

December 18, 2009

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Donald D. Rennick
EB-2009-0270
North Bay Hydro Distribution Limited
2010 Electricity Distribution Rate Application**

Please find enclosed the interrogatories of Donald D. Rennick in the above-noted proceeding.

Thank you.

Yours truly,

D. D. Rennick

North Bay Hydro Distribution Limited (NBHDL)

EB-2009-0270 - 2010 Rate Application

Interrogatories of Donald D. Rennick

1. Please post the following file on the Board's web site:
"2010RevenueRequirement model_091609.xls"
2. On page 619 of the application the table *"Deemed Capital Structure for 2010"* indicates that the proposed return on the equity component of the rate base is 8.01%. Please confirm that this is a maximum rate and not a required rate.
3. On page 47 – 10 the application states *"Operating staff lacked the fleet and tools to perform work safely and efficiently."* Please explain what studies have been conducted making this a statement of fact rather than conjecture.
4. On Page 48 – 4 the application states *"Several years have lapsed since the business completed routine maintenance activities."* Please explain the reasons, including evidence, for this state of affairs.
5. On page 439 – 4 the application states *"Changes to the employee complement in 2010 include the full year costs of the recently hired IT Manager."* Please give further details regarding this position with the objective being to explain the daily duties that would require a full time IT employee in an organization with less than 50 people.
6. Please confirm whether or not the information contained in *"NORTH BAY HYDRO DISTRIBUTION LIMITED ASSUMPTIONS AND MEASURES LIST"* on page 778 of the application has been collected by NBHDL employees. If the answer is affirmative, please provide the costs associated with collecting this information and also explain the benefit this exercise provides to the customers of NBHDL.
7. Page 621 of the application includes a \$19,511,601.00 promissory note owing to the City of North Bay. Please confirm that this note, which is the result of a non-arms length transfer of assets, obligates the customers of NBHDL, who are for all intents and purposes the previous owners of these assets, to pay principal and interest on their own property. Please explain why common shares were not issued for 100% of the total

amount of the assets received from the City of North Bay at the time NBHDL was incorporated.

8. On pages 76 and 87, the 2009 and 2010 financial statements show that *"Account 5085 Miscellaneous Distribution Expense"* represents between 35% and 40% of the total *"Distribution Expenses – Operation"* expenses. Please provide an itemized list of the major components of these accounts for each year.
9. Please confirm that *Account 5610 - Management Salaries and Expenses* and *Account 5615 - General Administrative Salaries and Expenses* shown for 2010 on page 89 are forecast to increase by almost 12% (11.85%) over the previous year.
10. Please confirm that *Account 5645 – Employee Pensions and Benefits* shown for 2010 on page 89 are forecast to increase by over 13% (13.6%) over the previous year.
11. On page 429 -7, the application states *"This account includes the EDA membership fees, bank service fees and other general expenses relating to the Administration and Finance departments not included in the accounts described above."* Please detail the major amounts included in this account for 2009 - \$92,617 and 2010 - \$77,154.
12. Page 231 of the application shows a 2010 proposed fixed asset purchase of a bill presentment system at a cost of \$75,317. Please provide the dollar amount of cost savings expected from the suggested improved efficiencies. In addition, please provide details of the various commercial systems considered and confirm that no contract for the implementation of the proposed system has been awarded.
13. Page 206 – Table 2 – 14 of the application shows a number of proposed distribution asset additions which are classified as rebuilds. Please explain the accounting procedure used to write off the cost of the old assets already in the accounts or if no adjustment is made please explain the reasoning.
14. Page 208 – Table 2 – 14A of the application shows a proposed fleet addition in the amount of \$51,000. Please indicate the number and purpose of vehicle(s) being purchased and if they are a replacement or an addition to the fleet.
15. Page 208 - Table 2 – 14A of the application shows a proposed software purchase of \$26,899 in connection with the Low-Income Energy Assistance Program and Page 466- 1 of the application indicates a

proposed donation to that program in the amount of \$12,000. Please explain how the software purchase connects to the program and confirm that these expenditures are voluntary.

16. On page 152 – Note 3 the application shows a 2008 Allowance for Doubtful Accounts of \$475,807 which represents over 10% of year end Electrical energy receivables. Please confirm if a similar ratio is expected to continue in 2009 and that the allowance represents amounts due over 90 days.
17. On page 310 – Table 2 – 21 the application states that Bad Debt expense for the 2010 year will amount to \$270,000. Please indicate what procedures NBHDL has in place to minimize overdue accounts and collect accounts that remain unpaid.
18. On page 464 – 22 the application states *“Succession Planning....NBHDL has estimated that a total of 110 weeks of training at a cost of \$226,000 is required over the next four years...”* Please confirm that the cost of the proposed training is in excess of \$2,000.00 per week.
19. Page 464 – 22 states that *“110 weeks of training at a cost of \$226,000 is required over the next four years to ensure proper knowledge retention and skilled employees in place for these retirements.”* Please confirm that knowledge transfer and retention is an ongoing process at NBHDL and that replacements for older retiring workers are made from senior employees and not from new recruits.
20. On page 435 – Table 4 – 5 of the application the 2010 projected amount for *Account 5630 - Outside Services* is \$389,196. This represents an increase of over 38% (38.5%). Application details provide a partial breakdown of this amount. Please provide further details of the proposed services included in this account.
21. Page 471 – Table 4 - 15 indicates the average per employee management compensation is projected to be \$104,062. Please confirm that the Conservation and Demand Management employee's wages and benefits are not included in the average since those costs are being recovered and are not part of the Operation, Management and Administrative expenses included in the rate increase. If they are included, please exclude them and recalculate the averages to reflect the current situation more accurately.
22. On page 473 – 30 the application states *“The CAR section of the department is made up of 4 full time employees and .4 of a temporary employee for the 2010 Test year”* and that 22,975 calls are anticipated for 2009. Please confirm that after estimating for statutory holidays, holidays

and sick leave days, the number of calls per employee amounts to less than 2.5 calls per day.

23. On page 428 – 2 the application states *“The Human Resources department is responsible for benefits administration, pension, health & safety, recruitment, labour relations, and the training and development of staff. The department is made up of a Human Resources Generalist.”* Please give further details regarding this position with the objective being to explain the daily duties that would require a full time Human Resources employee in an organization with less than 50 people.
24. Page 480 – 13 of the application indicates an increase of 4 linemen since 2006. Please confirm if NBHDL has conducted any studies or examined maintenance or installation work orders to assess the effectiveness of the linemen crews in comparison to private contractors.
25. Page 485 – Table 4 – 20 of the application indicates anticipated 2010 postage costs amount to \$141,744. Please confirm if any cost savings as a result of the proposed bill presentment system discussed on page 231 has been factored into this estimate.
26. On Page 493 – 18, the application states *“NBHDL is requesting a PILS/Tax provision of \$596,055 for the 2010 Test Year made up of \$572,641 PILS and \$23,415 of Ontario Capital Tax.”* Please confirm that \$572,641 has been grossed up from \$395,122 to include the PILS rate of 31% before being included in the OM&A expenses. Also, please confirm that PILS are remitted to the Ontario Electricity Financial Corporation in addition to the debt retirement charges shown on NBHDL electricity bills.
27. A copy of a directors’ resolution appearing on page 502 of the application declares a dividend in 2009 of \$2,332,950.00 consisting of \$1,000,000.00 in cash and the transfer of a \$1,332,950.00 note owed to NBHDL by North Bay Hydro Services. Please explain this decision in light of the City of North Bay by-law #2003-84 which states, among other things, that *“(b) the City will not require any shareholder dividend and (c) any operating surplus is sufficient to recover the depreciation of assets and to pay any taxes that may be assessed, and any balance thereof is applied to distribution purposes only.”*
28. On page 616 – 18, the application indicates *“NBHDL has a promissory note with the City of North Bay, its municipal shareholder, for \$19,511,601.... since the promissory note is with an affiliate and is callable NBHDL is requesting a return on the portion of Long Term Debt that the promissory note represents for the 2010 Test Year of 7.62% in accordance with the Cost of Capital Report.”* Please explain this charge in light of the fact that the note bears a 5% interest rate.

29. On page 140 of the application, the Dec 31/08 financial statements show a Cash and equivalents balance of over \$12 million. If the current situation mirrors that of Dec 31/08, please explain NBHDL's reasoning behind not paying off loans from the City of North Bay or Infrastructure Ontario with some of these cash balances.
30. On page 664 of the application, the "*May 1, 2009 Tariff of Rates and Charges*" shows a Residential Service charge of \$14.00 which includes a Smart Meter Funding Adder of \$1.47. On page 669 of the application the 2010 proposed "*Tariff of Rates and Charges*" shows a Residential Service charge of \$14.84 excluding the Smart Meter Funding Adder charge. Please confirm that this distorts any conclusions drawn from a direct comparison of year over year rate changes.
31. On page 664 of the application, the "*May 1, 2009 Tariff of Rates and Charges*" indicates that rates listed are monthly charges. Please confirm that the monthly service charge rate is determined by dividing the estimated yearly total number of bills by the total revenue requirement for the year. Considering that it is the practice of NBHDL to charge the listed monthly service charge rate for each 30 day period during the year, please explain this apparent discrepancy.
32. On page 421 – 20 the application states "*Wage increases for the 2010 test year have been estimated at 3% for both union and non-unionized staff beginning April 1, 2010, with proper reflection of union progressions for levels of service. The union contract is up for renewal April 1, 2010 and this increase is in line with prior year averages and surrounding utilities. Medical, dental and life insurance increases were based on increases and assumptions provided by NBHDL's carrier. OMERS pension premiums were estimated with a .5% increase in contributory rates.*" Please explain the phrase "with proper reflection of union progressions for levels of service" as it relates to an increase in union and non-union salaries and benefits.
33. Further to the application quote noted above in question 32, please indicate reasoning behind increasing OMERS pension contribution by .5%.
34. Further to the application quote noted above in question 32, please confirm that the matching increase for union and non-unionized staff is not mandatory.
35. Further to the application quote noted above in question 92, please indicate if NBHDL has made any inquiries to determine if pay levels are comparable with similar positions in the private sector.

36. On page 77 the application indicates that meter reading expense for 2010 is estimated to be \$318,140. On page 427 – 6 the application indicates that *“Although meter reading costs should decrease in the future there will be new costs to support the AMI system.”* Please detail these new costs that will be required to support the new advanced metering infrastructure that will nullify any savings derived from not having to read the meters manually.
37. On page 465, the application shows OEB assessments averaging over \$75,000 per year for the past three years. Please explain what value NBHDL receives from the OEB in return for these fees in light of the fact that a great many of the outside consultants that have been employed by NBHDL are retained as a results of audits, requirements or regulations introduced by the OEB.
38. On page 686 – Table 9 – 7, the application shows a total of 24,011 individual customers in the Residential, General and Intermediate designations. Please confirm that this number is virtually unchanged in the past ten years.

