SCHOOL ENERGY COALITION

CROSS-EXAMINATION MATERIALS

EB-2016-0085

InnPower – Both Panels

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2017 Filers

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application: At Current Approved Rates	Initial Application: At Proposed Rates	Technical Conference: At Current Approved Rates	Technical Conference: At Proposed Rates	Per Board Decision: At Current Approved Rates	Per Board Decision: At Proposed Rates
1	Revenue Deficiency from Below		$2,436,466		$2,626,876		$2,626,876
2	Distribution Revenue	$8,471,470	$8,471,470	$8,328,277	$8,328,277	$8,328,277	$8,327,469
3	Other Operating Revenue Offsets - net	$1,107,121	$1,107,121	$975,758	$975,758	$975,758	$975,758
4	**Total Revenue**	$9,578,591	$12,015,057	$9,304,035	$11,930,910	$9,304,035	$11,930,103
5	Operating Expenses	$8,800,675	$8,800,675	$8,800,675	$8,800,675	$8,800,675	$8,800,675
6	Deemed Interest Expense	$1,168,866	$1,168,866	$1,099,244	$1,099,244	$1,099,244	$1,099,244
8	**Total Cost and Expenses**	$9,969,540	$9,969,540	$9,899,918	$9,899,918	$9,899,918	$9,899,918
9	**Utility Income Before Income Taxes**	($390,949)	$2,045,516	($595,884)	$2,030,992	($595,884)	$2,030,184
10	Tax Adjustments to Accounting Income per 2013 PILs model	($1,519,555)	($1,519,555)	($1,406,651)	($1,406,651)	($1,406,651)	($1,406,651)
11	**Taxable Income**	($1,910,504)	$525,962	($2,002,535)	$624,341	($2,002,535)	$623,533
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13	**Income Tax on Taxable Income**	($506,284)	$139,380	($530,672)	$165,450	($530,672)	$165,236
14	**Income Tax Credits**	$ -	$ -	$ -	$ -	$ -	$ -
15	**Utility Net Income**	$115,334	$1,906,137	($65,212)	$1,865,542	($65,212)	$1,864,883
16	**Utility Rate Base**	$54,274,959	$54,274,959	$53,119,071	$53,119,071	$53,119,071	$53,119,071
17	Deemed Equity Portion of Rate Base	$21,709,984	$21,709,984	$21,247,628	$21,247,628	$21,247,628	$21,247,628
18	Income/(Equity Portion of Rate Base)	0.53%	8.78%	-0.31%	8.78%	-0.31%	8.78%
19	Target Return - Equity on Rate Base	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%
20	Deficiency/Sufficiency in Return on Equity	-8.25%	0.00%	-9.09%	0.00%	-9.09%	0.00%
21	Indicated Rate of Return	2.37%	5.67%	1.95%	5.58%	1.95%	5.58%
22	Requested Rate of Return on Rate Base	5.67%	5.67%	5.58%	5.58%	5.58%	5.58%
23	Deficiency/Sufficiency in Rate of Return	-3.30%	0.00%	-3.63%	0.00%	-3.63%	0.00%
24	Target Return on Equity	$1,906,137	$1,906,137	$1,865,542	$1,865,542	$1,865,542	$1,865,542
25	Revenue Deficiency/(Sufficiency)	$1,790,802	$ -	$1,930,754	$ -	$1,930,754	($658)
26	**Gross Revenue Deficiency/(Sufficiency)**	$2,436,466 (1)		$2,626,876 (1)		$2,626,876 (1)	

Notes:

(1) Revenue Deficiency/Sufficiency divided by (1 - Tax Rate)

January 2015. His predecessor was vice-president of customer services for InnPower for over 20 years.

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

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

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

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

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

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

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 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 percent to 105 percent within my area.

MR. SHEPHERD: Yeah, my question is about favourable performance.

This appears to say that most management employees in 2016 were assessed to have favourable performance.

MR. MALCOLM: So each employee goes through a performance evaluation. They have goals and objectives set up at the beginning of the year. They are monitored during the course of the year. Once they achieve those results, they are eligible for an increase between 100 and 105 percent.

MR. SHEPHERD: That wasn't my question. My question was actually much simpler than that. Did most management employees in 2016 have an assessment of favourable performance?

MR. MALCOLM: As I stated, the ones that achieved it, achieved their performance benchmarks, did achieve the incentive. But we had management employees that are not at the 100 percent.

MR. SHEPHERD: We're missing each other. It doesn't matter whether they are at the 100 percent. Their performance -- if they have favourable performance, they get a salary increase, right?

MR. MALCOLM: Regardless of were they in the band, yes.

MR. SHEPHERD: Yes. So did most management employees get a favourable performance review and get a salary increase, yes or no?

UNDERTAKING JT1.8

Undertaking:

IN OM&A, WHAT ARE THE INCREMENTAL COSTS AT BEING IN THE NEW BUILDING VS COSTS AT THE OLD BUILDING USING ACTUAL 2014-2016 AND FORECAST 2017 DATA.

Reference: Transcript dated September 12, 2017 page 59, line 9 to page 60, line 21.

Response:

The incremental OM&A costs at being in the new building vs. costs at the old building using actual 2014-2016 data are shown in the table below.

Table JT1.8 Building Expenses – 7251 Yonge Street vs 2073 Commerce Park Drive

Building Expenses - 7251 Yonge Street vs. 2073 Commerce Park Drive

	New Building			Old Building			2017 to 2014 Variance	2016 to 2014 Variance
	2017	2016	2015	2016	2015	2014		
Property Taxes	102,000.00	101,489.21	86,203.70		14,861.93	20,127.75	$ 81,872.25	$ 81,361.46
Insurance	56,000.00	55,208.16	43,942.58			36,678.00	$ 19,322.00	$ 18,530.16
Hydro/Water/Sewer	55,000.00	55,577.75	44,704.58		17,117.87	38,034.25	$ 16,965.75	$ 17,543.50
Gas	10,000.00	9,914.03	12,560.68			-	$ 10,000.00	$ 9,914.03
Security	1,044.00	1,044.00	1,044.00			1,044.50	-$ 0.50	-$ 0.50
Janitorial	22,500.00	22,500.00	25,477.94		813.48	14,100.00	$ 8,400.00	$ 8,400.00
Snow Plowing	11,000.00	10,499.72	9,609.42			13,111.90	-$ 2,111.90	-$ 2,612.18
Grass Cutting	420.00	420.00	420.00			480.00	-$ 60.00	-$ 60.00
Phone/Internet	32,000.00	32,124.91	25,706.25	18,480.00	-	33,042.75	-$ 1,042.75	-$ 917.84
Miscellaneous	22,000.00	21,801.22	2,658.94		2,456.54	16,630.93	$ 5,369.07	$ 5,170.29
	$ 311,964.00	$ 310,578.99	$ 252,328.09	$18,480.00	$35,249.82	$173,250.08	$138,713.92	$ 137,328.91

Net Incremental Costs at 7251 Yonge Street Vs 2073 Commerce Park Drive ($) **$138,713.92**

1. $101194.25 or 73% of the incremental cost of the new building for maintenance is directly attributable to the increase in property tax and insurance.
2. Hydro/Water/Sewer have increased due to waste water as 2061 Commerce was on septic
3. The cost per Sq Ft for maintenance expense in the new building is $7.46 for 2017 exxpenses (311,964 /41,800 sq ft)
4. The cost per Sq Ft for the maintenance expense at the old building site was $21.32 (173,250/8,128 sq ft)

Notes:

1 All expenses exclude tax, except for hydro expenses
2 Insurance is property only.
3 Old building heated by electric, new building gas.
4 Old building was on septic, new building has sewer included in new rates.
5 Internet at old building still exists for old building for communication network

Witness: Brenda Pinke

MR. MALCOLM: Yes.

MR. SHEPHERD: Thank you.

MS. O'CONNELL: Can you clarify that the same type of incentives and salary adjustments are not available to the unionized employees?

MS. COWLES: That's correct, they don't have the same management performance measurements.

MS. O'CONNELL: Are there any additional on top of that, or no?

MS. COWLES: Any additional incentive programs?

MS. O'CONNELL: Any additional types of compensation for the union employees?

MS. COWLES: Just the union negotiated increase.

MS. O'CONNELL: Okay, thank you. I wanted to ask you -- sorry, back to the management. You've said that they have received a cost of living adjustment ranging from 2 percent to 2.7 percent. What cost of living adjustment is forecasted for the 2017 test year?

MR. MALCOLM: The amount was 2 percent.

MS. O'CONNELL: Okay. Thank you. Was the management incentive program that was introduced in 2015 included as evidence in the 2013 process service proceeding?

MS. PINKE: No, it was not included in the previous rate application.

MS. O'CONNELL: My next question is 4.0 Staff 49, page 163. Scroll up. Scroll up. Under the heading "New corporate headquarters", the property tax is expected to increase by over 100,000. I just wondered if you have a

UNDERTAKING JT2.1

Undertaking:

TO PROVIDE A LIST OF COST CHANGES RELATED TO THE NEW BUILDING AND TO EXPLAIN THEM.

Reference: Transcript dated September 13, 2017 page 50, line 19 to page 51 line 20.

Response:

Capital Comparison			
	7251 Younge St		**2073 Commerce Park DR**
2014 Value in Ratebase			$ 440,510
2015 Value in Ratebase	$ 9,964,561		$ -
Expense Comparison			
	7251 Younge St		**2073 Commerce Park DR**
2014 Expense	0		$ 173,250.08
2015 Expense	$ 252,328.09		$ -

Witness: Brenda Pinke

Distributor	Benchmarking Results						
	2010	2011	2012	2013	2014	2015	3 Year
Algoma Power	62.0%	68.1%	66.4%	69.1%	68.1%	70.6%	69.3%
Toronto Hydro	41.7%	47.7%	45.1%	48.4%	49.9%	51.5%	49.9%
West Coast Huron Energy	14.4%	16.0%	34.8%	41.4%	32.8%	33.5%	35.9%
Hydro One Networks	58.6%	57.3%	58.7%	27.6%	30.0%	20.3%	26.0%
Chapleau Public Utilities	17.5%	14.8%	24.0%	20.5%	27.7%	23.9%	24.0%
Woodstock Hydro	33.5%	32.9%	29.0%	25.9%	23.0%	19.5%	22.8%
PUC Distribution	-8.5%	-5.2%	13.4%	22.7%	14.6%	16.2%	17.8%
Festival Hydro	20.5%	18.0%	20.2%	19.6%	16.6%	14.0%	16.8%
Midland Power	16.4%	17.0%	19.6%	18.7%	15.2%	13.8%	15.9%
Wellington North Power	7.4%	18.0%	12.8%	17.7%	14.2%	11.8%	14.6%
Peterborough Distribution	14.0%	15.6%	13.2%	14.5%	14.5%	11.0%	13.3%
Canadian Niagara Power	16.4%	15.6%	10.0%	11.0%	12.9%	13.0%	12.3%
Renfrew Hydro	15.3%	18.3%	18.3%	15.7%	10.4%	10.6%	12.2%
Hydro Ottawa	-0.1%	-2.6%	7.8%	8.5%	12.7%	15.2%	12.1%
EnWin Utilities	17.8%	16.8%	23.9%	10.3%	10.9%	9.9%	10.3%
Waterloo North Hydro	-3.1%	6.4%	4.3%	10.6%	11.0%	8.2%	9.9%
Oakville Hydro	7.6%	12.4%	10.6%	13.8%	8.7%	6.9%	9.8%
Greater Sudbury Hydro	-2.4%	14.1%	16.7%	4.8%	14.9%	8.0%	9.3%
Thunder Bay Hydro	9.6%	8.0%	-2.8%	8.1%	7.4%	8.6%	8.0%
Tillsonburg Hydro	13.5%	10.7%	12.2%	19.5%	4.4%	-0.5%	7.8%
Erie Thames Powerlines	14.9%	14.4%	3.9%	7.9%	7.0%	7.0%	7.3%
North Bay Hydro	3.6%	5.5%	5.8%	5.4%	8.2%	7.0%	6.9%
Fort Frances Power	14.8%	10.5%	11.7%	6.4%	5.6%	5.1%	5.7%
PowerStream	-7.4%	-6.4%	1.2%	3.0%	5.6%	8.1%	5.6%
Atikokan Hydro	14.9%	7.7%	32.9%	10.3%	-4.9%	9.7%	5.0%
Niagara Peninsula Energy	5.4%	5.2%	10.2%	1.1%	7.7%	4.5%	4.5%
Norfolk Power	-1.8%	-2.6%	6.0%	1.2%	6.5%	NA	3.9%
Bluewater Power	-3.2%	1.7%	6.4%	5.9%	0.3%	0.8%	2.3%
Sioux Lookout Hydro	0.6%	-1.4%	7.2%	2.9%	6.2%	-4.3%	1.6%
Innpower	-7.1%	-6.2%	-2.4%	-2.8%	-2.8%	8.5%	1.0%
Kingston Hydro	0.1%	2.2%	2.4%	3.7%	-3.6%	-3.1%	-1.0%
Cambridge and North Dumfries	-10.1%	-7.8%	-3.3%	0.5%	-1.9%	-3.6%	-1.7%
Milton Hydro	-4.1%	-3.0%	-37.6%	-4.6%	-4.0%	2.7%	-2.0%
Veridian Connections	-4.7%	-4.5%	2.4%	-1.3%	-3.0%	-2.7%	-2.3%
Centre Wellington Hydro	-8.7%	-4.9%	0.4%	-3.2%	-3.1%	-1.2%	-2.5%
Guelph Hydro	12.4%	14.7%	-2.0%	0.8%	-4.8%	-3.8%	-2.6%
Westario Power	-3.1%	-0.2%	-1.4%	2.2%	-4.2%	-6.0%	-2.6%
Brantford Power	3.8%	-2.5%	4.7%	0.7%	-3.6%	-6.1%	-3.0%
Lakeland Power	na	na	-6.4%	-0.9%	-1.9%	-7.6%	-3.5%
Niagara-on-the-Lake Hydro	7.6%	6.5%	2.7%	-1.1%	-2.8%	-6.6%	-3.5%
Orangeville Hydro	-2.7%	1.6%	0.8%	0.1%	-4.0%	-7.6%	-3.8%
Brant County	15.6%	22.4%	11.5%	5.5%	-3.6%	-13.6%	-3.9%
Ottawa River Power	-2.9%	2.7%	0.0%	4.3%	-6.9%	-9.3%	-4.0%
Hydro One Brampton	-5.8%	-7.4%	-9.2%	-5.7%	-3.3%	-2.9%	-4.0%

Horizon Utilities	-13.0%	-13.7%	-6.9%	-5.5%	-5.3%	-2.1%	-4.3%
Whitby Hydro	0.4%	-3.0%	-7.0%	-5.7%	-6.8%	-2.6%	-5.0%
Orillia Power	-3.5%	-1.9%	-3.7%	-4.7%	-5.3%	-8.0%	-6.0%
Rideau St. Lawrence Distribution	-10.6%	-13.8%	-6.7%	-7.2%	-8.1%	-4.8%	-6.7%
St. Thomas Energy	-6.4%	-4.5%	6.8%	-4.6%	-6.3%	-10.3%	-7.1%
Hydro 2000	-14.8%	-12.2%	-0.8%	-1.0%	-15.3%	-6.2%	-7.5%
Kenora Hydro	-11.5%	-4.6%	-5.2%	-11.2%	-11.0%	-3.9%	-8.7%
Burlington Hydro	-7.6%	-7.1%	-9.0%	-7.5%	-9.4%	-10.3%	-9.0%
Enersource Hydro Mississauga	-9.5%	-16.1%	-9.5%	-10.7%	-13.9%	-8.2%	-11.0%
London Hydro	-16.8%	-10.1%	-11.1%	-11.0%	-12.8%	-9.9%	-11.3%
COLLUS PowerStream	-8.2%	-9.5%	-1.2%	-12.3%	-14.2%	-14.2%	-13.6%
Essex Powerlines	-17.0%	-17.1%	-12.6%	-17.2%	-12.7%	-13.5%	-14.5%
Lakefront Utilities	-14.7%	-12.5%	-18.7%	-7.4%	-16.0%	-22.1%	-15.2%
Entegrus Powerlines	-13.1%	-13.4%	-10.9%	-14.7%	-16.7%	-17.3%	-16.3%
Oshawa PUC	-21.7%	-18.0%	-14.5%	-17.4%	-18.1%	-14.9%	-16.8%
Grimsby Power	-23.1%	-18.6%	-9.6%	-16.9%	-17.3%	-17.0%	-17.0%
Welland Hydro	-19.6%	-16.2%	-10.4%	-15.2%	-17.3%	-18.7%	-17.0%
Newmarket-Tay Power	-14.6%	-21.0%	-19.5%	-19.5%	-18.6%	-19.3%	-19.1%
Kitchener-Wilmot Hydro	-22.9%	-22.8%	-20.7%	-19.3%	-19.0%	-22.3%	-20.2%
Hearst Power	-26.3%	-30.1%	-28.4%	-33.1%	-22.4%	-7.4%	-21.0%
Espanola Regional Hydro	-22.6%	-21.8%	-15.5%	-19.3%	-25.4%	-20.4%	-21.7%
Haldimand County Hydro	-27.6%	-24.1%	-18.7%	-23.7%	-23.6%	-21.4%	-22.9%
Cooperative Hydro Embrun	-19.3%	-16.9%	-26.4%	-18.7%	-29.7%	-33.2%	-27.2%
Halton Hills Hydro	-27.2%	-24.9%	-27.5%	-35.7%	-31.3%	-28.2%	-31.7%
Northern Ontario Wires	-38.5%	-35.7%	-25.8%	-25.1%	-32.6%	-42.2%	-33.3%
E.L.K. Energy	-28.2%	-26.2%	-25.4%	-33.2%	-44.9%	-34.7%	-37.6%
Wasaga Distribution	-46.8%	-46.3%	-37.8%	-41.6%	-41.6%	-45.6%	-42.9%
Hydro Hawkesbury	-61.8%	-59.4%	-55.8%	-51.1%	-64.3%	-68.1%	-61.2%

Summary of Cost Benchmarking Results

InnPower

Cost Benchmarking Summary	2015 (History)	2016 (Bridge)	2017 (Test Year)	2018	2019	2020
Actual Total Cost	14,265,653	14,914,065	15,298,952	na	na	na
Predicted Total Cost	13,098,824	13,611,579	13,978,643	na	na	na
Difference	1,166,829	1,302,486	1,320,308	na	na	na
Percentage Difference (Cost Performance)	**8.5%**	**9.1%**	**9.0%**	**na**	**na**	**na**
Three-Year Average Performance			8.9%	na	na	na
Stretch Factor Cohort						
Annual Result	3	3	3	na	na	na
Three Year Average			3			

File Number:	EB-2016-0085
Exhibit:	4
Tab:	
Schedule:	
Page:	
Date:	23-Jun-17

Appendix 2-L
Recoverable OM&A Cost per Customer and per FTE [1]

	Last Rebasing Year - 2013- Board Approved	Last Rebasing Year - 2013- Actual	2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year
Reporting Basis	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS
OM&A Costs						
O&M	$ 1,740,391	$ 1,787,150	$ 1,814,455	$ 1,805,094	$ 2,083,333	$ 2,178,889
Admin Expenses	$ 3,149,801	$ 3,208,053	$ 3,410,196	$ 3,752,497	$ 3,605,481	$ 3,811,467
Total Recoverable OM&A from Appendix 2-JB [5]	$ 4,890,192	$ 4,995,203	$ 5,224,651	$ 5,557,591	$ 5,688,814	$ 5,990,356
Number of Cust/Connections [2,4]	15,341	18,286	18,736	19,073	19,718	20,319
Number of FTEs [3,4]	39	39	38	44	44	44
Customers/FTEs	393.36	468.16	491.37	433.48	448.13	461.78
OM&A cost per customer						
O&M per customer	113	98	97	95	106	107
Admin per customer	205	175	182	197	183	188
Total OM&A per customer	319	273	279	291	289	295
OM&A cost per FTE						
O&M per FTE	44,625	45,754	47,586	41,025	47,348	49,520
Admin per FTE	80,764	82,131	89,436	85,284	81,943	86,624
Total OM&A per FTE	125,390	127,885	137,022	126,309	129,291	136,144

Connections for Street Light, Sentinel and USL Rate Classes

Notes:

1 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
2 The method of calculating the number of customers must be identified. Should correspond with data provided in Appendix 2-IB
3 The method of calculating the number of FTEs must be identified. See also Appendix 2-K
4 The number of customers and the number of FTEs should correspond to mid-year or average of January 1 and December 31 figures.
5 For the test year, the applicant should take into account the system O&M (line 22 of Appendix 2-AB) in developing its forecasted OM&A.

MS. PINKE: Yeah, so we click on that, it will take us right there.
MS. O'CONNELL: Yeah.
MS. PINKE: No, that's not --
MS. O'CONNELL: No, it is not that one. Sorry, you're right.
MR. BACON: Keep going back. Right. Go right.
MS. PINKE: OM&A per customer, 2L.
MR. BACON: 2L.
MS. O'CONNELL: Okay.
MS. PINKE: If we looked at line -- at row 19 --
MS. O'CONNELL: Okay. I see --
MS. PINKE: -- it is number of customers and connections.
MS. O'CONNELL: Okay. In other applications I've seen it just "customers", but I'll leave it, because it does say "customer and connections."
MS. PINKE: I think that needs to be clarified if you're having --
MS. O'CONNELL: I know.
MS. PINKE: -- because this is also how we report on PBR, which has a really big impact on the, you know, the PEG data.
MR. BACON: Can you just scroll down to row 30 and see what that says. Connections for street -- yeah --
MS. PINKE: Street light, Sentinel, and USL. So --
MR. BACON: Right. The spreadsheet itself shows connections.

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Appendix 2-JC
OM&A Programs Table

Programs	Last Rebasing Year (2013 Board-Approved)	Last Rebasing Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year	Variance (Test Year vs. 2015 Actuals)	Variance Test Year to 2016 Actuals	Variance (Test Year vs. Last Rebasing Year (2013 Board-Approved)
Reporting Basis	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS			
Operations									
1) Distribution Station	54,624	65,902	60,220	63,521	66,663	66,760	3,239	97	12,137
2) Overhead Distribution Operations	101,453	123,146	125,841	156,658	145,183	169,591	12,933	24,408	68,138
3) Underground Distribution Operations	71,932	107,020	121,324	118,116	111,574	136,637	18,521	25,063	64,704
4) Distribution Meters	215,732	186,719	215,366	241,353	239,835	262,730	21,378	22,896	46,998
5) Customer Workorders	42,222	139,974	155,948	156,993	141,486	173,206	16,213	31,720	130,984
6) Engineering/Systems Ops/Line Constru/SCADA/Ops Admin	748,268	701,238	664,279	640,928	647,351	722,204	81,276	74,853	-26,063
Sub-Total	1,234,230	1,323,999	1,342,978	1,377,569	1,352,091	1,531,128	153,559	179,037	296,898
Maintenance									
1) Overhead Distribution Lines/Feeders	379,731	326,707	275,315	281,961	545,783	410,167	128,206	-135,616	30,436
2) Underground Distribution Lines/Feeders	73,103	74,486	142,880	105,037	146,802	136,079	31,042	-10,723	62,976
3) Distribution Meters	34,732	27,299	23,803	23,319	23,216	27,888	4,569	4,672	-6,844
4) Distribution Transformers	18,595	34,660	29,480	17,208	15,441	73,628	56,420	58,187	55,033
							0		0
Sub-Total	506,161	463,151	471,477	427,525	731,242	647,761	220,236	-83,481	141,600
Community Relations									
1) Community Relations	8,586	5,419	5,663	8,066	14,699	11,640	3,574	-3,059	3,054
							0		0
Sub-Total	8,586	5,419	5,663	8,066	14,699	11,640	3,574	-3,059	3,054
Customer Service									0
1) Bad Debts	60,017	86,391	119,440	59,455	85,973	77,600	18,145	-8,373	17,583
2) Customer Service & Billings	610,762	613,080	690,010	691,348	608,683	702,939	11,591	94,256	92,176
3) Customer Collections	327,173	355,468	360,085	345,313	356,417	368,742	23,429	12,325	41,568
							0	0	0
Sub-Total	997,953	1,054,939	1,169,535	1,096,116	1,051,073	1,149,280	53,164	98,208	151,327
Administration									0
1) Information Systems	193,625	242,079	233,742	282,148	319,264	335,309	53,161	16,045	141,683
2) Insurance	82,174	94,194	95,797	93,838	110,826	106,700	12,862	-4,126	24,526
3) Audit, Legal and Consulting	132,208	123,227	131,529	199,342	129,454	175,667	-23,675	46,213	43,459
4) Building and Office Supplies	239,681	166,531	221,715	349,377	309,304	322,574	-26,803	13,270	82,893
5) Management, Administrative, Finance, Regulatory and IT	1,382,509	1,344,476	1,469,885	1,603,271	1,479,095	1,613,297	10,026	134,202	230,788
6) Regulatory Affairs (assessment & application costs)	113,064	177,188	82,330	120,339	191,767	97,000	-23,339	-94,767	-16,064
							0	0	0
Sub-Total	2,143,263	2,147,695	2,234,998	2,648,314	2,539,709	2,650,546	2,232	110,837	507,284
Miscellaneous				0			0	0	0
Total	**4,890,192**	**4,995,203**	**5,224,651**	**5,557,591**	**5,688,814**	**5,990,356**	**432,765**	**301,542**	**1,100,164**
Notes:	4890317	4995203	5224651	5557590.7	5688813.937	5990355.765			
	125	0	0	0	0	0			

1 Please provide a breakdown of the major components of each OM&A Program undertaken in each year. Please ensure that all Programs below the materiality threshold are included in the miscellaneous line. Add more Programs as required.

2 The applicant should group projects appropriately and avoid presentations that result in classification of significant components of the OM&A budget in the miscellaneous category

* $125 difference in the 2013 Board Approved column totals is due to account 5685 on the OM&A having $125 allotted to it that should not have been part of the forecasted budget, and therefore has not been added to this chart

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

MR. DAVISON: That's correct.

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

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

MR. SHEPHERD: Thanks.

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

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

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

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

I couldn't recall when I was looking at this interrogatory response and then the subsequent interrogatory responses, I couldn't recall in your

UNDERTAKING JT1.20

Undertaking:

TO PROVIDE THE OM&A BREAKDOWN TO THE END OF JULY, INCLUDING LABOUR VERSUS NON-LABOUR.

Reference: Transcript dated September 12, 2017 page 143, line 20 to page 144 line 16.

Response:

InnPower has reflected the actual unaudited OM&A by program as of July 31, 2017, with labour and non-labour components separated. Please refer to Table JT1.20 for the OM&A Breakdown to the end of July 2017, including Labour vs. non-labour costs.

Table JT1.20 Appendix 2-JC updated to include the OM & A Breakdown to the end of July 2017, including Labour vs. non-labour costs

Appendix 2-JC
OM&A Programs Table

Programs	2017 Test Year		YTD July 31,2017	YTD July 31, 2017	YTD July 31, 2017
Reporting Basis	MIFRS		Labour	Non-Labour	Total
Operations					
1) Distribution Station	66,760		5,416	37,133	42,549
2) Overhead Distribution Operations	169,591		107,872	14,157	122,029
3) Underground Distribution Operations	136,637		9,306	32,172	41,479
4) Distribution Meters	262,730		51,795	94,276	146,071
5) Customer Workorders	173,206		27,603	37,158	64,762
6) Engineering/ Systems Ops/Line Constru/SCADA/Ops Admin	722,204		399,862	75,046	474,908
Sub-Total	1,531,128		601,855	289,942	891,797
Maintenance					
1) Overhead Distribution Lines/Feeders	410,167		69,587	75,837	145,424
2) Underground Distribution Lines/Feeders	136,079		52,350	54,545	106,895
3) Distribution Meters	27,888		279	13,274	13,553
4) Distribution Transformers	73,628		6,025	8,886	14,911
Sub-Total	647,761		128,241	152,542	280,784
Community Relations					
1) Community Relations	11,640		0	1,827	1,827
Sub-Total	11,640		0	1,827	1,827
Customer Service					
1) Bad Debts	77,600		0	38,248	38,248
2) Customer Service & Billings	702,939		187,052	137,770	324,822
3) Customer Collections	368,742		165,531	43,937	209,468
Sub-Total	1,149,280		352,582	219,955	572,537
Administration					
1) Information Systems	335,309		0	176,230	176,230
2) Insurance	106,700		0	65,797	65,797
3) Audit, Legal and Consulting	175,667		0	121,198	121,198
4) Building and Office Supplies	322,574		0	181,642	181,642
5) Management, Administrative, Finance, Regulatory and IT	1,613,297		831,773	45,069	876,842
6) Regulatory Affairs (assessment & application costs)	97,000		0	75,796	75,796
Sub-Total	2,650,546		831,773	665,732	1,497,505
Miscellaneous					
Total	5,990,356		1,914,451	1,329,999	3,244,450

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Appendix 2-K
Employee Costs

	Last Rebasing Year - 2013- Board Approved	Last Rebasing Year - 2013- Actual	2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year
Number of Employees (FTEs including Part-Time)[1]						
Management (including executive)	11	11	11	10	10	10
Non-Management (union and non-union)	28	28	27	34	34	34
Total	39	39	38	44	44	44
Total Salary and Wages including ovetime and incentive pay						
Management (including executive)	$ 1,263,246	$ 1,367,623	$ 1,305,406	$ 1,289,707	$ 1,188,414	$ 1,140,261
Non-Management (union and non-union)	$ 1,876,914	$ 1,892,440	$ 2,109,248	$ 2,262,387	$ 2,514,913	$ 2,282,760
Total	$ 3,140,160	$ 3,260,063	$ 3,414,655	$ 3,552,094	$ 3,703,327	$ 3,423,021
Total Benefits (Current + Accrued) [2]						
Management (including executive)	$ 252,649	$ 252,649	$ 256,012	$ 260,564	$ 187,648	$ 232,278
Non-Management (union and non-union)	$ 375,383	$ 375,383	$ 417,326	$ 433,000	$ 385,257	$ 414,958
Total	$ 628,032	$ 628,032	$ 673,338	$ 693,564	$ 572,905	$ 647,236
Total Compensation (Salary, Wages, & Benefits)						
Management (including executive)	$ 1,515,895	$ 1,620,272	$ 1,561,418	$ 1,550,271	$ 1,376,062	$ 1,372,539
Non-Management (union and non-union)	$ 2,252,297	$ 2,267,823	$ 2,526,574	$ 2,695,387	$ 2,900,170	$ 2,697,718
Total	$ 3,768,192	$ 3,888,095	$ 4,087,993	$ 4,245,658	$ 4,276,232	$ 4,070,257

Note:

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

[2] Current employee benefits, plus Pension and Other Post-Employment Benefits costs, as recorded for recovery in distribution rates. Should be consistent with OPEBs costs as documented in Appendix 2-KA.

InnPower Corporation Response:

a) The following table reflects the amount of direct labour capitalized by year:

2013	2014	2015	2016	2017 Forecasted
$ 558,509	$ 589,250	$ 572,333	$ 646,780	$ 818,471

b)

APPENDIX 2-K

Appendix 2-K
Employee Costs

	Last Rebasing Year - 2013- Board Approved	Last Rebasing Year - 2013- Actual	2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year
Number of Employees (FTEs including Part-Time)[1]						
Management (including executive)	11	11	11	10	10	10
Non-Management (union and non-union)	28	28	27	34	34	34
Total	39	39	38	44	44	44
Total Salary and Wages including ovetime and incentive pay						
Management (including executive)	$ 1,263,246	$ 1,367,623	$ 1,305,406	$ 1,289,707	$ 1,262,570	$ 1,276,423
Non-Management (union and non-union)	$ 1,876,914	$ 1,892,440	$ 2,109,248	$ 2,262,387	$ 2,593,631	$ 2,292,161
Total	$ 3,140,160	$ 3,260,063	$ 3,414,655	$ 3,552,094	$ 3,856,201	$ 3,568,584
Total Benefits (Current + Accrued)[2]						
Management (including executive)	$ 252,649	$ 252,649	$ 256,012	$ 260,564	$ 187,648	$ 232,278
Non-Management (union and non-union)	$ 375,383	$ 375,383	$ 417,326	$ 433,000	$ 385,257	$ 414,958
Total	$ 628,032	$ 628,032	$ 673,338	$ 693,564	$ 572,905	$ 647,236
Total Compensation (Salary, Wages, & Benefits)						
Management (including executive)	$ 1,515,895	$ 1,620,272	$ 1,561,418	$ 1,550,271	$ 1,450,218	$ 1,508,701
Non-Management (union and non-union)	$ 2,252,297	$ 2,267,823	$ 2,526,574	$ 2,695,387	$ 2,978,888	$ 2,707,119
Total	$ 3,768,192	$ 3,888,095	$ 4,087,993	$ 4,245,658	$ 4,429,106	$ 4,215,820

c) The reason for the difference between the statement "InnPower Corporation has 38 full-time employees and three part-time employees" and the 44 FTE's noted is that we neglected to include the contract employees in the original statement.

4.0-VECC-31

Ref: Exhibit 4 (Nov 28)/Table 4-16

a) Please provide a list of the incremental positons from the 39 FTEs approved in 2013 to the 44 FTEs shown in 2017.

b) Please identify any position created to backfill any pending retirements

InnPower Corporation Response:

a) The following chart identifies the incremental positions from 2013 and the 2017 FTE's.

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

UNDERTAKING JT2.6

Undertaking:

TO EXPLAIN THE CAPITALIZATION OF THE DIRECT LABOUR COSTS AS DESCRIBED IN 4-VECC-30.

Reference: Transcript dated September 13, 2017 page 87, line 18 to page 89 line 1.

Response:

As stated in the undertaking, the compensation costs are going down, and percentage of our compensation capitalizing on is higher. However, the direct capitalized labour is increased in 2017 because it is a forecasted amount, which has not been adjusted to be levelled to reflect the internal staff hours to the external subcontract labour hours. In comparison 2013 to 2016 direct labour capitalized is the actual total amount, which has been levelled to the internally compensated staff, and subcontract amounts actually used.

Witness: Michael Davison

will be a reduction.

MR. VELLONE: To be clear, are you planning to have these positions filled any time in the next five years?

MR. MALCOLM: Yes, we are.

MR. VELLONE: Did you actually propose reductions during your test year OM&A budgets to reflect the fact that you are currently seeking candidates for these roles, or does the budget include these roles?

MR. MALCOLM: The budget includes the roles.

MR. VELLONE: That's what I thought.

MR. SHEPHERD: So the budget you have includes costs that you know you are not going to incur in 2017?

MR. MALCOLM: Those costs were determined from last year, from 2016 when we did our budgets.

MR. SHEPHERD: I understand.

MR. MALCOLM: We had an individual that was in the operations manager position in November, but only lasted two weeks.

MR. SHEPHERD: I'm not suggesting you're doing something wrong. I'm just trying to understand what you --

MR. MALCOLM: I am trying to clarify so you understand where we're at with our budgets, and where our positions are trying to be filled.

MR. SHEPHERD: So the budget we're working on right now has some stuff in it that you are not going to spend.

MR. MALCOLM: As of today, yes.

MR. SHEPHERD: Do we know what the dollars are for that, the total dollars per year? Or can you give us just a ballpark? Are we talking about a couple of hundred thousand dollars, or are we talking about a million dollars?

MR. MALCOLM: Currently with the position vacant, we are looking at $100,000 plus the benefits.

MR. SHEPHERD: That's just for that position, and then you have some others as well, right?

MR. MALCOLM: That's correct.

MR. VELLONE: Ms. Cowles, can you also quantify the cost that you are incurring to deal with the fact that that position is vacant didn't with your union staff as well?

MS. COWLES: We have -- one of our unionized position that is on step-up, they get an extra percentage for being in that role. They're also having to on on-call days, evenings, and weekends. So that's an extra expense which normally would be undertaken -- part of that would be undertaken by the manager.

There is more overtime being booked and for union staff, that's double time, so there are additional costs. There is an additional line person as well that's been put in place to fill-in for the line foreman.

MS. O'CONNELL: So are you proposing the impact of all this would be at least $100,000 reduction in the test year? Is that what you are proposing, or more?

MR. VELLONE: That's not what I've heard. I heard the opposite.

MS. COWLES: No, I'm saying it would be less than 100,000 because of the offsetting increase in cost for the

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

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Appendix 2-N
Shared Services and Corporate Cost Allocation [1]

Year: 2013

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
InnPower Corporation	Town of Innisifl	Water Waste Water Billing	Negoiated Agreement	251,044	190,269

Appendix 2-N
Shared Services and Corporate Cost Allocation [1]

Year: 2014

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
InnPower Corporation	Town of Innisifl	Water Waste Water Billing	Negoiated Agreement	204,916	172,254

Appendix 2-N
Shared Services and Corporate Cost Allocation [1]

Year: 2015

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
InnPower Corporation	Town of Innisifl/InnServic	Water Waste Water Billing	Negoiated Agreement	238,308	184,243
InnPower Corporation	InnServices (TOI)	Financial Services	Negoiated Agreement	31,618	31,305

Appendix 2-N
Shared Services and Corporate Cost Allocation [1]

Year: 2016

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
InnPower Corporation	InnServices (TOI)	Water Waste Water Billing	Negoiated Agreement	235,000	185,650
InnPower Corporation	InnServices (TOI)	Financial Services	Negoiated Agreement	227,645	225,391

Appendix 2-N
Shared Services and Corporate Cost Allocation [1]

Year: 2017

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
InnPower Corporation	InnServices (TOI)	Water Waste Water Billing	Negoiated Agreement	245,000	193,530
InnPower Corporation	InnServices (TOI)	Financial Services	Negoiated Agreement	232,198	229,899

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
eg: parent company	*eg: regulated entity*				

Note:

1 **This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years. The required information includes:**

· ***Type of Service:***
Services such as billing, accounting, payroll, etc. The applicant must identify any costs related to the Board of Directors of the parent company that are allocated to the applicant.

· ***Pricing Methodology:***

Pricing Methodology includes approaches such as cost-base, market-base, tendering, etc. The applicant must provide evidence demonstrating the pricing methodology used. The applicant must also provide a description of why that pricing methodology was chosen, whether or not it is in conformity with ARC, and why it is appropriate.

· ***% Allocation:***

The applicant must provide the percentage of the costs allocated to the entity for the service being offered. The Applicant must also provide a description of the allocator and why it is an appropriate allocator.

UNDERTAKING JT2.2

Undertaking:

TO PROVIDE A TABLE DETAILING AMOUNTS PAID BY INNSERVICES TO INNPOWER DURING THE TEST YEAR SHOWING AMOUNTS, REASON FOR PAYMENT, AND CALCULATION.

Reference: Transcript dated September 13, 2017 page 60, line 7 to page 62 line 8.

Response:

Please see Table JT2.2 for YTD amounts paid to InnPower from InnServices Utilities Inc., with amounts and service description as of July 31, 2017.

Table JT2.2 IPC Invoiced to InnServices

IPC Invoiced to InnServices					
		YTD July 31, 2017			
Service		**Cost**	**Admin @ 1%**	**HST**	**Total**
Financial Services	Labour	210,955	2,110	27,698	**240,762**
Rental		5,460		710	**6,170**
W/WW Billing services		142,620		18,541	**161,160**
Occupancy Charges		8,283		1,077	**9,360**
Reimbursements from IUI:					
Consulting		4,239			**4,239**
Mileage		266			**266**
Conference & Seminars		4,716			**4,716**
Other		267			**267**
Total					**426,941**

InnPower has $60,000 budgeted in other income for rental, however this figure includes rental from other customers, not just InnServices (ie. Garage space).

InnPower has budgeted $245,000 as revenue from W/WW Billing Services with an expense offset of $145,550 for labour and meter expense. From table above: $142,000/7*12=$244,491

InnPower has budgeted $4,000 for admin fees for financial services. From table above: $2110/7*12=$3,617

For the financial services labour component, InnPower recovers the burdened amount from InnServices. This amount was not budgeted within the other income accounts as it well below the materiality threshold.

UNDERTAKING JT1.24

Undertaking:

TO PROVIDE THE CALCULATIONS FOR THE TWO BURDEN RATES IN 8 STAFF 69.

Reference: Transcript dated September 12, 2017 page 165, line 27 to page 166 line 23.

Response:

InnPower has provided both the burden rate breakdown in Table JT1.24A and the hourly burdened rate calculation for 2017 in Table JTT1.24B for both the CSR and Manager positions. An estimate of these hourly rates was used in the analysis to support the specific service charges.

Both the CSR and Manager burden rates are the same and for 2017 have been calculated as follows:

Table JT1.24A Breakdown of Burden Rate

Description	2017 Burden Rate
EI/CPP/EHT	9.2%
WSIB	1.2%
Health/Dental/Life	5.8%
Vacation/Stat/Floater/Sick	20.4%
OMERS	14.6%
Total Payroll Burden % Net Salary	**51.2%**

Table JT1.4B Calculation of Burdened Rates

Position	Unburdened Hrly Rate	Burden Calc	Burden	Burdened Hrly Rate	Rate IRR 8.0-Staff-69
Customer Service Manager	$50.54	50.54*.512	$25.88	$76.42	$72.50
Customer Service Rep.	$30.94	30.94*.512	$15.84	$46.78	$45.20

Actuals for 2017, are presented in the above tables instead of prior year estimates that were previously used to prepare the analysis to support the requested charge.

Witness: Jennifer Cowles/Shannon Brown/Michael Davison

UNDERTAKING JT2.8

Undertaking:

TO PROVIDE THE COMPENSATION COMPONENTS AND UPLIFT RELATED TO THE HOURLY BILLING RATE.

Reference: Transcript dated September 13, 2017 page 97, line 14 to page 99 line 20.

Response:

InnPower provides financial services to InnServices and invoices the burdened labour rate plus a 1% uplift. Table JT2.8 2017 IPC Financial Services Hourly Rates list the positions and hourly rates plus uplift for the employees of InnPower who allocate a portion of their time to InnServices for financial services, including finance, payroll and IT.

The rates used for the period January – June 2017 are prior to union wage increases, and the wages shown for July – December 2017 are post union wage increases.

Table JT2.8 2017 IPC Financial Services Hourly Rates

2017 IPC Financial Services Hourly Rates

Position	Base Rate (Jan-Jun 2017), $/per hr	Burdened Rate (Jan-June 2017), $/per Hr	Uplift 1% (Jan-June 2017)$/Hr	Base Rate (July-Dec 2017), $/per HR	Burdened Rate (July-Dec 2017), $/per Hr	Uplift %1 (Jul-Dec 2017)$/Hr
1	50.54	76.32	0.76	50.54	76.32	0.76
2	31.25	47.19	0.47	31.25	47.19	0.47
3	32.17	48.58	0.49	32.81	49.54	0.50
4	30.56	46.15	0.46	31.17	47.07	0.47
5	26.30	39.71	0.40	26.30	39.71	0.40
6	16.00	24.16	0.24	16.00	24.16	0.24
7	43.32	65.41	0.65	43.32	65.41	0.65
8	50.07	75.61	0.76	50.07	75.61	0.76
9	30.94	46.72	0.47	31.56	47.66	0.48
10	34.81	52.56	0.53	35.51	53.62	0.54

Witness: Jennifer Cowles

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?

UNDERTAKING JT2.3

Undertaking:

TO PROVIDE A BREAKDOWN OF HOW MUCH IT COSTS INNPOWER TO ISSUE A BILL.

Reference: Transcript dated September 13, 2017 page 64, line 12 to page 65 line 8.

Response:

Table JT2.3 Cost per Electric Bill provides a breakdown of how much it costs InnPower to issue a bill. The cost per electric bill as well as the cost per bill for additional water costs (e.g. labour and meter reading). InnPower has then combined both costs per bill and split the cost into a 50/50 share. This indicates that the cost per water bill is $2.33 per bill and InnPower's pending contracted rate is $2.40 per bill. By including water and wastewater billing with the electric bill the cost of an electric bill is reduced to $2.33 per bill as the contract covers the cost of the water and wastewater share. Without water and wastewater billing, the cost per electric bill would be $3.32.

Table JT2.3 Cost per Electric Bill

2016 actuals	Electric	Water additional costs	Electric & Water /bill per bill	Share 50%
Supervisory billing	$ 25,470.89			
Billing Labour	$244,454.12	$ 90,262.49		
Annual CIS Maintenance	$ 75,000.00			
Meter Reading	$134,346.76	$ 75,198.43		
subtotal	$479,271.77	$ 165,460.92		
number of bills annually	198,000	124,000		
cost per bill	$ 2.42	$ 1.33		
plus postage/bill	$ 0.80			
plus bill stock/bill	$ 0.10			
total per bill	$ 3.32	$ 1.33	$ 4.65	$ 2.33

Witness: Shannon Brown

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.

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 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?

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

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

MR. VELLONE: In what year, sorry?

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

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

MR. GARNER: And that would explain what Mr. Vellone was asking about, just the year. I also noticed there were 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

a) *The following methodology is used by InnPower to determine the per unit load calculation in our forecast study:*
   - *Customer Count (Input)*
   - *2-IPC winter peak load (Input)*
   - *3-TS peak load (Input)*
   - *4-Diversified peak load at IPC peak= 2/1*
   - *5- Diversified peak load at TS peak = 3/1*
   - *6-Average of 4 & 5(IPC & TS peak) = Per unit load*
   - *As customer count grows diversified peak load per customer should decrease and should be trended which can be seen in IPC new system planning"*

The following table demonstrates the output of the aforementioned methodology:

Methodology used by InnPower for IESO Load Forecast Study					
	Customer Count	IPC Peak (MW)	TS Peak (MW)	Diversified Peak Load at IPC Peak	Diversified Peak Load at TS Peak
Alliston TS	9678	42.2	35	4.4	3.7
Barrie TS	3843	14.3	12	3.7	3.0
Everett TS	712	2.8	2	4.0	3.3
Total	14233	59.3	49.5	4.2	3.5
Average for TS & IPC Peak (KW)	3.8				

Residential Growth Forecast in Town of Innisfil 2016-2025																				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Absorbtion Rate	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	
# of Units																				
Development Name	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Lefroy	96	96	96	72.8	56	112	140	133.6	52	52	40	40	40	40	40	40	40	40	40	1266.4
Friday Harbour	162.5	97.5	97.5	97.5	97.5	65	65	65	65	65	65	65	32.5	0	0	0	0	0	0	1040
Sleeping Lion	0	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	1170

Residential Growth Forecast in Annexed Lands City of Barrie 2016-2025																				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Absorbtion Rate	0%	0%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
# of Units																				
Development Name	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
South Barrie	0	0	130	178.75	178.75	178.75	178.75	0	0	0	0	0	0	0	0	0	0	0	0	845
South Barrie	0	0	97.5	130	130	130	130	0	0	0	0	0	0	0	0	0	0	0	0	617.5
South Barrie	0	0	123.5	156	156	156	156	0	0	0	0	0	0	0	0	0	0	0	0	747.5
South Barrie	0	0	52	52	52	52	52	0	0	0	0	0	0	0	0	0	0	0	0	260
South Barrie	0	0	84.5	84.5	84.5	84.5	84.5	0	0	0	0	0	0	0	0	0	0	0	0	422.5
South Barrie	0	0	97.5	97.5	65	130	130	0	0	0	0	0	0	0	0	0	0	0	0	520
South Barrie	0	0	97.5	97.5	33.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	228.8
South Barrie	0	0	65	65	65	97.5	97.5	0	0	0	0	0	0	0	0	0	0	0	0	390
South Barrie	0	0	65	97.5	97.5	97.5	32.5	0	0	0	0	0	0	0	0	0	0	0	0	390
South Barrie	0	0	31.2	32.5	32.5	32.5	32.5	0	0	0	0	0	0	0	0	0	0	0	0	161.2
South Barrie	0	0	0	0	0	0	0	300.625	297.375	289.25	266.5	260	240.5	234	227.5	97.5	97.5	97.5	97.5	2213.25
South Barrie	0	0	0	0	0	0	0	300.625	297.375	289.25	266.5	260	240.5	234	227.5	97.5	97.5	97.5	97.5	2213.25

b) *No changes have been identified as a result of the IRRP recommendations.*

2.0-Staff-18

Ref: Chapter 2 Appendices, Appendix 2-AA

InnPower states that it is a high growth utility, and the growth is expected to continue.

a) Please explain why contributions are forecast to decrease by 20% in 2017 from 2016.
b) Please explain InnPower's methodology used to forecast contributions.

InnPower Corporation Response:

a) The reduction in contributions (pertaining to new development work) is a result of the anticipated delay in recognizing capital based on the assumption that delays in construction schedules (recent trade strikes, etc.), the submission of all invoices and related paperwork by Developers for capital works performed in the respective subdivisions, and the completions of field audits as well as financial audits required to complete the capitalization process will likely push much of the recognition of works performed in 2017 to 2018. If more capital contributions are received than forecast in 2017, then system access spending will also be higher than forecast (since the capital contributions will directly fund these new system access projects that are not currently forecast to occur in the test year).

b) InnPower has utilized historical data to determine of completed jobs to determine forecasted contributions. The outcome of this data identified 3 categories utilized in the budget process to forecast contributions. The three categories are defined as follows:

- *"Base 2 – Purchase Order Jobs" which include county road widenings. In this category 50% of labour, vehicles, and subcontractor costs (33% total) is contributed capital.*
- *"Base 3 – Customer Requests" which include recoverable capital jobs as per Conditions of Service. 100% of costs are contributed capital.*
- *"Base 4—New Residential Subdivisions" which include new subdivisions where approximately 80% is recoverable as contributed capital based on historical trending results of the Economic Evaluation. The Economic Evaluation is based on the principle that the developer pays up front for costs not otherwise recoverable over a twenty five year period.*

2.0-Staff-19

Ref: Chapter 2 Appendices, Appendix 2-JA

Given the high growth experienced by InnPower, one would expect that its assets would be relatively new.

a) Please explain why InnPower's Maintenance expense for 2016 and 2017 is significantly higher than 2015 actual expense.

InnPower Corporation Response:

a) Growth has not yet reached the point of driving new assets. As a consequence assets are, in fact, quite old. Based on the last COS decision some of the planned maintenance work had been reduced. The increase in 2016/17 will enable InnPower to get back on track on its maintenance program.

clarification to that --
MS. O'CONNELL: No.
MS. PINKE: -- statement, Fiona, but I can state that when we complete Undertaking JT1.6 outlining all the capital contribution changes, that we'll be able to provide an updated answer at that time.
MS. O'CONNELL: Okay. That would be great, thank you.
MS. PINKE: Okay?
MR. SHEPHERD: Can I follow up there, please?
You were asked why contributions went down. The correct answer was you made an error. But instead you gave this whole long explanation for a $2 million reduction. And I'm trying to understand, this explanation is clearly wrong. Where did it come from?
MS. PINKE: It -- I did not provide this answer.
MR. SHEPHERD: Well, somebody has got to answer it.
MR. VELLONE: So maybe the appropriate witness should speak to it.
MR. THOMPSON: Yeah, so there is a connection to development plans and capital contributions. We glossed over that a minute ago, but it's there, and if the subdivision doesn't get built then the capital contributions don't get made.
MR. SHEPHERD: We understand that. That's not -- that was not my question. My question is, there is an explanation here as to why you're expecting less contributions in 2017.
The explanation appears to be entirely made up; none

of it's true. I don't understand. Because now we have the correct explanation, and there is no room left for all this other stuff, so who did this explanation and where did they get this information from?

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

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

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

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

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

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

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

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

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

MR. THOMPSON: So the projects that are going to attract the $2 million in extra contributions are additional projects over what was built in 2016. So if the development rate had happened at the same rate, the

UNDERTAKING JT1.15

Undertaking:

TO PROVIDE AN EXPLANATION RELATED TO THE DOUBLE BUCKET MODEL.

Reference: Transcript dated September 12, 2017 page 99, line 9 to page 100 line 26.

Response:

The double bucket truck that was previously anticipated to go into service in Q4 of 2017 is now expected to go into service in Q1 of 2018.

InnPower does not agree that the cost of $490,000 should not be included in rate base in the test year. This would amount to a selective reduction to one category of test year capital expenditures without also adjusting for increases in other categories.

For example, please refer to Undertaking JT1.5. As explained in Note 4, actual System Access expenditures in the "Base 4" category are well in excess of budget. Basically, due to very high home prices, developments year-to-date in the InnPower service area have proceeded much faster than were conservatively forecasted. Budgeted amounts for Base 4 (net of contributions) was $128,256. Actual as of the end of August 2017 is (net of contributions) already $557,324. Forecasted for the end of 2017 is now (net of contributions) $2,103,476.

If an update to reflect actuals year-to-date is to be done, it should be done on a comprehensive basis across the entire capital program. It is not correct to reflect only reductions in one category and not reflect corresponding increases in other categories.

The models filed with these undertaking responses have not been updated to reflect the removal of the double bucket truck in 2017.

Witness: Michael Davison

MS. O'CONNELL: Page 12 of the settlement agreement.
MR. VELLONE: Page 12. So we are going to go to the web drawer to pull it up. So it's EB-2014-0086. I think this is page 10.
MS. O'CONNELL: Scroll down. Keep going, keep going.
The last sentence in bullet point 3 in the third paragraph; the last sentence in the third paragraph.
MR. VELLONE: Okay. I think it might make sense to ask the question in two chunks and I'm going to guide us through it, if that's okay.
MS. O'CONNELL: Sure.
MR. VELLONE: As part of your amended application, you excluded that vacant chunk of the building by the road, so let's ignore the excluded portion for now.
All of the rest of the building you include as revenue offsets leasing revenues in your rate application, the balance of the building excluding that part.
MS. COWLES: Yes, that is correct.
MS. O'CONNELL: Sorry, what you are saying is you include the vacant part of the building. You excluded the vacant part of the building, so that's why you're saying that the leasing revenues should not be included as a revenue offset. That's what your argument is?
MR. VELLONE: We haven't gotten there yet, but you are inferring. And that's roughly the position that the applicant is taking.
MS. O'CONNELL: But that's not what the settlement agreement said.

MR. VELLONE: If the settlement agreement was an agreement to set and just and reasonable rates back in 20 -- when the application was brought to the Board. It was open to the applicant to bring the application today that included the full costs of the building in rate base and record as a revenue offset any amounts of leasing revenues for the full costs of the billing. That's one way that could have been done.

Another way that could be done is to include in rates a subset of the cost of the building, and exclude from rates any costs associated with the portions of the building that are not being claimed from customers and at the same time, exclude revenue offsets. There is no revenue offset, because ratepayers are funding that portion of the building. No one is paying for that portion of the building, so why are you recording a revenue offset for it.

MS. O'CONNELL: That's not what the -- the settlement agreement said to exclude the cost and also include the revenue offset. That's what the settlement agreement said.

MR. VELLONE: The settlement agreement was to set rates back then. Rates -- just and reasonable rates are based on a cost of providing service. The actual costs of this building are on evidence as above $13 million.

The applicant is not asking for that full cost in rates. They're asking for something less associated effectively with a piece of the building that Mr. Shepherd saw when he was there, that is roughly termed "leasing space." They have excluded that from rates. They've excluded all operating cost for that portion of the building from rates, and they're also not recording revenue offsets for that portion of the building.

In effect, ratepayers are off the hook for the risk for that piece of the building.

MR. SHEPHERD: Can I suggest something, John? Fiona is asking how is that consistent with the agreement; it clearly isn't. You agreed to do something in the future and you didn't do it, which is put leasing revenue in as an offset.

So I take it -- and tell me whether this is right -- that what you are asking the Board to do now is to decide that the approach you've taken is equivalent to the result that was sought in the settlement agreement. But that's a decision you want the Board to make now.

MR. VELLONE: Yes.

MR. SHEPHERD: Is that fair?

MR. VELLONE: Yes, that's fair.

MR. SHEPHERD: Okay.

MS. O'CONNELL: That's what -- okay, can I just point out one more comment? You said that the expenses -- so the leasing area has been removed from the revenue requirement.

It is my understanding that it still is in the revenue requirement and its about 30 to 37K. Although immaterial, it is part of the OM&A.

MR. VELLONE: I'll let the witness speak to this. But my understanding is that all the expenses associated with the leasing space have been removed from -- even operating

UNDERTAKING JT1.5

Undertaking:

TO UPDATE THE 2017 CAPITAL BUDGET APPENDIX 2AA WITH CURRENT SPENDING, PROJECT BY PROJECT, TO JULY 2017; ALSO TO PROVIDE THE 2016 ACTUAL SPENDING FOR WORK DONE IN THE BRIDGE YEAR, FROM JANUARY TO JULY 2016.

Reference: Transcript dated September 12, 2017 page 27, line 21 to page 31, line 3.

Response:

Actual capital expenditures year to date on a project by project basis to July 30th, 2017 is shown in Table JT1.5A. For comparison purposes, actual capital expenditures to July 30th, 2016 is shown in Table JT1.5B (the 2016 data could not be broken down on a project by project basis but totals were available).

InnPower is on track to spend more than what was forecasted in the test year on capital expenditures. As more fully detailed below, the actual spending has changed in several material respects versus what was originally forecasted in the Application. Despite now anticipating total expenditures higher than originally forecast, InnPower is not proposing to change the requested forecasted amount in the rate Application.

Explanations for the actual expenditures that will occur in 2017 relative to each line item are included in the notes below Tables JT1.5A.

Table JT1.5A Capital Expenditures YTD to July 30th 2017

Capital Expenditure

July 30, 2017 YTD							2017	2017
Budget Indicator	Notes	Project	Actual Cost YTD	Actual Contribution	WIP	Net ytd Actual Cost with WIP	Budget-Net	Year End Forecast-Net
BASE	Note 1	IPC2017Base1 - IPC2017SA01 50%, IPC2017SR01 50%	107,645.56	.00	76,204.28	$ 183,849.84	$ 233,765	$ 233,765
	Note 2	IPC2017Base2 - IPC2017SA02	1,059.68	-1,059.68	196,588.34	$ 196,588.34	$ 22,767	$ 132,929
	Note 3	IPC2017Base3 - IPC2017SA03	168,335.99	-258,050.17	333,766.72	$ 244,052.54	$ -	$ -
	Note 4	IPC2017Base4 - IPC2017SA04	142,929.27	-142,395.66	384,260.00	$ 384,793.61	$ 128,256	$ 2,103,476
BASE Total			**419,970.50**	**-401,505.51**	**990,819.34**	**$ 1,009,284.33**	$ 384,788	
CAR		IPC2017SA05 - Meters	15,032.96	.00	43,964.46	$ 58,997.42	$ 230,000	$ 230,000
		IPC2017SA06 - Intersection Widening IBR & Yonge St	.00	.00	314.71	$ 314.71	$ 272,430	$ -
	Note 5	IPC2017SR03 - Pole Replacement Program	72,057.43	.00	1,203.06	$ 73,260.49	$ 126,470	$ 126,470
	Note 5	IPC2017SR04 - Infrastructure Replacements and Betterments	32,754.83	.00	71,440.51	$ 104,195.34	$ 150,253	$ 150,253
	Note 5	IPC2017SR05 - Line Reclosure Refurbishments - 4 Year Cycle	.00	.00	.00	$ -	$ 15,944	$ 15,945
	Note 5	IPC2017SR06 - DS Oil Re-inhibit Treatment	.00	.00	193.49	$ 193.49	$ 27,527	$ 27,527
	Note 5	IPC2017SR07 - Padmounted Transformer and Switchgear Replacements and Pa	.00	.00	1,469.78	$ 1,469.78	$ 43,710	$ 43,710
	Note 5	IPC2017SR08 - Station Rehab	2,910.00	.00	8,213.61	$ 11,123.61	$ 104,300	$ 104,300
	Note 6	IPC2017SA07 - IBR & 5 SR	.00	.00	4,415.83	$ 4,415.83	$ 415,364	$ -
		IPC2017SR09 - Ewart Street Rebuild - Phased Approach	.00	.00	116,275.67	$ 116,275.67	$ 105,000	$ 155,000
	Note 5	IPC2017SR02 - Substandard Transformer Rehab	69,079.81	.00	49,365.77	$ 118,445.58	$ 85,000	$ 85,000
	Note 5	IPC2017SR10 - Transformers	303,991.10	.00	.00	$ 303,991.10	$ 100,000	$ 100,000
		IPC2017SR11 - Reliability Rebuild: Subtransmission	81,664.93	.00	45,568.10	$ 127,233.03	$ 245,650	$ 520,650
		IPC2017SR12 - Reliability Rebuild: Distribution	.00	.00	31,665.65	$ 31,665.65	$ 95,000	$ 112,500
	Note 5	IPC2017SS01 - Distribution SCADA Controlled Load Interrupting Gang Switch	.00	.00	.00	$ -	$ 75,000	$ 75,000
	Note 7	IPC2017SS02 - Repoling:Big Bay Pt Rd - Friday Harbour DS to Friday Harbour De	.00	.00	.00	$ -	$ -	$ -
	Note 8	IPC2017SS03 - Repoling:Lockhart Rd - Huronia Rd to Stroud DS	.00	.00	162,589.02	$ 162,589.02	$ 618,933	$ 170,000
	Note 5	IPC2017SS04 - Sandy Cove DS Automation	.00	.00	7,249.24	$ 7,249.24	$ 125,000	$ 125,000
	Note 9	IPC2017SS05 - Line Extension: Mapleview Drive Prince William to Yonge St	.00	.00	.00	$ -	$ 837,831	$ -
	Note 9	IPC2017SS06 - Repoling:5 SR - McKay Road to Salem Rd	.00	.00	.00	$ -	$ 635,999	$ -
	Note 5	IPC2017SS07 - DS Transformer Oil Containment	.00	.00	77.39	$ 77.39	$ 45,000	$ 45,000
	Note 9	IPC2017SS08 - Repoling:McKay Rd - 5 SR to 10 SR	.00	.00	.00	$ -	$ 400,041	$ -
		IPC2017GP01 - IT Hardware	20,601.45	.00	.00	$ 20,601.45	$ 165,000	$ 130,000
		IPC2017GP02 - IT Software	27,327.15	.00	5,585.00	$ 32,912.15	$ 95,000	$ 72,500
		IPC2017GP03 - Furniture and Equipment	.00	.00	.00	$ -	$ 15,000	$ 5,000
		IPC2017GP04 - Buildings and Fixtures	7,953.73	.00	.00	$ 7,953.73	$ 15,000	$ 43,000
		IPC2017GP05 - Finance IT	17,723.77	.00	16,659.44	$ 34,383.21	$ 77,000	$ 77,000
		IPC2017GP06 - Engineering IT	.00	.00	1,622.01	$ 1,622.01	$ 167,325	$ 62,325
		IPC2017GP07 - Measuring Tools & Equipment & Meter	.00	.00	.00	$ -	$ 23,000	$ 27,195
		IPC2017GP08 - Fleet Tools	5,360.20	.00	.00	$ 5,360.20	$ 15,750	$ 15,750
		IPC2017GP09 - Stores Equipment	.00	.00	.00	$ -	$ 5,250	$ 5,250
		IPC2017GP10 - Tools, Shop and Garage Equipment	4,356.78	.00	-686.42	$ 3,670.36	$ 24,150	$ 24,150
		IPC2017GP11 - Measurement and Testing Equipment	.00	.00	.00	$ -	$ 28,000	$ 28,000
		IPC2017GP12 - Replacement Double Bucket Truck - 1993 Altec	.00	.00	153,000.00	$ 153,000.00	$ 373,500	$ -
		IPC2017GP13 - Fleet Vehicle Replacement 1-2006 Ford 1/2 Ton	.00	.00	.00	$ -	$ 45,000	$ -
		IPC2017GP14 - Tech & Locator Vehicles (x4)	.00	.00	.00	$ -	$ 87,000	$ -
		IPC2017GP15 - DIstribution Fault Current Indicators	.00	.00	.00	$ -	$ 18,760	$ 18,760
		IPC2017GP16 - System Supervisory	2,963.04	.00	.00	$ 2,963.04	$ 32,400	$ 32,400
							$ 6,711,162.56	$ 5,097,855.21
CAR Subtotal			**663,777.18**	**.00**	**720,186.32**	**$ 1,383,963.50**		
Subtotal			**1,083,747.68**	**-401,505.51**	**1,711,005.66**			
Grand Total Excluding WIP						**$ 682,242.17**		
Grand Total Including 2017 WIP Expenditures						**$ 1,693,945.16**		
Grand Total Including Cumulative WIP Expenditures						**$ 2,418,725.65**		

Work in Progress (incl. contributions)	Actual Cost YTD
Opening Balance	724,780.49
Change for the Year	1,011,702.99
Current Month Ending Balance	**1,736,483.48**

Table JT1.5B Capital Expenditures YTD to July 30th 2016

July 30, 2016 YTD

Budget Indicator	Project	Actual Cost YTD	Actual Contribution	WIP	Net ytd Actual Cost with WIP
BASE	IPC2017Base1 - IPC2017SA01 50%, IPC2017SR01 50%	130,743.38	.00	.00	$ 130,743.38
	IPC2017Base2 - IPC2017SA02	.00	.00	.00	$ -
	IPC2017Base3 - IPC2017SA03	234,158.98	-265,412.12	.00	-$ 31,253.14
	IPC2017Base4 - IPC2017SA04	198,317.19	-196,557.41	.00	$ 1,759.78
BASE Total		**563,219.55**	**-461,969.53**	**.00**	**$ 101,250.02**
CAR	IPC2017SA05 - Meters	57,798.76	.00	.00	$ 57,798.76
	IPC2016DO001 - Substandard Infrastructure Replacement	23,644.45	.00	.00	$ 23,644.45
	IPC2017SR03 - Pole Replacement Program	102,163.17	.00	.00	$ 102,163.17
	IPC2017SR04 - Infrastructure Replacements and Betterments	92,081.31	.00	.00	$ 92,081.31
	IPC2017SR05 - Line Reclosure Refurbishments - 4 Year Cycle	1,906.99	.00	.00	$ 1,906.99
	IPC2017SR06 - DS Oil Re-inhibit Treatment	10,863.02	.00	.00	$ 10,863.02
	IPC2017SR07 - Padmounted Transformer and Switchgear Rep	32,194.61	.00	.00	$ 32,194.61
	IPC2016DO007 - McKay Rd Rebuild from 5th SR to 10th SR	.00	.00	.00	$ -
	IPC2016DO008 - Cedar Point DS Transformer Upgrade	.00	.00	.00	$ -
	IPC2016DO010 - IBR & 5 SR	.00	.00	.00	$ -
	IPC2016DO012 - Station Reliability Upgrade	.00	.00	.00	$ -
	IPC2016DO013 - Stroud DS Automation	.00	.00	.00	$ -
	IPC2016DO014 - BBP DS-Friday Harbour North Entrance	.00	.00	.00	$ -
	IPC2016DO015 - Ewart Street Rebuild	.00	.00	.00	$ -
	IPC2016DO016 - Transformers	.00	.00	.00	$ -
	IPC2017SS02 - Repoling:Big Bay Pt Rd - Friday Harbour DS to	.00	.00	.00	$ -
	IPC2017SS03 - Repoling:Lockhart Rd - Huronia Rd to Stroud D	.00	.00	.00	$ -
	IPC2017SS04 - Sandy Cove DS Automation	.00	.00	.00	$ -
	IPC2017SS05 - Line Extension: Mapleview Drive Prince Willia	.00	.00	.00	$ -
	IPC2017SS06 - Repoling:5 SR - McKay Road to Salem Rd	.00	.00	.00	$ -
	IPC2017SS07 - DS Transformer Oil Containment	.00	.00	.00	$ -
	IPC2017SS08 - Repoling:McKay Rd - 5 SR to 10 SR	.00	.00	.00	$ -
	IPC2017GP01 - IT Hardware	72,532.94	.00	.00	$ 72,532.94
	IPC2017GP02 - IT Software	10,040.00	.00	.00	$ 10,040.00
	IPC2017GP03 - Furniture and Equipment	.00	.00	.00	$ -
	IPC2017GP04 - Buildings and Fixtures	.00	-30,160.00	.00	-$ 30,160.00
	IPC2017GP05 - Finance IT	4,775.45	.00	.00	$ 4,775.45
	IPC2017GP06 - Engineering IT	1,963.81	.00	.00	$ 1,963.81
	IPC2017GP08 - Fleet Tools	4,809.47	-10,499.00	.00	-$ 5,689.53
	IPC2017GP09 - Stores Equipment	.00	.00	.00	$ -
	IPC2017GP10 - Tools, Shop and Garage Equipment	.00	.00	.00	$ -
	IPC2017GP11 - Measurement and Testing Equipment	.00	.00	.00	$ -
	IPC2017GP12 - Replacement Double Bucket Truck - 1993 Alte	.00	.00	.00	$ -
	IPC2017GP13 - Fleet Vehicle Replacement 1-2006 Ford 1/2 To	.00	.00	.00	$ -
	IPC2017GP14 - Tech & Locator Vehicles (x4)	.00	.00	.00	$ -
	IPC2017GP15 - DIstribution Fault Current Indicators	7,510.34	.00	.00	$ 7,510.34
	IPC2017GP16 - System Supervisory	412.66	.00	.00	$ 412.66
CAR Subtotal		**422,696.98**	**-40,659.00**	**.00**	**$ 382,037.98**
Subtotal		**985,916.53**	**-502,628.53**	**1,590,815.02**	
Grand Total Excluding WIP					**$ 483,288.00**
Grand Total Including 2016 WIP Expenditures					**$ 1,276,376.41**
Grand Total Including Cumulative WIP Expenditures					**$ 2,074,103.02**

Work in Progress (incl. contributions)	Actual Cost YTD
Opening Balance	797,726.61

Notes

Note 1 - Base 1 - Upon comparison of 2017 July costs to 2016, the projected year end cost is in line and on track for 2017.

Note 2 - Base 2 - 2016 we had no expenses incurred on unbudgeted regional or municipal county works projects that are partially contributed, however for 2017 we are projecting gross capital of approximately $200,000 and a net capital of $133,000 for year-end costs.

Note 3 - Base 3 - We expect the net costs of 2017 to be similar to 2016.

Note 4 - Base 4 - The projected increase in capital investment related to subdivision developments is expected to be considerably higher for 2017 as compared to 2016 with the multiple subdivision projects expected to be energized by year end. As shown below in the table the net capital increase of roughly $2,000,000.

	Base 4 - Budget to Forecasted 2017		
Subdivisions energized August 2017 as Base 4	Transfer price	Contribution	Net Investment
Alcona	684,055	476,305	
Ballymore Phase 2&3	234,644	187,198	
Friday Harbour Phase 2	790,899	643,113	
Top Hills	128,909	109,468	
Churchill Downs	181,459	153,520	
Cookshill North	194,790	154,193	
San Diego Phase 2B	210,169	164,007	
Subtotal	2,424,925	1,887,804	
Additional Base 4 projects on track to be completed in 2017			
Friday Harbour Phase 1	13,131,775	11,462,620	
Revised FH Ph 1 (w/o stn)	7,831,775	6,265,420	
TOTAL	**10,256,700**	**8,153,224**	**2,103,476**
2017 Budget	641,280	513,024	128,256
Increase in Budget to Forecasted of Capital Investment 2017			**1,975,220**

Note 5 - Projects are typically completed in second half of the year.

Note 6 - Pending County confirmation to proceed.

Note 7 - Project moved to base 4 for system access of subdivision.

Note 8 - Pending Municipal approvals for intersection reconstruction.

Note 9 - These projects are deferred due to developer delays.

Witness: Michael Davison/Daryn Thompson

UNDERTAKING JT1.6

Undertaking:

TO UPDATE THE FORECASTED CONTRIBUTIONS IN THE TABLE IN 2 VECC 6.

Reference: Transcript dated September 12, 2017 page 37, lines 10-26.

Response:

Table JT1.6 Updated Table from 2 VECC 6

Summary						
	2017	2018	2019	2020	2021	TOTAL
System Access - Before Contributions	$ 5,910,324	$14,360,445	$ 11,585,662	$ 12,158,616	$ 13,257,615	$ 57,272,661
Contributions	-$ 4,153,553	-$11,826,225	-$ 9,927,905	-$ 10,450,036	-$ 11,128,590	-$ 47,486,308
System Access - Net of Contributions	$ 1,756,771	$ 2,534,220	$ 1,657,757	$ 1,708,580	$ 2,129,025	$ 9,786,353
System Renewal - Before Contributions	$ 1,215,739	$ 1,140,219	$ 2,919,105	$ 2,399,973	$ 2,109,321	$ 9,784,357
Contributions (None)	0	0	0	0	0	$ -
System Renewal - Net of Contributions	$ 1,215,739	$ 1,140,219	$ 2,919,105	$ 2,399,973	$ 2,109,321	$ 9,784,357
System service - Before Contributions	$ 245,000	$ 78,750	$ 960,800	$ 1,005,589	$ 823,897	$ 3,114,036
Contributions (None)	0	0	0	0	0	$ -
System Service - Net of Contributions	$ 245,000	$ 78,750	$ 960,800	$ 1,005,589	$ 823,897	$ 3,114,036
General Plant - Before Contributions	$ 1,187,135	$ 1,423,156	$ 896,813	$ 680,317	$ 706,287	$ 4,893,708
Contributions (None)	0	0	0	0	0	$ -
General Plant - Net of Contributions	$ 1,187,135	$ 1,423,156	$ 896,813	$ 680,317	$ 706,287	$ 4,893,708
TOTAL - BEFORE CONTRIBUTIONS	$ 8,558,198	$17,002,570	$ 16,362,380	$ 16,244,495	$ 16,897,120	$ 75,064,763
CONTRIBUTIONS - TOTAL	-$ 4,153,553	-$11,826,225	-$ 9,927,905	-$ 10,450,036	-$ 11,128,590	-$ 47,486,308
TOTAL - NET OF CONTRIBUTIONS	$ 4,404,645	$ 5,176,345	$ 6,434,475	$ 5,794,459	$ 5,768,530	$ 27,578,454

Witness: Michael Davison

Google Maps Sandy Cove Acres

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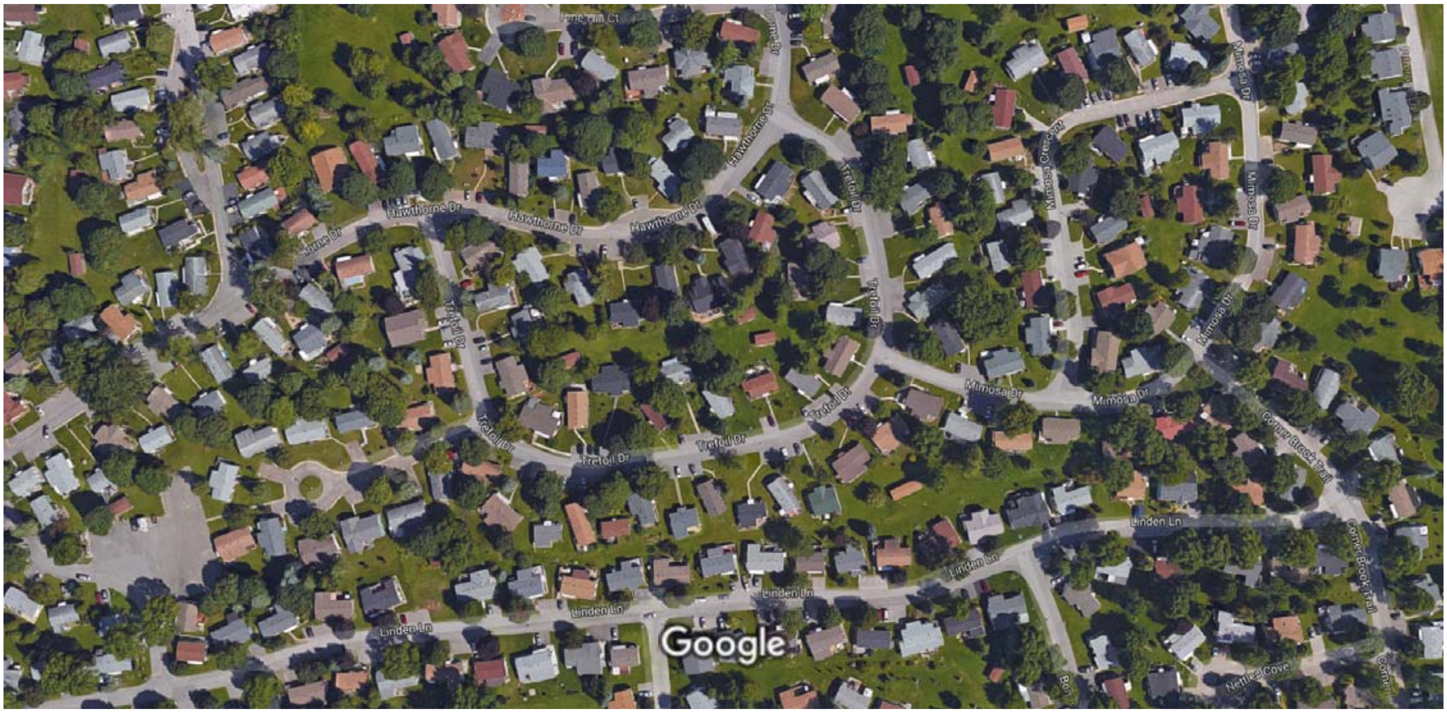
Google Maps Sandy Cove Acres



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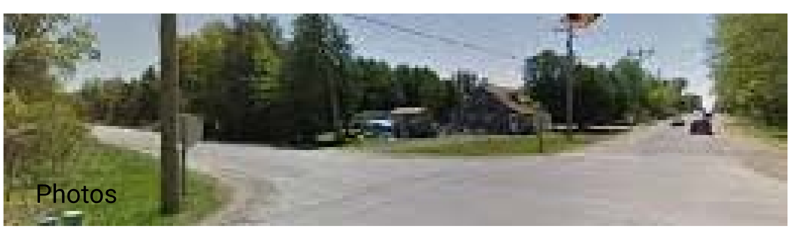
Sandy Cove Acres

Innisfil, ON L9S 2J6



Google Maps

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