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January 21, 2011

Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

RE: Northern Ontario Wires Inc.  
2011 IRM3 Distribution Rate Application  
Board File: EB-2010-0103  
Reply Submission to Board Staff Interrogatories

Please find attached our reply submission to the Board Staff Interrogatories issued December 17, 2010.  
This submission includes the following:

- OEB Interrogatories followed by NOW's responses
- Attachment 1 – 2011 IRM3 Shared Tax Savings Model
- Attachment 2 - Deferral/Variance Account Balances Comparison of Filings

We have enclosed an electronic copy of this document in PDF format as well as the model in excel format and submitted the same via e-mail to the Board Secretary.

If you have any questions or concerns regarding this Application, please do not hesitate to contact the undersigned by telephone at 705-272-6669 or via e-mail at [monikam@nowinc.ca](mailto:monikam@nowinc.ca).

Yours truly,

Monika Malherbe, CA  
Chief Financial Officer  
Northern Ontario Wires Inc.

## Board Staff Interrogatories

### 2011 IRM3 Electricity Distribution Rates Northern Ontario Wires Inc. ("NOWI") EB-2010-0103

#### 1. Shared Tax Savings

Northern Ontario Wires Inc. has completed the 2011 IRM Shared Tax Savings Workform – see Attachment 1. It was erroneously excluded from the original application.

Rate Class	Distribution Volumetric Rate kWh Rate Rider $F = C / D$	Distribution Volumetric Rate kW Rate Rider $G = C / E$
Residential	\$0.0000	
General Service Less Than 50 kW	\$0.0000	
General Service 50 to 4,999 kW		-\$0.0009
Unmetered Scattered Load	\$0.0000	
Street Lighting		-\$0.0156

The results indicate four out of five of the rate classes do not exceed the materiality threshold.

#### 2. Smart Meter Adder

Northern Ontario Wires Inc. is a small utility with a customer base of approximately 6,200 customers. We service 3 communities with a distance of 60 km between Cochrane and Iroquois Falls and 110 km between Cochrane and Kapuskasing. Accordingly we required a collector in each community, with each costing approximately \$161,708. The incremental costs of having three collectors versus one is \$323,416 or \$53.11 per meter.

Our service area is significantly different than those listed in the Table 1 Comparison provided in the Interrogatories document, both in the number of customers to which we provide service and the density, accordingly we feel it is inappropriate to compare NOW Inc. to utilities such as Toronto Hydro, Hydro Ottawa, etc. We do not have the same customer base on which to allocate our costs. We provide to you the following comparison of our Smart Meter Capital Costs per meter to other small utilities as

reported in their Smart Meter Rate Adder Models:

Distributor	Installed Meters	Per meter Cost ( Capital and Operating)
Northern Ontario Wires Inc.	6,090	\$260
Lakefront Utilities Inc.	9,603	\$224
Lakeland Power Dist. Ltd.	9,412	\$292
Wellington North Power Inc.	3,575	\$353
Chapleau PUC	1,275	\$373

### 3. Disposition of Group 1 Deferral/Variance Account Balances

a), b) and c) Please see Attachment 2 which lists the balances as reported in 2.1.7 and 2.1.2. and also provides an explanation as to any variances. The balances reported in Column AH of Sheet D1.5 of the 2011 IRM3 Deferral and Variance Account Workform are the same as those reported in RRR 2.1.2. 1584 and 1586 show differences between the 2.1.7 and 2.1.2 and this represents the Liability outstanding for Hydro One Phase 2 ( Low Voltage) at Dec 31, 2009. This reconciliation item will clear when the liability is paid in full in April 2010.

There is a net difference between 2.1.7 and 2.1.2 for the combine power accounts of \$605. In Q3 2009 we reviewed the regulatory accounting for the Power and sub-account Global Adjustment Account. This review determined that we were not properly accounting for the GA Non-RPP portion. As a result we adjusted our general ledger accounts and re-filed 2.1.2 back to Jan 1, 2009. The difference appears to arise from these adjusting entries. NOW Inc. will review these entries to determine what the difference of \$605 represents and will make the necessary adjustments as part of its Q4 2010 filing.

### 4. Request for new service charges

Northern Ontario Wires has requested approval for 3 new service charges as follows:

Statement of Account	\$15
Account History	\$15
Request for Other Billing Information	\$15

These charges would allow Northern Ontario Wires Inc. to offset administration costs associated with providing customers various account and billing information when requested by the customer. Our current Tariff for Specific Service Charges does not have any approved charges for such administrative activities.

## **5. Retail Transmission Service Rates**

- a) NOW Inc. confirms that Column A ( metered kWh ) is metered data (ie: no loss factor applied). In other words it is actual usage by the customer.
- b) This is an error. A loss factor should not be applied to the Metered kW data. Please advise if you need any additional information to make the relevant corrections.



Name of LDC: Northern Ontario Wires Inc.  
File Number: IRM3  
Effective Date: Sunday, May 01, 2011  
Version : 1.0

## LDC Information

<b>Applicant Name</b>	Northern Ontario Wires Inc.
<b>OEB Application Number</b>	IRM3
<b>LDC Licence Number</b>	ED-2003-0018
<b>Applied for Effective Date</b>	May 1, 2011
<b>Last COS Re-based Year</b>	2009
<b>Last COS OEB Application Number</b>	EB-2008-0238



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## Table of Contents

Sheet Name	Purpose of Sheet
<a href="#">A1.1 LDC Information</a>	Enter LDC Data
<a href="#">A2.1 Table of Contents</a>	Table of Contents
<a href="#">B1.1 Re-Based Bill Det &amp; Rates</a>	Set Up Rate Classes and enter Re-Based Billing Determinants and Tariff Rates
<a href="#">B1.3 Re-Based Rev From Rates</a>	Calculated Re-Based Revenue From Rates
<a href="#">F1.1 Z-Factor Tax Changes</a>	Sharing formula for Tax changes - this is very preliminary
<a href="#">F1.3 Calc Tax Chg RRider Var</a>	Option B - Calculation of Tax Sharing Rate Rider - Volumetric Allocation



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## Rate Class and Re-Based Billing Determinants & Rates

Last COS Re-based Year

2009

Last COS OEB Application Number

EB-2008-0238

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	5,200	41,311,741		17.57	0.0133	
GSLT50	General Service Less Than 50 kW	Customer	kWh	785	21,827,114		23.55	0.0132	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	69		173,160	178.99		0.6780
USL	Unmetered Scattered Load	Connection	kWh	15	121,104		12.05	0.0132	
SL	Street Lighting	Connection	kW	1,737		5,014	5.19		6.1211
NA	Rate Class 6	NA	NA						
NA	Rate Class 7	NA	NA						
NA	Rate Class 8	NA	NA						
NA	Rate Class 9	NA	NA						
NA	Rate Class 10	NA	NA						
NA	Rate Class 11	NA	NA						
NA	Rate Class 12	NA	NA						
NA	Rate Class 13	NA	NA						
NA	Rate Class 14	NA	NA						
NA	Rate Class 15	NA	NA						
NA	Rate Class 16	NA	NA						
NA	Rate Class 17	NA	NA						
NA	Rate Class 18	NA	NA						
NA	Rate Class 19	NA	NA						
NA	Rate Class 20	NA	NA						
NA	Rate Class 21	NA	NA						
NA	Rate Class 22	NA	NA						
NA	Rate Class 23	NA	NA						
NA	Rate Class 24	NA	NA						
NA	Rate Class 25	NA	NA						



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## Calculated Re-Based Revenue From Rates

Last COS Re-based Year 2009

Last COS OEB Application Number EB-2008-0238

Rate Class	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F	Service Charge Revenue G = A * D * 12	Distribution Volumetric Rate Revenue kWh H = B * E	Distribution Volumetric Rate Revenue kW I = C * F	Revenue Requirement from Rates J = G + H + I
Residential	5,200	41,311,741	0	17.57	0.0133	0.0000	1,096,368	549,446	0	1,645,814
General Service Less Than 50 kW	785	21,827,114	0	23.55	0.0132	0.0000	221,841	288,118	0	509,959
General Service 50 to 4,999 kW	69	0	173,160	178.99	0.0000	0.6780	148,204	0	117,402	265,606
Unmetered Scattered Load	15	121,104	0	12.05	0.0132	0.0000	2,169	1,599	0	3,768
Street Lighting	1,737	0	5,014	5.19	0.0000	6.1211	108,180	0	30,691	138,872
							1,576,762	839,163	148,094	2,564,018





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## Z-Factor Tax Changes

### Summary - Sharing of Tax Change Forecast Amounts

#### 1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2009	2010	2011	2012
Taxable Capital	\$ 5,823,762	\$ 5,823,762	\$ 5,823,762	\$ 5,823,762
Deduction from taxable capital up to \$15,000,000	\$14,965,142	\$14,965,142	\$14,965,142	\$14,965,142
Net Taxable Capital	-\$ 9,141,380	-\$ 9,141,380	-\$ 9,141,380	-\$ 9,141,380
Rate	0.225%	0.150%	0.000%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ -	\$ -	\$ -	\$ -

#### 2. Tax Related Amounts Forecast from Income Tax Rate Changes

	2009	2010	2011	2012
Regulatory Taxable Income	\$ 203,325	\$ 203,325	\$ 203,325	\$ 203,325
Corporate Tax Rate	16.50%	16.00%	15.50%	15.50%
Tax Impact	\$ 33,549	\$ 32,532	\$ 31,515	\$ 31,515
<b>Grossed-up Tax Amount</b>	<b>\$ 40,178</b>	<b>\$ 38,729</b>	<b>\$ 37,296</b>	<b>\$ 37,296</b>
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ -	\$ -	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 40,178	\$ 38,729	\$ 37,296	\$ 37,296
<b>Total Tax Related Amounts</b>	<b>\$ 40,178</b>	<b>\$ 38,729</b>	<b>\$ 37,296</b>	<b>\$ 37,296</b>
Incremental Tax Savings		-\$ 1,449	-\$ 2,882	-\$ 2,882
Sharing of Tax Savings (50%)		-\$ 725	-\$ 1,441	-\$ 1,441



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## Calculate Tax Change Rate Rider Volumetric

Rate Class	Total Revenue \$ by Rate Class A	Total Revenue % by Rate Class B = A / \$H	Total Z-Factor Tax Change\$ by Rate Class C = \$I * B	Billed kWh D	Billed kW E	Distribution Volumetric Rate kWh Rate Rider F = C / D	Distribution Volumetric Rate kW Rate Rider G = C / E
Residential	\$1,645,814.1553	64.19%	-\$925	41,311,741	0	\$0.0000	
General Service Less Than 50 kW	\$509,959	19.89%	-\$287	21,827,114	0	\$0.0000	
General Service 50 to 4,999 kW	\$265,606	10.36%	-\$149	0	173,160		-\$0.0009
Unmetered Scattered Load	\$3,768	0.15%	-\$2	121,104	0	\$0.0000	
Street Lighting	\$138,872	5.42%	-\$78	0	5,014		-\$0.0156
	<u>\$2,564,018</u> H	<u>100.00%</u>	<u>-\$1,441</u> I				

Enter the above value onto Sheet  
 "J2.7 Tax Change Rate Rider"  
 of the 2011 IRM3 Rate Generator.

[illegible]