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December 23, 2009

BY EMAIL & COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St, Suite 2701  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Board File No. EB-2009-0270**  
**North Bay Hydro Distribution Limited – 2010 Cost of Service Application**  
**Interrogatories of Energy Probe**

Pursuant to Procedural Order No. 1, issued by the Board on December 15, 2009, please find attached two hard copies of the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2009-0270 proceeding. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh  
Case Manager

cc: Todd Wilcox, North Bay Hydro Distribution Limited (By email)  
Randy Aiken, Aiken & Associates (By email)  
Intervenors of Record (By email)

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**Ontario Energy Board**

**IN THE MATTER OF** the *Ontario Energy Board Act*,  
1998, S.O. 1998, c. 15, Schedule B;

**AND IN THE MATTER OF** an application by North  
Bay Hydro Distribution Limited for an order approving  
just and reasonable rates and other charges for electricity  
distribution to be effective May 1, 2010.

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**INTERROGATORIES OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**December 23, 2009**

**NORTH BAY HYDRO DISTRIBUTION LIMITED  
2010 RATES REBASING CASE  
EB-2009-0270**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**Interrogatory # 1**

**Ref: Exhibit 2 & Exhibit 4**

The provincial government has announced plans to harmonize the provincial retail sales tax (RST) with the goods and services tax (GST) effective July 1, 2010 to create harmonized sales tax (HST). Based on the proposed elimination of the RST effective July 1, 2010:

- a) Please confirm that North Bay Hydro has not made any adjustments to the OM&A forecasts shown in Exhibit 4 to reflect the elimination of the 8% provincial sales tax.
- b) Please provide the estimated costs of the provincial sales tax included in the OM&A forecast for 2010.
- c) Please provide the amount of provincial sales tax paid by North Bay Hydro in each of 2006, 2007, 2008 and 2009 on OM&A expenses.
- d) Is there any reduction in compliance costs that will result from the reduction in the administrative burden on North Bay Hydro to comply with two separate sets of tax rules?
- e) Please confirm that North Bay Hydro has not made any adjustments to the capital expenditure forecasts shown in Exhibit 2 to reflect the elimination of the 8% provincial sales tax.
- f) Please provide the estimated costs of the provincial sales tax included in the capital expenditures included in rate base forecast for 2010.
- g) Please provide the amount of provincial sales tax paid by North Bay Hydro on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.

- h) If North Bay Hydro is unable to quantify the impact of the removal of the provincial sales tax, is North Bay Hydro agreeable to the creation of a deferral account into which the resulting savings would be placed and rebated to customers in the future? If not, why not?**

**Interrogatory # 2**

**Ref: Exhibit 1, page 40**

**Are any of the costs associated with the Board of Directors of North Bay Hydro Holdings Limited, North Bay Hydro Generation Ltd. or North Bay Hydro Services Inc. included in the costs by North Bay Hydro for recovery through the revenue requirement? If yes, please identify and quantify these costs.**

**Interrogatory # 3**

**Ref: Exhibit 1, page 49, Table 1-3**

**Please update the rate impacts shown in Table 1-3 to reflect a return on equity of 9.75% and a weighted average harmonized sales tax of 9% for 2010 in place of the current 5% goods and services tax.**

**Interrogatory # 4**

**Ref: Exhibit 2, Tables 2-9, 2-10 & 2-11**

- a) Please explain the reduction in contributions and grants from \$1,454,825 in 2008 to a forecast of \$1,096,706 in 2009 and \$594,434 in 2010.**
- b) Please explain why no work-in-progress has been recorded in historical years and why none has been forecast for 2009 and 2010.**

**Interrogatory # 5**

**Ref: Exhibit 2, Tables 2-15 & 2-15A**

- a) Please update the capital expenditures to reflect actual expenditures for 2009. If final 2009 figures are not available, please provide 11 months of actual data and 1 month of forecast information.**

- b) Please confirm that all of the expenditures forecast for 2009 are related to projects that will be in service by the end of 2009.

**Interrogatory # 6**

**Ref: Exhibit 2, Tables 2-14 & 2-14A**

**Please confirm that all of the capital expenditures shown for 2010 are related to projects that will be completed and in service by the end of 2010.**

**Interrogatory # 7**

**Ref: Exhibit 2, Table 2-23**

- a) Is the \$0.06072 rate used to calculate the cost of power shown in Appendix A based on the April 15, 2009 Regulated Price Plan Price Report? If not, what is it based on?
- b) Please update the cost of power component of the working capital allowance to reflect the October 15, 2009 OEB RPP Report that has a cost of power of \$.06215 per kWh.
- c) Has North Bay Hydro reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation? If not, why not?
- d) Please provide the percentage of the total kWh represented by the non RPP kWh based on actuals for 2008 and, if available for the 2010 forecast.
- e) Please calculate the cost of power and the related impact on the working capital allowance to reflect the RPP and non RPP volumes (as provided in the response to part (d) above using the RPP price of \$.06215 per kWh and a price of \$.05820 per kWh for the non RPP volumes (being the sum of the forecasted average HOEP price of \$.03326 per kWh and the forecasted global adjustment of \$.02494 per kWh for the RPP year).
- f) Are the kWh's associated with any market participants served by the distributor included in the kWh's used to calculate the cost of power? If yes, please recalculate the cost of power component of the working capital allowance removing any such volumes.
- g) Does the distributor intend to update the transmission related cost of power to reflect 2010 transmission rates when they are approved by the Board?

**Interrogatory # 8**

**Ref: Exhibit 3, Table 3-3**

**Please update the 2009 figures shown in Table 3-3 to reflect the most recent year-to-date information available.**

**Interrogatory # 9**

**Ref: Exhibit 3, page 14-17**

**The regression statistics shown in Table 3-7 indicate that the coefficients on GDP and population are not statistically significant at any high level of confidence. Please provide the regression coefficients (as shown on page 14), the regression statistics as shown in Table 3-7 and the total system purchased for 2009 and 2010 (using the 10 year average for weather) as shown in Table 3-8 for each of the following:**

- a) The equation as shown, excluding the population variable;**
- b) The equation as shown, excluding both the GDP and population variables;**
- c) The equation in (b) above, with addition of a trend variable.**

**Interrogatory # 10**

**Ref: Exhibit 3, page 18**

- a) Please explain why North Bay Hydro has used a loss factor based only on the 2006 through 2008 period to calculate the billed energy forecast.**
- b) Please provide a table showing the total loss factor for each year from 1999 through 2008. If data for all years is not available, please provide data for all the years that is available.**

**Interrogatory # 11**

**Ref: Exhibit 3, Table 3-11, Table 3-14 & page 8**

- a) Please confirm whether the distributors shown on page 8 used an arithmetic mean or a geometric mean in their versions of Tables 3-11 and 3-14.**

- b) Please recalculate Tables 3-11 and 3-14 using a geometric mean.
- c) Please update the forecasts in Tables 3-12 and 3-15 reflecting the geometric means calculated in part (b) above.
- d) Please provide a revised Table 3-22 Summary of Forecast and a revised Table 6-1 Revenue Deficiency Calculation that reflects the geometric means calculated in part (b) above.
- e) Please provided a revised Appendix 8-A to Exhibit 8 showing the resulting rate and bill impacts that result from use of the geometric mean approach.

#### **Interrogatory # 12**

**Ref: Exhibit 3, Table 3-23 &  
Exhibit 8, Table 8-1**

- a) Please reconcile the figure of \$782,990 in Table 3-23 with the figure of \$825,116 in table 8-1.
- b) Please explain why RSVA interest is included in Table 3-23 when interest costs or revenues associated with deferral, variance and regulatory asset accounts are not to be included in the other revenue.
- c) Please explain why accounts 4355 and 4360 appear to be netted out of the other revenue.
- d) Please provide the actual 2009 revenues in the same level of detail as shown in Table 3-23. If actual 2009 figures are not available, please provide the most recent year-to-date figures for 2009 and the corresponding figures for the same period in 2008.
- e) Please provide a table for 2006 through 2010 showing actual and forecast figures for accounts 4375 & 4380 (revenues from non-utility operations). Please also provide the most recent year-to-date 2009 (or actual 2009) figures.
- f) Please confirm the accuracy of the 0.055% interest rate shown at line 14 of page 26. With bank interest of \$38,024 for 2010, this would imply an average bank balance of more than \$70 million.
- g) Please explain the significant reduction shown in 2010 in account 4375 related to the affiliate administration fee.

**Interrogatory # 13**

**Ref: Exhibit 4, page 8**

**The evidence indicates that North Bay Hydro has applied an inflation rate of 2.3% as an adjustment factor where an inflationary increase was appropriate.**

- a) Please identify the base upon which the inflation rate of 2.3% was applied.**
- b) Please identify the impact on the revenue requirement of a 50 basis point change in the inflation rate used.**
- c) Please provide the impact on the revenue requirement of the 3% increase for union staff on the revenue requirement.**
- d) Please provide the impact on the revenue requirement of the 3% increase for non union staff on the revenue requirement.**

**Interrogatory # 14**

**Ref: Exhibit 4, page 9**

**Please confirm that the new FTE that was added to the CDM department, for which full recovery is anticipated through the Global Adjustment mechanism, has no impact on the 2010 revenue requirement. If this cannot be confirmed, please explain.**

**Interrogatory # 15**

**Ref: Exhibit 4, Table 4-5**

**Please provide the actual 2009 costs in the same level of detail as shown in Table 4-5. If actual 2009 figures are not available, please provide the most recent year-to-date figures for 2009 and the corresponding figures for the same period in 2008.**



**Interrogatory # 16**

**Ref: Exhibit 4, page 24-25**

**Please explain why North Bay Hydro believes that the costs associated with the \$195,000 in account 5415 will be entirely paid for by local distribution customers and that no funding will be available from other sources.**

**Interrogatory # 17**

**Ref: Exhibit 4, page 26**

- a) Please confirm that the deferral account noted in relation to IFRS costs should be a variance account since North Bay Hydro is including \$25,000 in the 2010 (and subsequent 3 years) revenue requirement.**
- b) Will any of the other affiliates benefit from the work being done by North Bay Hydro related to IFRS changes? If so, how have the costs related to the transition to IFRS been allocated to the affiliates?**

**Interrogatory # 18**

**Ref: Exhibit 4, page 27**

- a) Please explain why the \$20,000 in customer information costs related to the conversion of time of use rates has not been included in the costs to be recovered through the smart meter rate rider.**
- b) These costs would appear to be one-time in nature. Please explain why they have not been amortized over a four year period.**
- c) Please provide actual legal costs incurred in 2006 through 2008, the forecast for 2009 and 2010 and the actual legal costs incurred in 2009.**

**Interrogatory # 19**

**Ref: Exhibit 4, page 53**

**The evidence indicates a cost of \$15,000 related to LEAP.**

**Are there any other expenses or capital additions related to the implementation of LEAP included in the 2010 revenue requirement? If yes, please identify and quantify these costs.**

**Interrogatory # 20**

**Ref: Exhibit 4, Table 4-8**

**Does the total cost associated with the 2010 cost of service application include costs associated with an oral (technical conference and/or hearing) component of the rates application? If yes, please provide the amount by component that is associated with an oral component to the application.**

**Interrogatory # 21**

**Ref: Exhibit 4, Table 4-29**

- a) Please indicate how the \$6,000 shown as miscellaneous tax credits and Ontario tax credits has been calculated.**
- b) How many apprentice positions eligible for the apprenticeship training tax credit did North Bay Hydro have at the end of 2009? Please indicate for each year up to 2009, how many new apprentices were added. Please indicate how much such positions are included in the 2010 forecast.**

**Interrogatory # 22**

**Ref: Exhibit 4, Table 4-29**

**The evidence is not clear as to whether or not North Bay Hydro has included any apprenticeship or co-operative education tax credits in the calculation of the regulatory income tax.**

- a) Please calculate the impact on taxes and on the revenue requirement of including the Apprenticeship Training Tax Credit as modified in the 2009 provincial budget to 35% of qualifying wages to a maximum of \$10,000 per position and extending the eligibility period from 36 months to 48 months if these changes have not already been reflected in the calculation of income taxes. Please show the number of positions eligible for the credit and the amount that can be claimed for each in 2010.**
- b) Has North Bay Hydro included any tax credits related to the Co-operative Education Tax Credit? If not, why not? If not, please provide a calculation that reflects the 2009 provincial budget changes that increased the credit to 25% of qualifying wages to a maximum of \$3,000.**

- c) Has North Bay Hydro included the \$2,000 federal training tax credit available for the first 24 months for such positions in its tax calculations? If not, why not? Please provide the number of positions eligible for this credit in 2010.

**Interrogatory # 23**

**Ref: Exhibit 4, Table 4-29**

- a) Please confirm that the 2009 provincial budget reduced the small business tax rate from 5.5% to 4.5% effective July 1, 2010 on the first \$500,000 of taxable income and eliminated the 4.25% surtax on taxable income over \$500,000, also effective July 1, 2010.
- b) Please confirm that the 2010 provincial tax savings resulting from the above change is \$18,750, the difference between the following calculations on the first \$1,500,000 of taxable income:

\*  $13\% \times \$1,500,000 = \$195,000$  and

* $5\% \times \$500,000$	=	\$25,000
$13\% \times \$1,000,000$	=	\$130,000
$2.125\% \times \$1,000,000$	=	<u>\$21,250</u>
Total	=	\$176,250

If these calculations cannot be confirmed, please provide the calculations that show the reduction in the provincial income tax and provide the rationale for the rates and numbers used.

**Interrogatory # 24**

**Ref: Exhibit 4, Table 4-1 &  
Exhibit 6, Table 6-1**

Please explain the different figures shown in the two tables referenced above in relation to total OM&A expenses.

**Interrogatory # 25**

**Ref: Exhibit 5**

- a) Please provide a table showing the calculation of the requested long term debt rate of 6.95% for 2010.

- b) Has North Bay Hydro received the first loan from Infrastructure Ontario referenced in the evidence as \$3.5 million to be received in 2009 for a 10 year term at an interest rate of 4.28%? If no, please provide the actual term and rates applicable to any such loan received in 2009.
- c) What is the current Infrastructure Ontario rate applicable to the \$2.5 million loan to be received in 2010 for a 15 year term?
- d) Does the promissory note from the City of North Bay have a variable interest rate or a fixed interest rate?
- e) As of the first week of January, 2010, has North Bay Hydro received any notice from the City that it is calling any or part of the promissory note?

**Interrogatory # 26**

**Ref: Exhibit 7, Table 7-3 &  
Exhibit 8, page 22**

- a) Please explain why North Bay Hydro is proposing to increase the revenue to cost ratio for the GS 3000-5000 kW class to only 58.1% in 2010 when the total bill impact associated with this increase is only 4%?
- b) What would be the total bill impact for the GS 3000-5000 kW class if the revenue to cost ratio was increased to 80% in 2010?

**Interrogatory # 27**

**Ref: Exhibit 8, Table 8-12**

- a) Please explain why North Bay Hydro has based its total loss factor on only three years of historical data rather than the preferred five years as indicated in the Board's filing requirements.
- b) Please expand Table 8-12 to include data for 2004 and 2005.
- c) Please provide the actual data (or data for the most recent year-to-date period available) in the same level of detail as shown in Table 8-12 for 2009.

**Interrogatory # 28**

**Ref: Exhibit 8, page 21 & Exhibit 9, page 5**

**Do the rate impact calculations shown in Exhibit 8 reflect the removal of the \$0.64 rate rider associated with extraordinary event costs that is scheduled to end April 30, 2010, as referenced in Exhibit 9 at page 5?**