO of both companies?

MR. MALCOLM: Yes, I am.

MR. SHEPHERD: So you were involved from the preparation of these financial statements, yes or no, these 2016 financials?

MR. MALCOLM: But the actual line item, I'll have to get verification.

MR. SHEPHERD: All right. Does -- let's come back to it. Does InnServices have any employees?

MR. MALCOLM: Yes, we do.

MR. SHEPHERD: How many?

MR. MALCOLM: Twenty-seven.

MR. SHEPHERD: And are any of those employees also employees of InnPower?

MR. MALCOLM: No, they're not.

MR. SHEPHERD: Are any amounts in the expenses category here -- other than the 477,000 we’ve talked about, are any amounts paid to InnPower, other than that amount? I mean, obviously if they have an office, then they have to pay for electricity. I get that. But I'm talking about other things than that. For example, do they rent any space from you?

MR. MALCOLM: Yes, they do.

MR. SHEPHERD: So that would be in there somewhere, in G and A?

MR. MALCOLM: That's correct.

MR. SHEPHERD: And that's in addition to the 477?

MR. MALCOLM: Yes, it is.

MR. SHEPHERD: And what else -- what other services and items do they have to pay you for?

MR. MALCOLM: Just their normal locations for electricity billing itself. So for our wastewater treatment plan or water treatment plan or pumping station, the electricity that they consume.

MR. SHEPHERD: But they are just a customer, like any other?

MR. MALCOLM: That's correct.

MR. SHEPHERD: So they have no other relationship with InnPower?

MR. MALCOLM: No other relationship.

MR. SHEPHERD: So they don't share any other staff?

MR. MALCOLM: No additional staff.

MR. SHEPHERD: Except you?

MR. MALCOLM: Except me.

MR. SHEPHERD: So what's the financial services that they're paying for?

MS. COWLES: The financial services are the InnPower staff doing accounting and financial work for InnServices; so accounts payable, accounts receivable, financial reconciliations every month.

MR. SHEPHERD: How is that calculated? Is that at burdened rates?

MS. COWLES: That's at burdened rates. We have jobs set up directly attributed to offset the other revenue, so we take those amounts that hit the jobs. So each staff allocates their specific time to either InnPower or InnServices, and then the InnServices' time is collected monthly and we add a one percent administration charge on top of that, and we bill that to InnServices.

MR. SHEPHERD: Sorry, are you using burdened rates or unburdened rates?

MS. COWLES: Yes, they were burdened rates.

MR. SHEPHERD: So the burden is what, $42 -- no, hang on.

MS. COWLES: A burden rate would not be -- it would be a percentage, and based on each individual employees' hourly rate.

MR. SHEPHERD: The reason why I'm looking quizzical is because if 232,198 includes 50 percent of Mr. Malcolm's remuneration, that doesn't leave a whole pile left for the burdened rates of your financial staff that do their financial statements and accounting, and everything like that. I mean, their accounting is basically just as much as yours, right?

MS. COWLES: No, it is not.

MR. SHEPHERD: They have approximately the same number of customers?

MS. COWLES: They have -- apart from your account payables invoices, they have a separate work flow process.

Their invoices are larger contracts. Our purchases are much smaller. They have a separate approval process. They have a lot of more paperless processes.

MR. SHEPHERD: So I'm going to ask you to undertake to provide details of the amounts to be paid to InnPower, all amounts to be paid to InnPower by InnServices in the test year. Just give us a table: Here are the amounts; here's why we're paying them; here's how we calculated it. Can you did that?

MS. COWLES: Yes, we can.

MS. DJURDJEVIC: That will be JT2.2.

UNDERTAKING NO. JT2.2: TO PROVIDE A TABLE DETAILING AMOUNTS PAID BY INNSERVICES TO INNPOWER DURING THE TEST YEAR SHOWING AMOUNTS, REASON FOR PAYMENT, AND CALCULATION

MR. VELLONE: How do we get around disclosing individual personal information in that response? Are you okay with aggregating them into financial services like they are right now?

MR. SHEPHERD: I don't need the names of the employees, just, you know, employee X gets paid $33 an hour and their burden rate is this much and the result -- and we've got this many hours.

MR. VELLONE: The problem is on the record, we know under the financial services category there is only one individual whose salary is split 50-50^. If we disaggregate that more than it currently is, like it’s --can we leave it in the same aggregated bucket, is the question.

MR. SHEPHERD: Sorry, you are saying that if we -- if you disclose all of this, then we'll know 50 percent of Mr. Malcolm's compensation?

MR. VELLONE: Which is, by law, personal information,\; yes.

I just need to figure out how to deal with this, because there are rules that the board has about disclosure of personal information and we have to comply with those.

MR. SHEPHERD: Okay. I mean, I would have thought that there are hundreds of people in the town of Innisfil who know what Mr. Malcolm's compensation is. But all right.

Do whatever you can to provide information. You are aware that I'm going to be -- that we're going to be looking at this, at whether you're getting properly compensated, and it is up to you to provide enough information to show that you are.

Just one other thing. In calculating -- the payments that are being made by InnServices to InnPower, the pricing methodology is said to be negotiated agreement. Help me understand that.

Just by way of context, that's not one of the categories of pricing methodologies that the Board allows. It allows cost, cost plus, market, et cetera, but negotiating an agreement with a non-arm's-length party is not one of them.

MR. BROWN: The new negotiated rates are cost plus 25 percent.

MR. SHEPHERD: Cost plus 25 percent? So basically the 25 percent is a burden.

MR. BROWN: That's correct; that's additional revenue.

MR. SHEPHERD: That doesn't apply to Mr. Malcolm.

MR. BROWN: These costs are per bill, so in the design it is the number of bills. The way we bill back to InnServices is the number of bills issued, and we charge back a per-bill amount and we track staff time dealing with the billing and all the services on that side as the expenses.

MR. SHEPHERD: So you have a cost per bill; do you know what the cost per bill is?

MR. BROWN: The agreement that's just recently expired was $2 in the last year of the five years, so it was $2 per bill for water and wastewater. If it was wastewater only because meter reading was not involved, it was $1.90 -- sorry, $1.40, and the new negotiated rates are $2.40 for water and wastewater services combined and $1.90 with cost-of-living allowances year over year in a five-year agreement.

MR. SHEPHERD: And so those numbers are -- the 2.40 and the 1.90, those include the 25 percent.

MR. BROWN: That is correct.

MR. SHEPHERD: And those were done on the basis of a cost analysis that you did on how much it costs you to produce a bill.

MR. BROWN: Yes, it was more of an incremental cost, so it's the costs that our staff are doing to do the work, plus the 25 percent.

MR. SHEPHERD: Sorry, it was an incremental cost?

MR. BROWN: Yes, because we're already issuing bills, so we took it as an incremental cost of -- so we track all of our time, like the financial services, in payroll. Staff put their time allocated to doing a portion of the water and wastewater services, billing, collecting, taking payments, and then that cost is marked up 25 percent, and that's how we derive the per-bill cost.

MR. SHEPHERD: Okay. Well, the Affiliate Relationships Code doesn't allow you to use incremental cost. It requires you to allocate costs fairly between them. So I'm not sure I understand, and maybe you don't mean incremental cost in that same way. The fact that you are already doing a bill should be irrelevant. I'm not -- help me understand this.

MR. BROWN: That is kind of -- yes, I misinterpreted that. It is the costs associated with sending the bill out, so it would be a portion if water and wastewater is on that bill.

MR. SHEPHERD: Do you have any analysis that shows how much it costs you to issue a bill?

MR. BROWN: Yes, I could provide that.

MR. SHEPHERD: Not a wastewater bill; just a bill.

MR. BROWN: Yes.

MR. SHEPHERD: Okay. And I'm going to come back to that. Are these numbers monthly or annual? This is per bill; right?

MR. BROWN: That is per bill issued every month. We charge back the number of water and wastewater billings.

MR. SHEPHERD: So that means -- this assumes that you then issue about 10,000 water and wastewater bills per year?

MR. BROWN: That would be approximately, yes -- no, per month.

MR. SHEPHERD: Well, no -- okay. Then this amount, 245,000 -- all right. I'll have to sit down and do the math. It seems low.

Okay. Anyway, can you provide that breakdown of how much it costs you to -- costs InnPower to issue a bill?

MR. BROWN: Yes.

MR. SHEPHERD: Okay. Thank you.

MS. DJURDJEVIC: JT2.3.

UNDERTAKING NO. JT2.3: TO PROVIDE A BREAKDOWN OF HOW MUCH IT COSTS INNPOWER TO ISSUE A BILL.

MR. SHEPHERD: And then we don't need to be in camera any more. I'm done. I mean, I'm not done, but I'm done the secret part. I'm hoping that in the end none of that will be confidential, but take a look and see, yeah.

MR. SHEPHERD: All right. So we are back on the air? I wonder if you could turn to 1-SEC-26. So Mr. Malcolm, we talked about this a little bit, and I just want to nail down two things related to your upcoming business plan, because your most recent business plan now is your 2012 one; right?

MR. MALCOLM: Sorry, can you repeat that?

MR. SHEPHERD: Your most recent business plan right now is the one from 2012.

MR. MALCOLM: A business plan was submitted with the custom IR for 2016.

MR. SHEPHERD: Okay. But that's no longer your plan, as you've said; and you've said that you have this process, which sounds like it makes sense to first go out, engage with your customers, and find out -- get as much feedback as you can, and then develop a strategy and a business plan supporting that strategy, and I wonder if you have a schedule or a time frame for how you are going to do that, when you're going to do that?

MR. MALCOLM: So the customer engagement will start in the fourth quarter of this year. We will take our results and move it into the first and second quarter of 2018. We will be addressing the needs of the other stakeholders, so our shareholders itself, the staff internally, and then devising from that a roadmap as to where we are today and where we move forward, so with that will be a vision statement, mission statement, value statement to go along with the business plan to move forward.

MR. SHEPHERD: So the --

MR. MALCOLM: Once we do the business plan then we'll move into an operational plan to sort of advise the staff as to, how do we operationalize our business plan moving forward.

MR. SHEPHERD: Okay, so currently what's your target for when you will have your business plan approved by a board of directors, your new business plan?

MR. MALCOLM: New business plan will probably be in the third quarter of 2018.

MR. SHEPHERD: So a year from now.

MR. MALCOLM: Yes.

MR. SHEPHERD: And is it your expectation that you will have to do an updated distribution system plan as part of that process?

MR. MALCOLM: We'll take a look at it. Until I start seeing the results and start reviewing where we are at and what we're looking at, that will be part of the process, is to look at the entire organization as a whole.

MR. SHEPHERD: So it may include a new DSP?

MR. MALCOLM: Not sure at this time, but we'll address that when we get there.

MR. SHEPHERD: All right. Is it your intention to file any of this new material with the Board? Like your new strategic plan, for example, or anything like that?

MR. MALCOLM: I'm sure there is a regulatory requirement to do --

MR. SHEPHERD: I didn't ask whether it was required. I said: Is there intention to file it?

MR. MALCOLM: It was not our intention to file with the Ontario Energy Board. It's -- the intention is an internal living document within InnPower.

MR. SHEPHERD: Okay, can you go to 2-Staff-31, please. So I'm trying to understand this weighting system for asset management, and I went back and forward, and I have all these numbers written around it, and I think maybe I might be misunderstanding it, because it seems to me that if you look at (c), you seem to be saying that if something has a small risk then it has a value of zero; right?

MR. THOMPSON: There is an assumption made about understanding the math. E to the zero is one; it has a value of one, if it’s small.

MR. SHEPHERD: E to the zero is zero, isn’t it?

MR. THOMPSON: No. Anything to the power of zero is one.

MR. SHEPHERD: Okay. And so the highest risk category which is safety, right? Safety is always highest risk.

MR. THOMPSON: High -- yes, safety is highest risk.

MR. SHEPHERD: And that's multiplied by itself four times. So I'm wondering when you use exponents, doesn't that mean that nothing else matters, except safety?

MR. THOMPSON: No. The truth is you haven't understood the model, and it's not your fault. It is a bit unclear and I'm trying to think of the best way to describe it.

Probably the simplest way is to refer to the diagram in the DSP, which will just take me a second to find.

MR. SHEPHERD: Okay.

MR. THOMPSON: Page 90 of the DSP, section 3.3.2.

MR. SHEPHERD: Okay.

MR. THOMPSON: If you'd like to put your finger on that page and also -- just looking for a good example where it's applied. Page 174 of the DSP which -- sorry, it starts re-numbering, so it is 174 of the material investment summaries, appendix A.

If you could find a way to keep a finger on both those pages, it would probably be most useful.

MR. VELLONE: Is this the second page reference?

MR. THOMPSON: It is page 174 of appendix A, which might be page 360 on your PDF. It is, good, okay.

So this is the application of the prioritization, and the explanation is the first table. So I will need to use the first table to start.

So first of all, this is a numerical method of assigning priorities for the purposes of discussion. It is not hard and fast math. It is not based on numerical risk assessment or other things; it is a subjective approach to quantifying priority.

Second of all, for the purposes of math, I had worked this out, but if you look across the bottom line where it says "very unlikely", where it starts there ...

MR. SHEPHERD: Yes.

MR. THOMPSON: That 1 under small, that is the mathematical result of E to the zero.

It's 1, okay? E to the 1 -- E is 2.7 to the power of 1 is 2.7.

MR. SHEPHERD: Okay.

MR. THOMPSON: I'm just going across the bottom line, because it happens to have a 1 multiplier in it, so it gives us the math.

7.4 is E to the 3; 2.7 times 2.7 times 2.7 is 7.4.I'm just doing math, okay.

If you multiply that by 2.7 again, you get 20.1. And if you multiply it by 2.7 again, you get 54.6.

MR. SHEPHERD: All right. And that’s the probability that the thing will happen?

MR. THOMPSON: Right. That is the value assigned to the probability. So the most likely event gets a probability value of 9. If the most likely event was also the worst case event, the 9 times 54.6 equals 491. It just does; I’ve checked the math.

MR. SHEPHERD: So it's not 9 to the power of 4.

MR. THOMPSON: No, it is E to the power of 4 times a probability of 9.

MR. SHEPHERD: And E is 2.7?

MR. THOMPSON: Yes.

MR. SHEPHERD: All right.

MR. THOMPSON: Now, that happens for each of the six risk factors that are listed. If you could scroll so that I could see one or two lines at the top of the page.

So each of those risk -- stop, please. Each of these risk factors for every given project -- so there is a public safety risk, a regulatory legislative risk, environmental risk, low growth risk.

So for every project, those risks -- so for instance, a project involving a line rebuild of a major pole at an intersection, it might have a contribution from public safety, it might have a contribution from regulatory, it could have a contribution from anyone of these, and this is where I suggest that we flip to the other chart.

So the six risks each have a weight. You see the first column; there's a weight.

MR. SHEPHERD: That's what you call "priority" here in this response.

MR. THOMPSON: Right, that's the value that InnPower is subscribing -- assigning to that particular risk item.

MR. SHEPHERD: Relative to the others?

MR. THOMPSON: Relative to the others. So we can see that ensuring public and worker safety is the most highest weighted item. If all of the elements of a given project were the same, that would drive evaluation.

Similarly, the next two items are legislation and environmental, and they are same weighted. And the next two items -- the next three are similarly weighted at .75, okay?

MR. SHEPHERD: Yes.

MR. THOMPSON: So for every project, a likelihood that there is an impact on public safety as assigned, which is a 1 to -- I've mixed myself up again.

Which chart is it? 1 to 55 or 1 to 9 likelihood -- likelihood 1 to 9, and the consequence of that happening on a 1 to 55 scale. So the -- in this case, the 2-and-a-half is multiplied by the 1, which is then multiplied by the 1.25 for the weight and given a total in that line.

And then those totals are added up, and that gives you a relative priority for every project that was evaluated in this model.

MR. SHEPHERD: So the weighting is a relatively narrow band. The likelihood is a broader band and the consequence then, because it's exponential, is a very broad-band.

MR. THOMPSON: Yes.

MR. SHEPHERD: Is there a reason for that?

MR. THOMPSON: Umm...

MR. SHEPHERD: I'm looking for the underlying logic.

MR. THOMPSON: So the logic is that when the prioritization was developed, there was a preference to put an emphasis on the consequence.

The consequence you’re understanding is a very broad band. For instance, the consequence of trimming a single branch might be a secondary service to a single house where the consequence of trimming another branch could be a 44 kV feeder that supplies a very large part of the town of Innisfil. So the consequence does have a very broad reaching.

MR. SHEPHERD: But the probability that it will happen has much less impact. That seems...

MR. THOMPSON: Probability that something will happen is -- to be honest, the consequence of something happening is pretty predictable. You understand whether it affects all of your customers or one of your customers.

The probability of something happening, just even breaking that down to a 10 percent, or a 20 percent, or a 70 percent probability is a pretty gross generalization in the first place.

MR. SHEPHERD: See, I guess -- well, two things. First of all, this model; is this METSCO's model, or is this one that is commercially available?

MR. THOMPSON: This model is specific for the DSP.

MR. SHEPHERD: So it's never been used anywhere else that you know of?

MR. THOMPSON: Not exactly this model, no.

MR. SHEPHERD: All right. And have you tested it, for example, back-testing against past activities to see whether it produces the right results?

MR. THOMPSON: No, we forward-tested it. We basically took the model. We put the projects into it that we are proposing, we examined the list, and found that it made sense. It reported what we were trying to say.

There is -- when you look at the prioritized list, which is another table -- I suppose we can give up the first one and move to -- which I believe is the final table of Chapter -- no, I'm sorry, it's not the final table. Maybe it is. I'm just looking for the table that lists all the projects with their scores.

Oh, sorry, it is Table 4-13. It is on page 120 of the DSP. You have to be in the DSP body proper.

MR. VELLONE: 4-13. So keep going down.

MR. THOMPSON: Page 120. That was it. So again, the result of using this model is a fairly broad band of scores. However, as we have been talking about these -- some of these development scores, the reason their math works out to 500 was first of all a function of the weighted average of those priorities being greater than 1. Otherwise 490 would be the limit. But that said, they were considered to be extremely likely and extremely -- extremely high probability that the development would go ahead and that the line would be required.

In our newest thinking these projects have gone from being extremely high-priority projects to being mandatory projects, so they'll come off this list, but the fact that they're at the top of it sort of proves the point.

MR. SHEPHERD: So I just want to circle back here. The -- you built this brand-new model. You then tested it by seeing whether it produced the results you wanted?

MR. THOMPSON: So we are saying that the model is subjective in the first place, but the test is -- passes the reasonableness test that the project does list the higher, more important projects at the top and the lower and less important projects at the bottom, and with any sort of prioritization like this, what you are looking for is the projects on the bubble. How is it sorting them?

The ones that are extremely high -- extremely important or extremely unimportant have shown up where they expect, and then the answer is, what is this telling us about the ones in the middle? That's really where the value is.

MR. SHEPHERD: I'm wondering why you would have this model at all if you are just relying on engineering judgment anyway. The only basis on which you say the model works is the engineers like it. Come on.

MR. THOMPSON: I have seen projects like this where the project was simply ranked 1, 2, 3, and 4, and it does demonstrate what the engineer is trying to tell you about the priority of the projects. It is not trying to be more objective than that.

MR. SHEPHERD: So bottom line is that you are not actually using the model to choose -- to choose what projects to do. You are using -- the model is simply a way of demonstrating to the regulator that there is some backup.

MR. THOMPSON: How the project has been prioritized, so whether -- so if the project has a safety component and is a worst-case scenario, it will have a high score.

MR. SHEPHERD: That seems like a bit of a waste of time. I mean, if the engineers are just deciding what the right project is to do, then let them do it. Why make them go through all these hoops?

MR. THOMPSON: The inputs are subjective enough that you can in fact say that if you think a project is highly likely then suddenly it is highly likely, right? So that is what's going on at this level of modelling.

There are sort of state-of-the-art risk-based modelling techniques that require data inputs that aren't even available to a common -- you know, at a DSP -- LDC level, and there is a lot of study going on in that, and METSCO is involved in some of those studies, and we, as experts, are sitting on committees at very high levels, and we are finding for very large populations of data you can -- you can find things out that you might not have thought about using those techniques, but for instance, if I could predict with any certainty what the probability was of a pole failing, and then plug that number into the cost of replacing the pole and multiply it out, I would have a very useful chart. But honestly, I can't predict with that kind of certainty what the likelihood is that a storm will come and land on that particular pole and wipe it out.

MR. SHEPHERD: No, but surely the purpose of the model is to -- if you were actually using the model as a decision tool, then surely the purpose is to force the engineers into a disciplined, rigorous approach to their analysis. They're still using judgment; they're just doing it in a more disciplined and rigorous way; isn't that right?

MR. THOMPSON: I would think that that is actually happening. For instance, projects that are low on this list exist because somebody thinks they're important. However, when they went through the filter it turned out that they really couldn't check enough of the boxes to get them up higher on the list, and so they stayed at the bottom of the list, so that thinking was forced as a result of the model.

The model -- I go back to being, it's subjective -- its math is simplistic, but the fact that it forces you to think about whether a project impacts large numbers of customers or small number of customers and whether it is actually likely to happen or modestly likely to happen, all that important engineering thinking is happening. And this is forcing it, and it forces it to happen on every single project that gets evaluated.

It is subjective, but I think it is highly successful, and at the end of the day the engineer's opinion is driving all of these numbers in the first place. What this is doing is forcing a consistent approach to how they're thought about.

MR. SHEPHERD: So when the -- when you, Mr. Malcolm, or when the board of directors ultimately approved the capital plan, is -- are the model results the determining factor, or is it more -- is there more of a judgment call than that?

MR. MALCOLM: It's based on the engineer's report, based on the engineer's using the models and explaining to us, senior management and the board, as to what the priority projects are, given the variables that they have taken into consideration.

So it's -- if they went through this process and they've analyzed these projects and they came up with this result, and this is what they recommend based on good engineering practices, that's what they would submit to us.

MR. SHEPHERD: So there are some companies, there are some LDCs, in fact, who have fairly tight risk models. Electra's talks about theirs all the time.

And while there's still some room for management judgment, basically the model results are what matters, and if the model results are not good, the project does not get done; simple as that.

Is that true with you as well, or is yours more towards the judgment side?

MR. MALCOLM: We use a combination of all available information that we have at the time, so we don't utilize a model for the strict purpose of determining projects. You also have to use sound engineering judgment as to what the inputs are into those projects.

MR. SHEPHERD: Thank you.

MS. O'CONNELL: I have a follow-up question. It is my understanding that this weighting and prioritization is only subject to the 2017 projects and not after 2017. So is that correct?

MR. THOMPSON: Yes, that's correct.

MS. O'CONNELL: Okay, so in terms of the pacing and prioritization, is really focused on 2017 and not after 2017.

MR. THOMPSON: That's correct.

MS. O'CONNELL: Thank you.

MR. SHEPHERD: I wonder if you could go to interrogatory -- this is the -- this is a -- the updated load forecast that was included with the interrogatory responses. I'm looking at page 103 of the interrogatory responses. I don't actually know what interrogatory it's in response to because it was just filed as a new Exhibit 3.

MS. PINKE: Sorry, we refiled all -- as of 2016 updated with all actuals.

MR. SHEPHERD: Yes.

MS. PINKE: We made the decision to refile all of Exhibit 3.

MR. SHEPHERD: Okay.

MS. PINKE: And update the tables appropriately. That's why.

MR. SHEPHERD: I'm at page 103 of the interrogatory responses. Right? There you go.

So one thing I was trying to understand is the forecast kilowatt hours for the GS over 50, the normalized test year numbers, and these are energy usage per customer. And it appears like they have been generally trending upwards since 2009, and then you're forecasting in 2017 they're dropping by about 3 percent, 3.5 percent. Why is that?

This the lowest number -- the forecast is the lowest number since 2009.

MR. BACON: In this particular forecast, this particular information that's on page 103, the 2017 test year is the only number that's normalized.

The rest of them are all actual. They haven't been normalized, so there is no -- in this particular table, they haven't -- the actual numbers haven't been normalized. So you're looking at actual amounts compared to normalized results for 2017.

MR. SHEPHERD: That's what we're always looking at when we're looking at load forecasts.

MR. BACON: Yeah, okay. Anyways, you're right. So the issue is that if you – if you look at the three main classes, residential, general service less than 50, and general service 50 to 499, they are all going down compared to 2016.

There is a normalization process. I don't know if you are familiar with that or not.

MR. SHEPHERD: I am.

MR. BACON: So what happens is because we have the forecast -- we do a forecast, and we do the forecast to power purchases on a normalized basis and we get that down to bill as a total. And then we look at the historical usage per customer and we come up with a non-normalized load forecast for 2017, and we adjust it in this case downwards to normalize, and we focused on -- and the adjustment for the normalization only applies to the classes that have weather-sensitive loads.

MR. SHEPHERD: This class is 65 percent weather-sensitive; I understand.

MR. BACON: That's right.

MR. SHEPHERD: So ...

MR. BACON: So the weather normalization is going to those three classes and it's causing it to go down.

MR. SHEPHERD: So you are setting your rates on the assumption that your use per customer in 2017 will be the lowest they have been in almost a decade?

MR. BACON: On a weather normalization basis, yes.

MR. SHEPHERD: Well, it doesn't matter whether they are normalized or not. You are saying your actual is going to be that, right? That's the forecast?

MR. BACON: That's the forecast.

MR. SHEPHERD: Why would the Board agree that suddenly it will be lower than all of the last seven years?

I would have thought you’d say we can show a usage trend, here's the trend. But you're saying no, it's going to go off-trend and the excuse is normalization. I don't understand that.

MR. BACON: It would be interesting to know, if we could, whether normalized that pattern, the actual usage -- the actual usage per customer -- it would be interesting to see what the weather normalized amount would be, but it's not here. So I don't know.

I can't answer your question because it's comparing actual to a weather normalization process which the Board has approved, and we've used that many times. So weather normalization is actually causing the load to go down, but generally -- okay, also generally the load is going down from 2016 a little bit in any event, because the load forecast is suggesting it should go down. So that's getting applied across all the classes as well.

MR. SHEPHERD: Sorry, help he with what you just said.

You’re saying that you have the number, the non-normalized 2017 for GS over 50, right? In fact, you just read it, I think.

MR. BACON: Yes, I have a non-normalized amount.

MR. SHEPHERD: Okay. So what is it?

MR. BACON: For ^’17?

MR. SHEPHERD: Yes.

MR. BACON: Actually, I don’t. I don't have the non-normalized ...

MR. SHEPHERD: You just said even non-normalized, it goes down a little bit. How would you know that if you weren't looking at it?

MR. BACON: I must have misspoke.

MR. SHEPHERD: Okay. Anyway, that's the rationale, because when you normalize, it shows that your actuals are going to be lower than past history.

MR. BACON: I just want to follow-up a little bit here. If you go to Table 3-7, the total purchase -- the actual forecast is going a little lower than '16 actual in total as well, based on the projection and based on the load forecast itself.

It goes down -- 261.4 is a -- 259.4 is the actual and it's projecting 259.1. It is not a huge decrease but it's a little bit.

MR. SHEPHERD: That's normalized. It says right there it's normalized.

MR. BACON: Right, it's normalized, but it is the same comparison. It is an actual amount compared to a normalized amount, and it's gone down a little bit.

MR. SHEPHERD: And they're almost identical, whereas you're saying for GS over 50, it is going to go down 3.3 percent.

MR. BACON: Yes, but it's interesting that they are going – they are almost identical, but the number of customers are going up – sorry, that’s not right.

MR. SHEPHERD: Number of customers in GS over 50 is not going up.

But if you look at Table 3-30, which is on page 122, that is where I was going to take you next anyway, you are forecasting that the kilowatt-hours for general service GS over 50 customers are going to go down from 2016 to 2017 on a weather-normalized basis, right?

MR. BACON: I'm on what table again? Sorry.

MR. SHEPHERD: 3-30 on page 122.

MR. BACON: And the question was?

MR. SHEPHERD: You are saying you are still going to have 76 customers, but your use is going to go down by approximately half -- a third of 1 percent, your kilowatt hours.

MR. BACON: Kilowatt hours, are going – yes, they're going down. That is probably the weather normalization thing happening again.

MR. SHEPHERD: Yes, except that it's not as much as the usage per customer on the previous table, which is 3.5, I think.

MR. SHEPHERD: So I wonder if you could undertake to reconcile the table on page 103, which doesn't appear to have a number. I think it may be a continuation of 3.5. I don't know. But it's entitled "energy usage per customer connection". With Table 3-30, at least for general service over 50. The other classes you might want to do as well, but at least for GS over 50, because it doesn't seem to me that it reconciles.

MS. O'CONNELL: Sorry, reconcile Table 3.30 to Table...

MR. SHEPHERD: The previous table doesn't appear to have a number, but it's page 103 of the interrogatories.

MR. BACON: So basically, just to be clear, you want to reconcile the 56,135,044 to the 741,980?

MR. SHEPHERD: Yep.

MR. BACON: Okay.

MR. SHEPHERD: And then while we are still at 3-30, can I ask you to --

MS. O'CONNELL: Sorry, sorry, just bear with me for one second.

MR. SHEPHERD: Oh, yeah.

MS. O'CONNELL: So this is Undertaking JT.4.

MR. SHEPHERD: 2.4?

MS. O'CONNELL: Sorry, 2.4, thank you. And it is to reconcile Table 30 with the table on page 103 of interrogatories.

MR. SHEPHERD: Yes.

MS. O'CONNELL: In particular, the GS greater than 50, the 56,130,549, to the 57,980,608 or something like that.

UNDERTAKING NO. JT2.4: TO RECONCILE TABLE 30 WITH THE TABLE ON PAGE 103 OF THE INTERROGATORIES AND WITH TABLE 3.5 ON PAGE 102 OF THE INTERROGATORIES

MR. VELLONE: And perhaps when you are doing that, if we go to the previous page, page 102, at the bottom of page 102 --

MR. SHEPHERD: Yeah.

MR. VELLONE: -- there is Table 3.5 there as well, and they appear to have --

MR. SHEPHERD: Very different numbers.

MR. VELLONE: And the same title.

MR. SHEPHERD: Mm-hmm.

MR. VELLONE: And I don't know if Mr. Bacon saw that.

MR. BACON: I didn't see that.

MR. VELLONE: So I'm wondering if we should figure out which of those two are the right numbers.

MR. SHEPHERD: Okay. Maybe -- maybe that could be part of your undertaking response.

MS. O'CONNELL: Okay. And also reconcile to Table 3.5, page 102.

MR. BACON: Do you want to take some time and actually figure that out or not?

MR. SHEPHERD: No. No, just do it by way of undertaking. I promised to finish at 1:00, and this is going slower than I thought.

Can I also ask, on Table 3.30, which is on page 122, you appear to have the kilowatts for 2016 are identical to 2015. So either that's an amazing coincidence or there's a problem there.

MR. BACON: Good point. I will look at that.

MR. SHEPHERD: Thank you. Now... That's all I got in Exhibit 3. The next is, in your response to -- man. Just trying to find the IR number. 4-SEC-34, one of the tables you've provided in response to that is on page 193 of the interrogatories. 193. Sorry, it's -- there you go. There you go. Service life comparison.

And so I'm looking at this, and here's my confusion. You have these rates, 3.3 percent for 40-year assets. Well, a 40-year asset is not a 3 percent rate, so -- and there's a number of errors like that throughout the table.

And I am wondering whether that is simply an Excel error that instead of putting the decimal in you've left it as no decimal? Is your actual rate for these assets, is it actually 3 percent, or is it actually 2.5?

MS. COWLES: Yes, at 40 years it would be 2.5.

MR. SHEPHERD: Okay. And then you have one that you say has now gone to 50, which, I'm not sure why, but it's still at 3 percent, and that would be 2 percent, or maybe the 50 is incorrect.

MS. COWLES: I actually don't believe we have any -- those are poles, towers, and fixtures, probably steel or concrete poles, and I don't believe we have any in our service territory that fall -- so when we were reviewing this table, because some of the items on the right said, yes, they were above the max or, yes, they were below the max. It appears that whoever filled out the table originally put 40 -- our wood poles are 40 years and just went and put 40 in all the classes where it said "poles."

MR. SHEPHERD: Okay.

MS. COWLES: But assets that we don't even have in our service territory.

MR. SHEPHERD: Well, but this column that I'm looking at is the proposed column, so you are proposing that some category of poles, towers, and fixtures be at 50 years but a 3 percent rate; is that right?

MS. COWLES: We don't have any poles at 50 percent, so we're not proposing -- or 50 years, so we're not -- if that pole and towers and fixtures line is for steel poles or concrete poles that potentially we'll have in the future and if we wanted to propose -- if we were proposing 50 years, then it would be 2 percent.

MR. SHEPHERD: Well, okay. So what I'm going to ask you to do is I'm going to ask you to undertake to refile your service life comparison 2BB to include the service lives you are actually proposing in this proceeding, and the depreciation rates that go with those service lives, to whatever number of decimals is necessary to get it right. Can you do that?

MS. COWLES: Yes, we can do that.

MR. SHEPHERD: Thank you.

MS. O'CONNELL: So include the service lives proposed in the proceeding and the rate?

MR. SHEPHERD: Yes.

MS. O'CONNELL: Okay. So that is JT2.5.

UNDERTAKING NO. JT2.5: TO REFILE YOUR SERVICE LIFE COMPARISON 2BB TO INCLUDE THE SERVICE LIVES YOU ARE ACTUALLY PROPOSING IN THIS PROCEEDING, AND THE DEPRECIATION RATES THAT GO WITH THOSE SERVICE LIVES, TO WHATEVER NUMBER OF DECIMALS IS NECESSARY TO GET IT RIGHT.

MR. SHEPHERD: Okay. Then next is -- I'm looking now at 4-VECC-30, and the response shows the direct labour capitalized by year, and it seems to be relatively consistent in the past until the forecast year where you are capitalizing a good deal more about, oh, I don't know, maybe 30 percent more.

Can you help me understand that?

MS. COWLES: I'm taking a stab at it. Really, to find out the ultimate answer, we’d have to go back to someone that's not here to provide the details for how they capitalized the labour into -- or how they estimated the capitalization of labour into the engineering and operation projects.

The -- if there is an increase in subdivision work and system access work, there will be additional labour internally going into those projects. However, the labour would be contributed against.

I don't think -- I'm not sure how the changes that they're revising the capital, how that would affect this column.

MR. SHEPHERD: I'm going to ask you to undertake to provide a response.

Here are the two things that I'd like you to look at in doing the response. First, the compensation costs are going down, and so the increase is actually a larger increase than you would otherwise think, because it is on a lower base. So the percentage of your compensation you're capitalizing is higher.

And secondly, your capital -- your net capital spending is going down relative to 2016, and that should also mean that, all other things being equal, your capitalized overheads would go down as well -- or your capitalized labour rather would go down as well.

So can you deal with those in the response when you are explaining the reason?

MS. COWLES: Yes, I can do that.

MS. O'CONNELL: That's JT2.6, it is regarding the amounts in part (a) of the response.

UNDERTAKING NO. JT2.6: TO EXPLAIN THE CAPITALIZATION OF THE DIRECT LABOUR COSTS AS DESCRIBED IN 4-VECC-30

MR. SHEPHERD: It is regarding -- yeah, that's right.

The next one I'm looking at is 4-VECC-31. I am just trying to understand the changes in the positions. So from 2013 to 2017, if I understand this right -- I'm trying to simplify it as much as possible -- you no longer have a metering and IT manager, right?

MS. PINKE: That is correct.

MR. SHEPHERD: But presumably, while metering is something that you are doing a lot less of, you still need an IT manager. Who is doing that now? The operations manager?

MR. MALCOLM: The VP of corporate services is taking care of the IT management position.

MR. SHEPHERD: To the extent that you still have to manage the metering activities, that's your VP engineering?

MR. MALCOLM: That was the Smart Grid engineer, which is now the operations engineer.

MR. SHEPHERD: No, no, sorry. The metering and IT manager was doing metering and IT, right? And so the IT component is being done by corporate services. Who is doing the metering component that's left?

MR. MALCOLM: Our Smart Grid engineer.

MR. SHEPHERD: The Smart grid engineer is gone.

MR. MALCOLM: Which is replaced with the operations engineer.

MR. SHEPHERD: All right. So the operations engineering is now doing metering; okay.

You got rid of one customer service rep, but you added two more customer accounts reps. So I assume one of those is an offset; is that fair?

MR. BROWN: Yes, that would be fair.

MR. SHEPHERD: And then you had one CDA rep, and now we have two. Is that right?

MS. PINKE: Technically, the CDM positions on here should not be on this list, because they not rates-based. They are fully funded through the CDM.

MR. SHEPHERD: Part of your salary, too, presumably.

MS. PINKE: No, my salary strictly goes to -- part of my functions just go to CDM, but it also goes to regulatory.

MR. SHEPHERD: Sorry, CDM is not picking up any of your costs even though that's part of your job?

MS. PINKE: No.

MR. SHEPHERD: What percentage of your time do you spend on CDM?

MS. PINKE: Overseeing, I'm going to say about 15 per cent.

MR. SHEPHERD: And then you add4ed two more financial analysts. Is there a story behind that? Can you help me with that?

MS. COWLES: Yes, that was for the implementation of -- when we started InnServices and doing the financial services for them.

So one was hired specifically to deal with InnServices. The other was hired as an actual maternity leave replacement and then kept on to do backfill for the accounting manager, who had to take on part of the InnServices. So for the additional scope of the accounting manager, some of that was fed down to InnServices.

MR. SHEPHERD: Then InnServices isn't paying you enough for the financial, is it? If you had to add two more people in order to take on InnServices, clearly there's not enough room in the money they're paying you to cover the cost of two more people. I don't understand that.

MS. COWLES: So their labour is split; it's not strictly InnServices. We have cross functional duties and there are also -- we also had an approval for an additional financial person to offer services to energy services and to offer additional reporting support to engineering.

MR. SHEPHERD: Sorry, I'm having… Leave aside the InnServices part for a second. You had a financial analyst that works solely on the utility, right, before, before you added these additional people.

MS. COWLES: Yes, we had -- InnPower had a financial analyst.

MR. SHEPHERD: That person wasn't working on InnServices or anybody else, right? They were only working on InnPower, right?

MS. COWLES: Strictly InnPower.

MR. SHEPHERD: All right. So now in terms of InnPower, how many financial analysts does InnPower have? Forget who employs people. How many FTEs of financial analysis work are being done right now? Is it 1.5, 1.7 -- what is it?

MS. COWLES: Slightly over 1 is doing work for InnServices. The balance is InnPower.

MR. SHEPHERD: Okay, let's assume that we've gone from 1 to 2. What is the additional workload that required you to have another financial analysis?

MS. COWLES: We had a maternity leave that we had to cover. So we brought in an additional person to cover the maternity leave. We kept them on following the maternity leave to help with the backfill.

MR. SHEPHERD: Backfilling who?

MS. COWLES: Well, we had accounting clerks that had work because of InnServices, so they were backfilling for some of the InnPower work for InnServices.

MR. SHEPHERD: Well, then that's still InnServices. I'm asking only for InnPower. That additional person then, some of their time is InnServices as well, right?

MS. COWLES: Yes, the InnServices work is spread throughout the department. There is only one analyst that is strictly InnPower at this time. The others are sharing their duties.

MR. SHEPHERD: Okay, thank you. I am actually close to the end.

Can you go to 7-SEC-40, please? So for GS over 50 you have a weighting factor for billing and collecting of 13.39, so that means your cost to bill and collect a GS over 50 customer is about 13.4 times as much as your cost of billing and collecting from a residential customer; is that right?

MS. PINKE: I'd have to -- I'd just have to go back to the actual submission, Jay. I don't remember all this.

MR. SHEPHERD: Well, my question is actually a simple one. If your weighting is 13.4 to 1, then 13.4 times as many costs are being allocated to GS over 50 for a bill than to residential; isn't that straightforward? That was just a setup question.

MS. PINKE: Based on how you presented that, that would be correct.

MR. SHEPHERD: So you got that 13.4 to 1 ratio by studying the data on four customers; right?

MS. PINKE: It was four customers during a two-year time frame of going through layouts. The fact that only four customers of that rate class I think is representative of the total customers within that rate class and the two-year time frame.

MR. SHEPHERD: What's a layout?

MS. PINKE: A layout is a term, and I -- I'll try to explain this in a --

MR. SHEPHERD: Like, for normal people.

MS. PINKE: Because it's normal to me. Basically, it is a methodology that we utilize to go out and basically design when we're going to be doing new connections or upgrades for customers as to, is it going to be a primary, secondary connection, here's the type of equipment going in.

MR. SHEPHERD: How would that affect billing and collecting?

MS. PINKE: Oh, you're talk -- I'm sorry, are you talking billing or services?

MR. SHEPHERD: I'm talking -- you have your weighting factor for billing and collecting, 13.4 to 1. And so I'm not sure I understand how you got that ratio. The only information you have here is that you went and studied two years of layouts for four customers, but that has nothing to do with billing and collection; right?

MS. PINKE: No, you're correct.

MR. SHEPHERD: Okay. So how did you get to the 13.4 to 1? Maybe you can undertake to advise how you found --

MS. PINKE: Excuse me, can I clarify something there, Jay? The table that you were looking at basically was a 2012 billing factor, so on page 231 --

MR. SHEPHERD: Ah. I didn't even see that.

MS. PINKE: Sorry, that's a 2012, and then the revised is, you know, .758, so that's not the factor that we utilized, so basically, because in our previous cost-of-service application we were, I'm going to say slapped a little bit for using default factors, that we were told to go away and do some homework.

MR. SHEPHERD: Okay. So you are actually using 6.9 now. Yes... Insert weighting factor for services account, 1855, 6.9 to 1.

MS. PINKE: It's the table done before. It is .7458.

MR. SHEPHERD: I see, I see, I see, I see. All right.

MS. PINKE: Does that clarify, or --

MR. SHEPHERD: Yeah.

MS. PINKE: Okay. Thank you.

MR. SHEPHERD: Then my next question is on -- is -- relates 8-Staff-58. And you appear to have -- actually, why don't you go to 8-SEC-44, which is easier to see it. Your loss factor for 2013 was almost 8 percent. And then you went lower again, and then 2016 it bumped back up again.

Can you help me understand this pattern of loss factors? I mean, they are fairly big numbers anyway, but in addition to being big numbers they seem to be all over the place.

MS. PINKE: Correct. Okay. So we updated the -- what page is that on? 239?

[Witness panel confers]

MR. SHEPHERD: I mean, this is probably more of an engineering question than a regulatory question.

MS. PINKE: Well... I can't find...

[Witness panel confers]

MS. PINKE: Okay. Okay. So when we go to 8-SEC-44, so the table that is here, there is an incorrect calculation in the table.

MR. SHEPHERD: Okay.

MS. PINKE: Okay? But they did talk about -- there was a hike in the loss factor table in 2015.

MR. SHEPHERD: Yes.

MS. PINKE: But the new averages are, if we correct them -- no, because the table -- the calculation on the table that was provided here was incorrect.

MR. VELLONE: For what year?

MS. PINKE: For 2 -- well, actually, 2011 was included, and there was one year where the number was -- the calculation included the 2011 year.

MR. SHEPHERD: So the rest of the numbers are right?

MS. PINKE: The rest of the numbers are --

MR. SHEPHERD: Like, 2012 to 2016, those final numbers are right?

MS. PINKE: Right. Okay. So I corrected the table, so the distribution loss factor now for a five-year average going from 2012 to 2006 (sic) should be 1 -- 2012 to 2016 will be 1.0486, the supply 1.0161, there was no change, and the total loss factor, bottom, 1.0656.

MR. SHEPHERD: So -- and the reason for that is that on line G you have 412 in three years, and those 412s are not all correct; is that right?

MS. PINKE: That was probably part of the issue, yes.

MR. SHEPHERD: Okay. so have you refiled this table?

MS. PINKE: I have not refiled it; I've corrected it.

MR. SHEPHERD: And this is going to be in the refiled stuff that we see later?

MS. PINKE: Well, that -- we'll have to clarify what we agree on, because the Chapter 2 appendices only ask for 2011 to 2015. So I'm going to ask for clarification. What do we want to see? The 2000 -- the five-year average from 2011 to 2015 or 2012 to 2016? And then we will file which is appropriate.

MR. SHEPHERD: Certainly you have to file what the Chapter 2 appendices require, regardless of whether you file anything else, but if you --

MR. VELLONE: If you also want '16, let's do an undertaking.

MR. SHEPHERD: Okay.

MS. O'CONNELL: Okay. So that's JT2.7.

UNDERTAKING NO. JT2.7: TO PROVIDE AN UPDATED VERSION OF 8-SEC-44

MS. SHEPHERD: And that's to update 8-SEC-44.

MS. O'CONNELL: 8-SEC-44^ with -- updated, okay, with the correct numbers.

MR. SHEPHERD: Okay. Finally, attached to your interrogatory responses is the financial services agreement with InnServices Utilities, and I just want to ask a couple of things about that. This was not filed in confidence.

Do you have that available to you? It is one of the attachments to the undertaking -- to the interrogatories. It doesn't have any page numbers on it, or else I would tell you. Nobody of these witnesses was involved in this transaction, right?

MR. MALCOLM: That's correct.

MR. SHEPHERD: Are you sufficiently briefed to answer questions about it?

MR. MALCOLM: We'll do our best.

MR. SHEPHERD: All right. When this was signed, it was backdated, right? So it was signed in April of 2016, but it was effective August 2015; that's what it says right there.

MR. MALCOLM: That's what it says.

MR. SHEPHERD: And it contemplates that there will be change orders. You see there in 1.1(b)...

MR. MALCOLM: I don't know where you're going -- there.

MR. SHEPHERD: Have there been any change orders?

MR. MALCOLM: I'm not aware of any change orders that have taken place since this date.

MR. SHEPHERD: I'll circle back to that in a second. If I go to the next page, it talks about the hourly billing rates and we talked about that earlier, right?

So the hourly billing rates are what's charged based on all these various people in your financial side in accounting and financial analysts that do work for InnServices, this is what they're supposed to charge. They are supposed to charge an hourly rate, right?

Do we have a table of those rates?

MS. COWLES: I don't have a table of those rates. I can provide -- that would be our regular InnServices staff rates.

MR. SHEPHERD: So could you provide a table that says 1, 2, 3, 4, 5, these are the five rates, this is the compensation component, and this is the uplift?

MS. COWLES: That relates to some of the in camera issues we were discussing earlier.

MR. SHEPHERD: I don't think this is confidential.

MR. VELLONE: To the extent the rates go into the amounts that are already on evidence for financial services, for the provision of shared services between the two utilities, those are public numbers.

MS. COWLES: Including the rates of the CEO?

MR. SHEPHERD: No.

MS. COWLES: We just have to be careful with that. If this it is any personal information that can identify an individual, we have to be careful about that.

MR. SHEPHERD: The rate of the CEO wouldn't be in here anyway, because the CEO is simply 50 percent of compensation. This is the hourly rates for the work actually done by everybody else.

MS. COWLES: Then yes, we can provide that.

MS. O'CONNELL: So that's JT2.8, to provide the compensation components and uplift related to the hourly billing rate.

UNDERTAKING NO. JT2.8: TO PROVIDE THE COMPENSATION COMPONENTS AND UPLIFT RELATED TO THE HOURLY BILLING RATE

MR. SHEPHERD: Then if you go to page 4 -- and the reason why I jumped up and down when you said that you charge only incremental time is because 4.1 appears to say that you only bill InnServices incremental time spent on InnServices work. Isn't that's right?

MS. COWLES: I believe that when you were discussing the incremental time earlier, you were talking about the wastewater billing agreement and the rates that were billed there.

MR. SHEPHERD: Okay. So on this, it is actually incremental, right?

MS. COWLES: For every hour that we bill to InnServices, we charge that plus 1 percent back to them.

MR. SHEPHERD: So what I'm saying is an employee sits down and they say, oh, wait a second, I just spent ten minutes on InnServices, and I have to record that. And that then gets build to InnServices.

But every other minute of their time is billed to InnPower, right?

MS. COWLES: Yes, that's correct.

MR. SHEPHERD: Okay. Can you go to page 15? This says that InnPower provides confidential and proprietary information to InnServices. Tell me what you are providing to them.

MR. MALCOLM: Were you looking at section 26.0?

MR. SHEPHERD: 26.1, yes.

MR. MALCOLM: The only information that goes between InnPower and InnServices is for the water and wastewater billing only. There is no other information that would be provided to InnServices, except for related to the services provided by InnPower for InnServices.

MR. SHEPHERD: You provide -- InnServices doesn't have to worry about things like updating billing information and stuff like that, because you do all that, right?

MR. BROWN: That is correct.

MR. SHEPHERD: And they don't get paid for that? They're piggy-backing on your bill. Your bill already has this stuff all done.

MR. BROWN: That's correct.

MR. SHEPHERD: Okay. In the financial services component, you are not really providing them with any proprietary or confidential information that you know of?

MS. COWLES: No, I can't think of any instance where they are getting access to any InnPower information.

MR. SHEPHERD: They are not seeing, for example, the salary levels of any your people, right?

MS. COWLES: No, they're not.

MR. SHEPHERD: Okay. Then my next question on this is on -- hang on. So if you look at page 19 of the document, there is a Schedule A, and then there is another Schedule A after that. Should I read these together?

If I understand it correctly, the second Schedule A is Schedule A to the first Schedule A, right?

MR. MALCOLM: From the document it looks like it's Schedule A, and then there's definitions for Schedule A.

MR. SHEPHERD: So then the -- page 19 says that InnServices has appointed the CFO of InnPower as its CFO and that it's -- your CFO is then CFO for InnServices; that's not true anymore, right?

MR. MALCOLM: That's correct.

MR. SHEPHERD: Has there been a change order for this?

MR. MALCOLM: No change order. It was a written understanding between InnServices and InnPower and the town of Innisfil to appoint the town of Innisfil CFO treasurer. It was during the time when the current CFO of InnPower left our employment.

MR. SHEPHERD: Okay. And that just hasn't -- you are going to go back to this then. Is that the plan?

MR. MALCOLM: It hasn't been determined yet, but that was the intention.

MR. SHEPHERD: Okay. Now, there was something where part of the cost of one of your financial analysts was really not incremental because half of the CFO's salary was covered by InnServices.

Can you help me with that? I don't have the reference here, but there was a whole explanation of why it wasn't related to incremental cost.

MS. COWLES: Initially the CFO -- initially the CFO of InnPower was -- the prior CFO of InnPower was allocating her time between InnPower and InnServices. During that period when we had the person hired on to replace maternity leave, we kept that person on. The person that came back from maternity leave helped to offset the time that the InnPower CFO was spending with InnServices.

MR. SHEPHERD: And half of the InnPower CFO's salary was being covered by InnServices; right? I think.

MS. COWLES: I'd have to confirm whether it was 50 percent or whether she was booking her actual time between the two companies.

MR. SHEPHERD: You don't need to undertake that on that. I have the idea.

And then if you just keep on going to the next page. Keep going, keep going. Now, two pages on. See, this is the wastewater billing services agreement you filed, and this does appear to be with the Town.

And I guess -- I asked you earlier, have you filed the one with InnServices, and you said yes, but I don't actually see it anywhere.

Is this still in operation, this one here, from 2012?

MR. MALCOLM: So this agreement expired, and we are currently working on a new agreement with InnServices and InnPower.

MR. SHEPHERD: And that one will then have to be back-dated to when you first started providing the services?

MR. MALCOLM: It will be dated back to the start date of the new agreement, because when the assets were transferred from the town of Innisfil to InnServices, that was taken into consideration that this agreement formed part of that. So we did not go back and rename the town of Innisfil as the owner to InnServices.

MR. SHEPHERD: So a way of looking at it is that this agreement was basically transferred to InnServices?

MR. MALCOLM: That's correct.

MR. SHEPHERD: Ah. Okay. All right. And so I didn't see any of these -- those numbers, those $2 and $1.40 and all that stuff in here. Is it not in here anywhere? Or did I just miss it?

MR. BROWN: It should be at the end of the document.

MR. SHEPHERD: Is it? Okay. You're right. You're right. So these numbers are now -- what you have in year five is now going up to 2.40 and 1.90, right?

MR. BROWN: That is correct.

MR. SHEPHERD: Okay. Those are all my questions. Thank you. Sorry, I went a little long.

MR. VELLONE: Mr. Shepherd, I will leave this up to you or not, but Mr. Bacon has alerted me to the fact that he has a further response to one of your questions on the load forecast. I don't know if it's worthwhile doing now, or should we just make it into the undertaking response?

MR. SHEPHERD: If it's quick, sure, go ahead. You have eight seconds.

MR. BACON: I'll try and make it quick. So if we go page 103, the table that's in page 103 is the correct table, right?

MR. SHEPHERD: The one prior to it, the one that's labelled 3.5, is not actually correct?

MR. BACON: No, that was actually a version from another version that should have been taken out and it didn't get taken out.

MR. SHEPHERD: Okay.

MR. BACON: So if you actually go to Table 3-30 -- this is where you had focused on it -- the numbers that are supported -- the usage per customer numbers are supported by the movement of the kilowatt-hours -- sorry. The movement of the kilowatt-hours from 2006 actual, 2017, weather-normalized, and they move from, let's say 58 gigawatt-hours to 56.1 gigawatt-hours. So if you actually go to Table -- I should -- anyway, Table 3-25 --

MR. SHEPHERD: Okay.

MR. BACON: -- shows a movement from the 2007 non-normalized down to the 2017 test-normalized, and there is a -- there is the adjustment which I was talking about for weather, which is .8, but then what I forgot about was there's CDM of 1.1, which is what is driving it down to 56.1, which is driving that usage per customer down so low.

MR. SHEPHERD: The reason I'm silent is that going from 58 down to 56.1 is still not the same percentage drop as the percentage drop in number -- in use per customer, and yet the number of customers is the same.

MR. BACON: Okay, but the calculation is simply the 58 --

MR. SHEPHERD: Divided by 76.

MR. BACON: Yeah, yeah, I mean, that 76, there might be some rounding in there, I don't know. So --

MR. SHEPHERD: No, that is number of customers. It is hard to round it.

MR. BACON: Okay, but all I'm saying that the forecast -- the actual number of forecasted customers may not have been rounded to zero decimals, it might have a piece of a customer in it when it does the forecast. That potentially could be it.

MR. SHEPHERD: And anyway, you have an undertaking that you are going to respond to this.

MR. BACON: Okay --

MR. SHEPHERD: Okay. Thanks.

MR. BACON: -- an answer. All right. Thank you.

MS. DJURDJEVIC: Okay. Thank you, everyone. If there is nothing further, then we are concluded with the technical conference, and we are going to have some discussion about the issues list, but we can do that off the record. Thank you.

### --- Whereupon the conference concluded at 1:12 p.m.