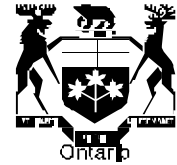


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BY E-MAIL

February 17, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: North Bay Hydro Distribution Limited
2009 Incentive Regulation Mechanism (2009 IRM) Rate Application
Board File Number EB-2008-0202**

Please find attached Board Staff Submission in the above proceeding. Please forward the attached documents to North Bay Hydro Distribution Limited and all other parties in this proceeding. In addition please advise North Bay Hydro Distribution Limited that responses to the submissions are required to be filed by the 3rd of March, 2009.

Yours truly,

Original Signed By

Martin Benum
Advisor

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2009 ELECTRICITY DISTRIBUTION RATES

North Bay Hydro Distribution Limited

EB-2008-0202

February 17, 2009

INTRODUCTION

North Bay Hydro Distribution Limited (“North Bay”) submitted their application on November 25, 2008 seeking approval for changes to the rates they charge for electricity distribution, to be effective May 1, 2009. The application is based on the 2009 Incentive Regulation Mechanism (“IRM”). On January 19, 2009, Board Staff filed interrogatories. On February 2, 2009, North Bay responded to these interrogatories.

The purpose of this document is to provide the Ontario Energy Board (the “Board”) with the submission of Board staff after its review of the evidence and interrogatory responses submitted by North Bay.

Smart Meters

Background

On October 22, 2008 the Board issued a Guideline (G-2008-0002) for Smart Meter Funding and Cost Recovery (“Smart Meter Guideline”). The Smart Meter Guideline includes the filing requirements for distributors requesting a utility-specific smart meter funding adder. Board staff reviewed the smart meter funding adder calculation model prepared by North Bay.

The original submission by North Bay requested a funding adder of \$1.89 per metered customer per month. Following Board staff’s interrogatory on the inclusion of amounts related the IESO MDMR as part of the Advanced Metering Communication Device Maintenance expenses, North Bay revised its proposed funding adder to \$1.53 per metered customer per month.

Discussion and Submission

Smart Meter OM&A Expenses

Board staffs interrogatory Question #2 requested details about OM&A expenses included in the funding adder calculation model. North Bay identified an amount of \$17,680 in expense category 2.1.1 Advanced Metering Communication Device

Maintenance as an accrual to capture the costs of the future meter re-verification process by Measurement Canada over a ten-year period. It remains unclear to Board staff why an expense of this nature should be considered as an appropriate expense to be included in a smart meter funding adder, and why an estimated future period cost should be included in the calculation of the funding adder. Staff would invite interested parties to this proceeding to comment on this issue.

Smart Meter Funding Adder

North Bay identified that an amount of \$212,212 had been collected through its existing funding adder as of September 2008. In interrogatory Question #3, Board staff noted that this amount was not included in the proposed utility specific funding adder calculation, and that this amount would continue to grow until April 30, 2009. Board staff inquired how North Bay intends to dispose of the amount collected through the existing funding adder. In response, North Bay explained that they plan on disposing of this amount in 2010 once the actual expenses for the smart meters are finalized. North Bay also indicated that with the exclusion of the amount collected through the existing funding adder, the estimated utility-specific funding adder would be \$2.20 in 2010. Alternatively, North Bay identified that including the amount collected through the existing funding adder would reduce the proposed utility-specific funding adder from \$1.53 to \$1.00 in 2009, and increase the 2010 funding adder to \$3.04. North Bay added that its existing proposal would result in greater rate stability.

All of which is respectfully submitted.