

**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"

Response:

The file referenced "2010RevenueRequirement model_091609.xls" is a proprietary model provided by consultants to NBHDL for the rate application process. As such, this model will not be displayed on the Board's website or provided for review during the interrogatory process.

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.

Response:

When NBHDL submitted its Cost of Service application, the maximum rate of return on equity was 8.01%. Since that time, the Board has released a report on Cost of Capital (*Consultation Process on Cost of Capital Review – EB09-2009-0084*) with a revised rate of return on equity of 9.75%. This rate is provided by the Board and has been deemed a fair and reasonable return.

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.

Response:

The issue of lacking fleet and tools to perform work safely and efficiently is based on the following experience of the new Management Team when they assumed responsibility in 2008:

- several small trucks were in a poor state of repair and 3 failed MTO safety inspections and had to be removed from service
- one line truck was tagged as unsafe for operation due to fatigue in the chassis and or boom rotation/operation failure. The engine was not reliable and could have failed at any time while either driving or

- when staff were aloft over energized conductors. A second line truck, after being in service for more than 10 years, was more costly to repair than replace
 - NBHDL's old line tensioner, a very common tool used to string and tension conductor, had been in service more than 30 years did not work and due to its age spare parts could not be obtained. The old unit also posed a safety hazard when stringing over live conductors. This unit was replaced and a second unit purchased to allow for proper stringing and tensioning procedures and results.
 - Fall arrest harnesses and lanyards were out of date and did not permit safe bucket rescue. They had to be replaced.
 - Manual tools, end of life and often broken were replaced with battery operated power tools. The new tools permit tasks to be completed 1.5 times faster than previously, are safer to operate and less strain on the human body
 - Drills were failing regularly and were replaced with power units
 - NBHDL's main billing, CIS and financial system was installed in 1998 and not consistently upgraded or updated to respond to industry changes. The market structure has changed significantly over the past 10 years resulting in many manual work-around procedures when it comes to billing and preparation of financial statements.
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.

Response:

The current Management Team is unable to explain why routine maintenance activities were not performed by previous administrations. Please refer to Exhibit 4, pages 4 and 5 for information on issues associated with not having a comprehensive maintenance program on substations. In addition NBHDL offers the following information with respect to the implications of not performing adequate preventative maintenance activities:

- 22 kV switch failure. The switch could not be opened and had to be replaced
- 44 kV switch failure due to corrosive effects of road salt
- Increased vegetation management program costs due to past deferments

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.

Response:

Please refer to page 38 of Exhibit 1 as the position in question is actually the Billing and IT Manager. The entire industry has transitioned to be more technology based and NBHDL notes that billing and IT are a core business function as critical as any other area:

- NBHDL relies on a very sophisticated and integrated Customer Relationship Management/Utility Management CIS system that produces bills, creates financial statements, controls workflow, controls inventory, maintains customer records etc. Replacing this system would cost in the millions of dollars and requires experienced staff to operate and control.
- NBHDL sends out more than 280,000 bills annually
- Billing for many customers is complex involving thousands of pieces of information on a monthly basis
- NBHDL has 10 IESO billing points producing well over 1 Million pieces of information annually. This information, amongst other things, produces power bills of approximately \$40 Million annually that must be monitored and reviewed.
- NBHDL relies on a computer based sophisticated Supervisory Control and Data Analysis system to safely and efficiently operate its distribution system
- NBHDL relies on a computer based Geographic Information System to manage its inventory and configuration of more than 13,000 poles, thousands of transformers and hundreds of kilometers of distribution circuits
- NBHDL is in the process of deploying smart meters as part of a sophisticated Automated Metering Infrastructure (AMI) system costing over \$3 Million. This investment has changed all meter to cash procedures and IT is at the heart of each process. For example the old mechanical meters measuring residential consumption were typically read 12 times per year. The new smart meters produce 8,760 reads that must be integrated into a new billing process. With approximately 21,000 residential customers, the billing process now involves almost 200 Million records per year under this new system when it previously involved 252,000 records. The AMI system although reliable involves new daily activities and expertise to support it.

- NBHDL previously relied on 2 full time equivalent positions for Billing and IT Management including a Billing Supervisor and an external consultant. These responsibilities have been consolidated into one position saving the business over \$50,000 per year.

In summary the staffing level of NBHDL does not necessarily create the requirement for this position. It is a requirement based on how the industry operates today and to respond to the growing need to manage and display more information.

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.

Response:

This was collected annually for the past four years to demonstrate to the Ontario Energy Board that NBHDL is following the intent of the inputs and assumptions posted on the OEB website as required by the Guidelines for Conservation and Demand Management dated March 28, 2008. These inputs and assumptions were filed annually with the Annual Report required by the Ontario Energy Board. These are used as the basis for the Total Resource Cost Test. This test is used to determine the benefit to cost ratio and energy savings. Reporting results of energy efficiency programs was an OEB requirement and NBHDL did not track costs of this particular task.

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.

Response:

The Electricity Act, 1998 completely changed the manner of ownership of local hydro distribution assets in the Province of Ontario from that of a public, elected board to that of a business corporation. The debt / equity

structure of the Distribution Company was required to be revised due to the mandatory implementation of the Electricity Act, 1998. It was based on formal advice from Acres Consulting, leading experts in the field. The financial structure was to reflect that of a comparable business corporation. The promissory note is binding.

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.

Response:

The major component of cost that is included in account ‘5085-Miscellaneous Distribution Expenses’ for 2009 and 2010 are salaries related to Operations. Categories include health and safety, inclement weather, small tools and vehicle maintenance. These amounts are \$175,800 and \$192,255 respectively and represent 78% and 83% of the total costs.

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.

Response:

Account 5610 – Management Salaries and Expenses and Account 5615 – General Administrative Salaries and Expenses shown for 2010 in Exhibit 1, pg 87 in total are increasing 18.4% over the 2009 Forecast as shown in the table below. Salaries account for \$173,413 or 18% of the increase. The IT Billing Manager accounts for 4% due to a full year of employment in 2010 as opposed to a partial year in 2009. The CAR department accounts for 11% due to the addition of one CAR and the decrease in the services provided to North Bay Hydro Services. The remaining 3% is due to the proposed rate increase and progression of the Management and General Administrative employees.

Account	2009 Forecast	2010 Test Year	Variance	%
5610	586,857	661,852	74,995	12.8%
5615	363,800	463,782	99,982	27.5%
Total	950,657	1,125,633	174,977	18.4%

10. Please confirm that *Account 5645 – Employee Pensions and Benefits* shown for 2010 on page 89 for are forecast to increase by over 13% (13.6%) over the previous year.

Response:

NBHDL confirms that *Account 5645 – Employee Pensions and Benefits* shown for 2010 on page 89 for are forecast to increase by over 13% (13.6%) over the previous year. Account 5645 includes Retiree Benefits which accounts for 5% and Training which accounts for the balance of the increase.

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.

Response:

The table below details the major amounts included in this account for 2009 - \$92,617 and 2010 - \$77,154 as stated on page 429-7.

	2009 Forecast	2010 Budget
EDA Membership Fees	37,200	38,056
Banking Fees	23,812	24,000
North Bay Hydro Holdings Limited	12,000	6,000
Misc/Nugget/Bill Inserts	7,852	8,500
CYR & Associates Inc.	3,850	
TWG	4,304	
Misc	3,599	598
Total Account 5665	<u>92,617</u>	<u>77,154</u>

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.

Response:

The cost of \$75,317 is a quote for Sungard product "Click2Gov" which is a bill presentment and customer portal solution tightly integrated with NBHDL's Sungard customer information and utility management software. NBHDL has not looked at other solutions thus far and no contract has been awarded. NBHDL notes that the entire industry is moving towards increased use of the web for customer service functions. For example as part of the provincial smart meter deployment, an objective is to provide web based access to hourly electricity consumption data the next day. This action, together with a general trend for increased use of the Internet creates the demand for this customer portal solution. NBHDL feels this investment will be required to keep its customer service function current and relevant to evolving customer demands.

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.

Response:

For distribution system assets, NBHDL uses the 'pooled' or 'grouped asset' method of accounting. Under this method, NBHDL does not recognize asset disposals – instead the gross asset value and related accumulated amortization stay on the financial statements indefinitely. This is common practice within the industry.

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.

Response:

The \$51,000 fleet expenditure is broken down as follows:

- | | |
|---|----------|
| 1) New ½ Tonne Truck–Crew Cab (includes cost for work cap): | \$40,000 |
| 2) New Trailer – Mobile Traffic Arrow Board | \$ 7,500 |
| 3) Repairs to Truck 33 – Existing RBD | \$ 3,500 |

Expenditure 1) will replace an existing 13 year old ½ tonne truck, Expenditure 2) is an addition to the trailer fleet, and Expenditure 3) will provide necessary repairs to prolong the life of Truck 33.

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.

Response:

The software purchase of \$26,899 is related to assistance for low income consumers. Currently NBHDL's Customer Information Systems does not have the ability to manage multiple "classes" of customers in regards to billing options, payment terms, interest rates, past due criteria or deposit rules. Therefore NBHDL has included this amount as an estimate to customize the system to handle the suggested rules and guidelines around this group of customers. Without this system change all customers of NBHDL would have the same billing and payment options as the LEAP customers, this action would significantly increase the aging of NBHDL accounts receivable and increase the risk of non payment.

The proposed contribution of \$15,000 as stated on pg. 466-1 was initially setup as a directive of the OEB LEAP program for emergency financial assistance, even though this program is now going to be a provincial initiative the OEB is encouraging distribution companies to provide this assistance.

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.

Response:

NBHDL confirms a similar ratio is expected to continue in 2009 and the allowance represents amounts due over 90 days. NBHDL notes the 2008 allowance was increased as the 2007 provision was low.

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.

Response:

NBHDL has relied on the following process to minimize overdue accounts:

1. NBHDL offers a Pre-Authorized Payment Plan to qualifying customers.
2. Late payment charges apply if payment not made 3 days after due date.
3. Reminder Notices are sent 4 days after payment is due.
4. Customer is allowed 9 days to make payment after reminder notice.
5. If no payment is received a Disconnect Notice is sent on the tenth day.
6. Customer is allowed 9 days to make payment after disconnection notice is issued.
7. If payment is not received, the customer is disconnected.
8. If NBHDL is unable to secure payment the account is forwarded to a Collection Agency

NBHDL notes that the OEB has developed new terms and timelines for due dates, customer disconnections and arrears management. Their website has details on amendments to the Distribution System Code. NBHDL is in the process of implementing these changes.

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.

Response:

NBHDL confirms 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

Response:

NBHDL confirms that knowledge transfer and retention is an ongoing process and is why these costs have been established for this process. When vacancies or retirements do occur NBHDL typically looks within the corporation first to determine whether suitable candidates exist. If internal candidates are not available or lack the necessary requirements then NBHDL looks outside the organization.

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.

Response:

Exhibit 4, pages 26 and 27 provide details on the major components of the 38% increase in costs for account '5630 – Outside Services' in 2010. Costs included in 2010 are provided in the list below:

2010 Explanations:	
Legal Costs	43,000
IFRS Costs	25,000
IT Services (as described in Affiliate Section)	87,160
Customer Education Programs / Marketing	40,000
Sucession Planning	56,500
HR Services	56,500
Audit Fees	32,445
Wholesale Settlement Fees	45,291
Miscellaneous Costs	3,300
Total	389,196

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 include 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.

Response:

The average per employee management compensation of \$104,062 in Table 4-15 includes all employees of NBHDL. The Conservation and Demand Management employee's wages and benefits are included in the average, but since those costs are being recovered they are shown as part of the \$160,092 Total Salary, Wages & Benefits Charged to Others and are not part of the Operation, Management and Administrative expenses included in the rate increase.

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.

Response:

NBHDL does not agree that after estimating for statutory holidays, holidays and sick leave days, the number of calls per employee amount to less than 2.5 calls per day. NBHDL calculation is shown in the table below.

	<u>2009</u>	<u>2010</u>
Total days available	260	260
Vacation	15	15
Statutory Holidays	13	13
Sick days	5	5
Total days worked per CAR	<u>227</u>	<u>227</u>
 # of CAR's	 3	 4
 Total days worked full time employees	 <u>681</u>	 <u>908</u>
 Total days worked temporary employee	 95	 95
 Total days worked	 <u>776</u>	 <u>1,003</u>
 Phone calls 2009	 22,975	 22,975
 Call per employee per day	 30	 23

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.

Response:

The Human Resources Generalist job responsibilities are much broader than simply Human Resources. Some of the other responsibilities include:

- Managing NBHDL insurance coverage for fleet, property and equipment and ensuring resolution of claims
- Supporting Board activities including scheduling of meetings, developing Board packages, taking minutes and assisting with resolution of issues
- Maintaining and updating NBHDL's policies and procedures and ensuring compliance
- Assisting the Chief Operating Officer, Manager of Finance and Engineering Manager as required
- Supporting North Bay Hydro Services activities including scheduling of Board meetings, developing Board packages, taking minutes and assisting with resolution of issues.
- Several miscellaneous responsibilities including phone system, maintaining corporate records, Health and Safety Coordinator

In 2008 NBHDL eliminated a Human Resources and Administration Manager's position and saved approximately \$100,000 per year by consolidating responsibilities into this position.

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.

Response:

NBHDL has undertaken several initiatives to increase and ensure productivity of line operating staff. NBHDL would also note that employee and public safety cannot be sacrificed for productivity improvement. One of the first priorities was to provide reliable fleet and tools to minimize downtime due to unavailability caused by broken tools or trucks constantly breaking down. NBHDL has reviewed its operations from a cost and productivity perspective and determined the most efficient approach is to use contractors to complete civil work such as digging, trenching and pulling underground cables. Civil contractors have the specialized equipment and expertise therefore offer a cost effective solution. The same is true with vegetation management and meter reading. Contractors can perform this work more cost effectively than NBHDL. NBHDL staff and contractors complete the balance of skilled and technical line work. NBHDL's experience with line contractors are there are no savings by using external line contractors for skilled, technical work.

In the fall of 2009 NBHDL completed a third party operational review of lines and engineering while this cost of service application was being completed. Some of the results of this review have been implemented. Overall NBHDL has factored in a 10% productivity improvement in its operations in 2010.

NBHDL also notes that it is structured as a business corporation and most likely has similar objectives as a "private contractor".

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.

Response:

Please refer to the answer for #12.

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.

Response:

26. The \$572,641 has been grossed up from the \$395,122 to include the PILS rate of 31%. The PILS are remitted to the Ontario Electricity Financial Corporation.

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.”*

Response:

This decision was made to recognize the appropriate allocation of proportional equity and debt resources to the Hydro Services Company, in the original stand up of that company. It does not reflect an “income dividend” per se from the operation of the Hydro Distribution system.

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.

Response:

NBHDL followed the filing guidelines by using the 7.62% value deemed for long-term debt as stated in the February 24, 2009 Board issued letter documenting the updated Cost of Capital.

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.

Response:

The current cash and equivalent balances do not mirror December 31, 2008. Exhibit 2 provides much of the detail on spending priorities and please refer to Tables 2-15 and 2-16 for summaries on investments in distribution assets. In addition cash balances were utilized to pay for the provincial smart meter initiative.

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.

Response:

The "May 1, 2009 Tariff of Rates and Charges" includes the Smart Meter Adder in the total Residential Service Charges amount, however, due to the filing requirements of the application process NBHDL was required to separate the Smart Meter Adder from the Residential Service Charges in the 2010 proposed tariff schedule. While a direct comparison would distort conclusions, bill impact schedules are provided for more appropriate comparisons.

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.

Response:

The total revenue requirement for the year is divided by the number of customers/bills and divided by 12 in order to arrive at a monthly service charge. This annualizing assumes a 30 day period. NBHDL bills customers on a monthly basis, not a 30 day period specifically. Customer bills could range anywhere from 26 days to 32 days for example. On this basis, the monthly service fee is prorated based on the number of days in the billing cycle. For example, if a customer bill is for 32 days, the monthly service fee is divided by 30 and multiplied by 32.

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.

Response:

NBHDL’s union contract has 3 pay levels for each job classification which are in yearly increments which NBHDL refers to as progression for levels of service. So as an employee completes a year of experience in a specific job classification they are entitled to a wage increase.

33. Further to the application quote noted above in question 32, please indicate reasoning behind increasing OMERS pension contribution by .5%.

Response:

At the time of preparing the rate application NBHDL was aware that the OMERS pension plan was under funded and that rate increases would be expected for 2010. NBHDL used a .5% increase assumption since the official rate increase was not issued at the time of preparing the rate application.

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.

Response:

NBHDL confirms that matching wage increases for union and non-unionized staff is not mandatory however has been the past practice.

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.

Response:

NBHDL has completed a review of job descriptions and as part of this review benchmarked salaries to similar sized businesses within and outside of the sector. Compared with businesses outside the sector salaries are typically either below the minimum or between the minimum and midpoint of results for a certain job description. NBHDL's salaries are typically below that of peers within the 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.

Response:

NBHDL has not completed its deployment of smart meters and does not have full functionality of the AMI system. All new meter to cash processes have not been mapped therefore NBHDL is not able to confirm all costs associated with the support and use of the AMI system. NBHDL can confirm that the annual costs of NBHDL's AMI service provider are anticipated to be approximately \$80,000. The AMI service provider costs are new to the business. Although not a specific AMI component there will be new costs to utilize the provincial Meter Data Management Repository.

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.

Response:

NBHDL accepts that the OEB undertakes its mandate and recovers costs according to direction from the province. Any questions on this role should be directed to the OEB or the province.

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.

Response:

NBHDL confirms that this number is virtually unchanged in the past ten years.