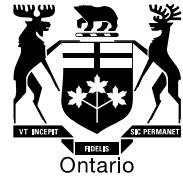


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BY E-MAIL

December 22, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: North Bay Hydro Distribution Limited
2010 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2009-0270**

In accordance with the Notice of Application and Written Hearing, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to North Bay Hydro Distribution Limited and to all other registered parties to this proceeding.

In addition please advise North Bay Hydro Distribution Limited that responses to interrogatories are due by January 19, 2010.

Yours truly,

Original Signed By

Neil Mather
Project Advisor – Applications & Regulatory Audit

Encl.

**Board Staff Interrogatories
North Bay Hydro Distribution Limited
2010 Electricity Distribution Rates
EB-2009-0270**

1. Letters of Comment

- a) Has NBHDL sent letters replying to the two letters of comment filed with the Board Secretary from Michel and Carmen Cazabon and from Terry Whelan? If so, please provide copies of the replies for the record of this case.
- b) Following publication of the Notice of Application, has BVHDL received other letters of comment? If so, please provide a copy or description, and a copy of the reply if any.
- c) If no reply has been sent, does NBHDL intend to respond to the comments?

2. 2010 Contributions and Grants

Ref: Exhibit 2, p. 29

Forecast contributions are less than \$600,000, compared to over \$1 million in 2009 and nearly \$1.5 million actual in 2008.

Please explain the basis for NBHDL's forecast of contributions.

3. Population in the Regression Model

Refs: Exhibit 3 pp. 15 and 23, and Appendix 3-A

The population data used in the load forecast is frozen at the year-end 2008 amount, despite a steady monthly increase up to that point.

- a) Please provide a set of monthly population amounts to the end of 2010 that would continue the historic growth pattern, and provide a new fitted value of the energy forecast using the larger population variable for 2010 as an input to the econometric equation.
- b) Base on the results in part (a) while also considering the weak t-statistic for population in Table 3-7 'Statistical Results', does NBHDL wish to alter the adjustment(s) it has submitted in Table 3-18 'Alignment of Non-normal 1 to Weather Normal Forecast'?

4. Economic Activity in the Regression Model

Refs: Exhibit 3, p. 14 (line 29), and p. 17 (Table 3-8)

- a) Please describe how the Ontario Monthly GDP index is used in NBHDL's econometric model, in particular where observed values are used and where forecast values are used.
- b) Does NBHDL have access to data for actual economic activity that is more local in nature than the provincial data that has been used in the econometric model?
- c) Has NBHDL considered whether differences between local and provincial economic activity may be responsible for the pattern of regression residuals found in Table 3-8 'Total System Purchase', in which the annual differences between actual and predicted purchases appear to have the same sign for several years in a row?

5. CDM Adjustments to the Load Forecast

Refs: Exhibit 3, p. 17-18, and Exhibit 10, Appendix 10-A

- a) Please describe the CDM programs that NBHDL will deliver, including a breakdown between the future results of ongoing programs and any new programs that are expected to result in the adjustments shown in Table 3-9.
- b) Please provide any assumptions about the percentage of NBHDL's customers that are predicted to participate in the main programs in 2010, as a means of showing that it is reasonable to make the adjustments in Table 3-9 in addition to the large number of completed projects detailed in Appendix 10-A.

6. Smart Grid

Ref: Exh 4, pp. 24-25

- a) Please provide a more complete description of the Residential Pilot that NBHDL will conduct, including any expenditures or savings that NBHDL expects the participating customers to incur.
- b) Please indicate how the cost of the Industrial and Residential Pilots relate to NBHDL's capitalization policy, and explain why the cost of the pilot projects should not be capitalized under that policy.

7. Management and Executive Salaries and Benefits

Ref: Exhibit 4, p. 60

- a) Please confirm that the inflation rate assumed for management and executive salaries is 3%, along with the other employees mentioned in the first bullet on p. 60.

- b) Please confirm that an inflation rate of 2.3% is used for other O&M categories (per Exh 8, p. 8), and explain why a higher rate is assumed for compensation.

8. LEAP

Refs: Table 2-14A 2010 Capital Expenditures 1 – General Assets, and Exhibit 4, p. 53

NBHDL is including \$15,000 in account 5415 Community Relations for the LEAP initiative, in response to the Board's requirement for assistance to low-income consumers. It also has a capital expenditure of \$26,899 in account 1925, also called LEAP.

- a) Please identify how much of the \$15,000 amount relates to existing programs and how much to new program(s).
- b) Please provide a brief description of LEAP in account 1925, and if it is related to assistance for low income consumers please include an explanation.

9. Affiliate Services

Ref: Exhibit 4, p. 71

- a) Please provide a more complete description of NBHDL's use of the dark fibre service that it purchases from its affiliate NBHS, and a description of how the market-based price was established for the service.

10. Purchases from Non-Affiliates

Ref: Exhibit 4, p. 72

- a) Please describe the service that will be purchased from Mearle Management Inc. for "Benefits", including how the amount of \$581,810 is established.
- b) Please describe the service that will be purchased from Sungard Public Service for "System Provider Training", including how the amount of \$102,914 is established.

11. Harmonized Sales Tax

It is likely that the PST and GST will be harmonized effective July 1, 2010. Unlike the GST, the PST is included as an OM&A expense and is also included in capital expenditures. If the GST and PST are harmonized, corporations would experience changes in OM&A expenses and capital expenditures.

In the event that PST and GST are harmonized effective July 1, 2010:

- a) Would NBHDL agree to the establishment of a variance account to capture the expected reductions in OM&A and capital expenditures?

- b) Are there other alternatives that the Board might consider to reflect the expected reductions in OM&A and capital expenditures?

12. PILs

Ref: Exhibit 4, p. 82

- a) Please provide details of the forecast reserves, comparable to the “Continuity of financial statement reserves (not deductible)” schedule that has been filed for 2008, as a means of supporting the forecast balances \$4,993,106 (beginning of 2010) and \$5,284,743 (end of 2010).
- b) Please provide details of the forecast tax reserves, comparable to the “Continuity of financial statement reserves (not deductible)” schedule that has been filed for 2008, as a means of supporting the forecast balances \$ 1,201,494 (beginning of 2010) and \$ 1,202,546 (end of 2010).
- c) Please confirm why it is correct to include in the Additions to Accounting Income the tax reserves at the beginning of the year and the financial statement reserves at year-end, while including in the Deductions from Accounting Income the tax reserves at year-end and the financial statement reserves at the beginning of the year.
- d) With respect to the two additions to accounting income for charitable donations and Ontario tax credits, please explain why there are no offsetting amounts that are necessary to include in the deductions from accounting income.

13. SSS Administration Charge

Ref: Exh 3, p. 26 and Exh 6, p. 3

Table 3-23 shows total Other Revenue before RSVA Interest at \$751,484. The Revenue Deficiency Calculation in Table 6-1 shows Other Operating Revenue at \$825,116.

Please confirm that difference is due to the SSS Administration Charge, and that \$825,116 is the appropriate alternative to use to determine the Base Revenue Requirement to be generated from Distribution Rates.

14. Affiliate Administration Fee

Ref: Exh 3, p. 26 and Exh 4, p. 61

- a) Please confirm that the decrease in the Affiliate Administration Fee is the result of ending the customer service provided to North Bay Hydro Services water heater customers. If not confirmed, please describe the reason for the decrease in this source of revenue.

- b) Please describe the activity that is forecast to generate revenue in 2010 of \$39,349, and confirm whether it is an activity that is expected to continue generating revenue after 2010.

16. Embedded Distributor

Ref: Exhibit 1, p. 36

- a) Please provide information on the amount of electricity delivered by NBHDL to Hydro One at the two delivery points (at Bond Street and at Highway 11) during 2008, and forecast to be delivered in 2010.
- b) Please provide a brief description of the distribution facilities that are used to serve the load, and an explanation of whether the load on the facilities is partly for customers in NBHDL's service area or only for Hydro One.
- c) Please provide information on the form of the billing by NBHDL to Hydro One, the rates charged in 2008 and proposed for 2010, and the amount of revenue in 2008 and forecast for 2010.

17. Unmetered Scattered Load ("USL") Service Charge

Ref: NBHDL Cost Allocation Model Sheet I6 'Customer Data', and Exhibit 9, p. 24

The information in the cost allocation filing shows that NBHDL serves 21 USL customers (252 bills annually), and there are 140 connections

- a) Please provide a list of how many connections each USL customer has.
- b) Please provide a calculation of what the USL monthly service charge would be if it were charged on a "per connection" basis.
- c) Please provide a calculation of the bill impact on the customer with the most connections and the customer with the least connections if the service charge provided in part b) were to be charged in place of the "per customer" charged that is proposed by NBHDL.

18. Retail Transmission Service Rates

Ref: Exhibit 8, p. 8

Over the two year period shown in Table 8-10, what has been the approximate percentage of the wholesale transmission cost that is paid to IESO and what percentage is paid to Hydro One Distribution as the host distributor?

19. Low Voltage Adder

Ref: Exhibit 8, p. 6

- a) Please confirm that NBHDL's Low Voltage cost consists only of Hydro One's service charge, the ST Common Line rate, and the regulatory asset rate riders.
- b) Please provide a calculation of NBHDL's annual LV cost without Rate Rider # 4, i.e. the S.T. Common Line rate at \$0.55 per kW, detailing the component parts of the calculation.

20. Bills Impacts

Ref: Exhibit 8, p. 21

- a) Please provide a more complete version of Appendix 8-A with customers in each class covering various monthly consumption amounts, as specified in the 2010 Filing Requirement, Appendix 2-R.

Ref: Exhibit 8, p. 23

- b) In the calculation of the bill impact for Sentinel Lights, the 2010 amount in the row "Sub-total - Other Charges" appears to be too large, which in turns affects the total bill impact. Please check this calculation, and if found to be in error please provide a corrected calculation.

21. Total Loss Factor

Ref: Exhibit 8, p. 10

- a) Please provide a brief explanation of what is meant by "AQEW" and "Kinetiq".

Ref: Exhibit 8, p. 11, lines 13-15

- b) Please provide a brief explanation of the effect of de-registering meters on the losses associated with the points of supply listed in this reference.

Ref: Exhibit 8, p. 12, Table 8-12

- c) Please give a breakdown of the amount of electricity in the first row of the table for at least one of the years in two amounts, one part being the electricity delivered through IESO-controlled delivery points and the other part being the electricity delivered through embedded Hydro One Distribution Low Voltage (or Sub-transmission) delivery points.
- d) Please provide supporting documentation of the losses associated with the embedded delivery points, for example by providing a copy of a monthly statement from the host distributor.

22. Specific Service Charges

Ref: NBHDL Conditions of Service, p. 28

NBHDL includes a “general administration fee” in its Conditions of Service for unauthorized energy use.

- a) Has NBHDL charged this fee to any customers, and if so how much revenue has been generated?
- b) In NBHDL’s view, should this fee be included on the tariff sheet?

23. Allocation of Deferral and Variance Accounts

Ref: Exhibit 9, Table 9-7 ‘Load Forecast Data’, (p. 15)

- a) Please provide a brief description of how NBHDL made its 2010 forecast of energy to be supplied to Non-RPP Customers for the Residential, General Service < 50 kW, General Service 50 – 2999 kW, and Sentinel Lighting classes.
- b) Please provide a forecast of the billing kilowatts of the non-RPP customers in the General Service 50 – 2999 kW class.

24. Regulatory Asset Rate Riders

Ref: Exhibit 9, Table 9-9 ‘Deferral and Variance Account Rate Riders’, (p. 17)

Table 9-9 provides a calculation of two rate riders for each class that would recover RSVA and non-RSVA balances respectively.

- a) Please provide rate riders by rate class for each class that would recover the balance in the Global Adjustment sub-account of Account 1588 from non-RPP customers only.
- b) Does NBHDL have the billing capability to have two rate riders by rate class: one for RPP customers and another for non-RPP customers?
- c) Please provide rate riders by rate class that would recover the aggregate balance of all of the other accounts (i.e. excluding the Global Adjustment sub-account of Account 1588) for which NBHDL has requested disposition.
- d) If NBHDL were to establish a separate rate rider to dispose of the balance of the Global Adjustment sub-account of Account 1588, please provide NBHDL’s view as to whether this rate rider would be applicable to MUSH (“Municipalities, Universities, Schools and Hospitals”) sector customers.
- e) If the answer to g) is in the negative, does NBHDL have the capability in its billing system to exclude MUSH sector customers to which the separate rate rider for

the disposition of the Global Adjustment sub-account of Account 1588 balance would apply?

25. Service Quality

Ref: Exhibit 4, p. 61

Please provide a description of the service quality indicator that applies to the Customer Service Representatives, including the target level for the indicator, together with a brief explanation of what it means to have achieved 67% in 2008.

26. LRAM / SSM

Ref: Exhibit 10, Page 6 of 22

NBHDL is applying for recovery of a Lost Revenue Adjustment Mechanism ("LRAM") amount of \$321,318 to recover revenue lost from programs implemented from 2005-2008, a Shared Savings Mechanism ("SSM") amount of \$124,447 and carrying charges totalling \$17,237. It appears that North Bay Hydro has used the OEB Assumptions list when calculating its LRAM claim. On January 27, 2009, by way of letter to all licensed electricity distributors, the Board indicated that it would be adopting the Ontario Power Authority's ("OPA") Measures and Assumptions list for use by distributors for the purposes of applications for new distribution rate-funded CDM programs, LRAM and SSM. Further, in the Board's decision on LRAM to Horizon Utilities (EB-2009-0192/EB-2009-0158), dated October 8, 2009, the Board noted in its findings that "what is clear is the underlying principle of LRAM, which is that distributors are to be kept whole for revenue that they have forgone as a direct consequence of implementing CDM programs." In the same Decision, the Board goes on to state that "utilities should always use the most current input assumptions which have been adopted by the Board when preparing their applications because these assumptions represent the best estimate of the impact of the programs."

- a) Please provide the rationale for why NBHDL has not used the most recently published OPA Measure and Assumption list when calculating its LRAM claim.
- b) Please provide a revised LRAM claim using the most recently published OPA Measures and Assumptions List.

Ref: Exhibit 10, Page 22 of 22

NBHDL notes that it retained Bob Mason & Associates to perform the third party review of its CDM programs as per section 7.5 of the Board's Guidelines for Electricity Distributor Conservation and Demand Management (the "Guidelines") issued on March 28, 2008.

- c) Please provide a copy of the review submitted by Bob Mason & Associates and discuss how NBHDL will implement any of the recommendations made in the third party review.

27. General

Ref: Exhibit 1, pp. 56-64 'Revenue Requirement Work Form'

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF with any corrections or adjustments that NBHDL wishes to make to the amounts in the Application version of the RRWF. Include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.