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Thursday, December 23, 2010

Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Attention: Kristen Walli, Board Secretary

Dear Ms. Walli:

**Re: North Bay Hydro Distribution Ltd. (EB-2010-0102)
Application for 2011 Electricity Distribution Rates
Responses Donald D. Rennick Interrogatories**

Please find attached a complete copy of Mr. Rennick's interrogatory responses.

Two hard copies of this submission will be sent via courier. An electronic copy of the response in PDF format will be submitted through the Ontario Energy Board's RESS.

An electronic copy of the response in PDF format will be forwarded via email to the Intervenor as follows:

Donald Rennick

a) Donald Rennick, Independent Participant

Vulnerable Energy Consumers Coalition

a) Michael Buonaguro, Public Interest Advocacy Centre

b) William Harper, Econalysis Consulting Services Inc.

Yours truly,

Original signed by

Todd Wilcox,
C.O.O.
North Bay Hydro Distribution Limited
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**DONALD D. RENNICK INTERROGATORIES
NORTH BAY HYDRO DISTRIBUTION LTD.
EB-2010-0102**

1. 2011 IRM Rate Generator.xls – Sheet F1.1

Is the price escalator amount of 1.30% shown in cell E22 supplied by the OEB? In any event, please indicate the sources used to calculate this figure.

Response:

The Board has specified the source of the price escalator and established the methodology for application to Electricity Distributor rates. Please refer to “Chapter 3 of the Filing Requirements for Transmission and Distribution Applications”, page 10 which states the following:

“The Board has determined that the Gross Domestic Product Implicit Price Index for Final Domestic Demand (GDP-IPI) as published by Statistics Canada for the prior calendar year will be used as the price escalator for the IRM applications. Board staff prepared models will originally include the preceding year’s GDP-IPI value as an estimate of the inflationary adjustment to input prices (i.e. costs) for the upcoming rate year. Statistics Canada publishes the prior year’s data at the end of February. Upon publication by Statistics Canada, the Board will issue a letter establishing the updated GDP-IPI and will update the GDP-IPI in each distributor’s rate application model in order to calculate the price cap adjustment index for distribution rates for all applicants.”

2. IRM Deferral & Variance Account.xls – Sheet C1.3

Are the interest amounts calculated on this sheet inputted interest? Please explain how these interest amount balances are calculated and how they affect the rates charged to consumers by NBHDL.

In addition, the sheet indicates a sunset date of April 30, 2011 for the Smart Meter rider, currently being charged at a monthly rate of \$1.47, and the 2011 IRM Rate Generator.xls makes no mention of the Smart Meter Rider in the proposed rate sheet. However, the Manager's Summary indicates that the rider will continue to be collected. Please explain.

Response:

With respect to the interest amounts included in Sheet C1.3 of the IRM Deferral and Variance Account Workform these amounts are related to the approved disposition of 2008 deferral and variance account balances and as such have already been through an extensive interrogatory process. For convenience, please refer to the following references which will provide detailed information with respect to confirmation of approved amounts and the calculations used to determine them. All references are in relation to NBHDL's 2009 Cost of Service Application EB-2009-0270:

- Page 8 – Draft Rate Order
- Page 23 – Settlement Agreement – point (f) – additional evidence references are also provided within this section

The Smart Meter Recovery section within tab C1.3 of the referenced model does not apply to NBHDL as the company has not yet completed its Smart Meter implementation. As such, this section was not completed by NBHDL and therefore the sunset date of April 30, 2011 has no relevance; this is simply a default value within the model until populated by the LDC if applicable. NBHDL requested continuation of the current Smart Meter Funding Adder of \$1.47 in the 2011 IRM application as referenced in the Manager's Summary.

3. *IRM Deferral & Variance Account.xls – Sheet B1.3*

Please explain the fact that similar figures appear in cells J25 and M25 and also in cells J28 and M28.

Response:

Similar figures appear in cells J25 and M25 and also in cells J28 and M28 of Sheet B1.3 of the IRM Deferral and Variance Account Workform as both of these classes consist of non-RPP customers only. The total kWh reported in Column J for the GS 3000 to 4000 kW class and the Street Light class is included in Column M for the respective classes.

4. IRM3 Shared Tax Savings.xls – Sheet F1.3

Only 50% of the assumed tax savings are credited when calculating the proposed rates. Please explain the reasoning for withholding 50% of the tax savings from consumers. The manager's summary indicates that the Board approved the income and capital tax amounts in the 2010 rate application when in fact those tax amounts are simply a function of the revenue and expenditures approved by the Board. The tax savings are simply a result of a reduction in the tax rates and outside the control of the Board and as such should be passed on to consumers in their entirety.

Response:

Per "Chapter 3 of the Filing Requirements for Transmission and Distribution Applications", the Board states the following on page 23:

The Board has determined that a 50/50 sharing of the impact of currently known legislated tax changes, other than that related to the implementation of the Harmonized Sales Tax, as applied to the tax level reflected in the Board-approved base rates for a distributor, is appropriate.

The Board also refers to the following reference with respect to the 50/50 sharing determination: "Supplemental Report of the Board on 3rd generation incentive regulation – September 17, 2008". For ease of reference, the following link is provided to access the referenced Board report:

http://www.oeb.gov.on.ca/OEB/Documents/EB-2007-0673/Supp_Report_3rdGen_20080917.pdf