



74 Commerce Crescent  
P.O. Box 3240  
North Bay, Ontario  
P1B 8Y5

Tel. (705) 474-8100  
Fax: (705) 495-2756 Administration  
Fax: (705) 474-3138 Engineering/Purchasing  
Fax: (705) 474-8579 Customer Services/Accounting  
Fax: (705) 474-4634 Operations

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Tuesday, February 15, 2011

Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> 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**  
**Reply Submission to Board Staff, VECC and D.D. Rennick Submissions**

Please find attached a copy of North Bay Hydro Distribution Ltd.'s response to Board Staff, VECC and Donald D. Rennick's submissions of comments with regards to the 2011 IRM application.

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 Intervenors 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  
(705) 474-8100 (305)  
twilcox@northbayhydro.com

**RESPONSE TO BOARD STAFF, VECC AND D.D. RENNICK SUBMISSIONS  
NORTH BAY HYDRO DISTRIBUTION LTD.  
EB-2010-0102**

North Bay Hydro Distribution Ltd. ("NBHDL") filed an application (the "Application") with the Ontario Energy Board (the "Board"), received on October 15, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that North Bay charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism ("IRM").

Based on a review of the evidence submitted by NBHDL, the Board filed its submission on January 25, 2011 on the following matters:

- Adjustments to the Revenue-to-Cost Ratios;
- Shared Tax Savings; and
- Deferral and Variance Account Disposition

VECC filed its submission on January 25, 2011 with regards to Revenue-to-Cost Ratios. Mr. Donald Rennick also filed his submission on January 25, 2011 with regards to the Shared Tax Savings model.

This document reviews the submissions of Board staff, VECC and Mr. Rennick and provides the reply submission of NBHDL on the matters stated above.

**BOARD STAFF SUBMISSION REPLY**

**Adjustments to the Revenue-to-Cost Ratios**

Board staff "submits that the proposed revenue-to-cost ratio adjustments are in accordance with the Board's findings in it EB-2009-0270 Decision".

Submission

NBHDL has no further comments on this issue.

**Shared Tax Savings**

Board staff agree that limitations in the 2011 IRM3 Shared Tax Savings Workform exist in this case, as they did for Haldimand County Hydro Inc. As such, Board staff has revised North Bay's Shared Tax Savings Workform and have requested that North Bay comment on the appropriateness of the revised Shared Tax Savings Workform in its reply submission.

### Submission

NBHDL has reviewed the revised work form and submits the following comments:

- After review of the capital tax amount it was noted that the calculation was based on an incorrect number. The taxable capital amount should be the approved rate base of \$44,105,306 which then calculates a capital tax amount of \$21,650; this varies from the Board approved (EB-2009-0270) amount of \$21,829, however, the variance is an immaterial amount of \$179.
- Taxable income (in cell I36) should be revised to reflect NBHDL's taxable income of \$2,313,638 with an effective tax rate of 28.72%. These two adjustments will then allow the model to correctly calculate a PILs amount of \$664,478 as approved in its 2010 Cost of Service Application.

### **Deferral and Variance Account Disposition**

#### **Background**

North Bay requested that the Board review and approve the disposition of its December 31, 2009 balances of Group 1 Deferral and Variance account balances, including interest as of April 30, 2011. The total balance of the Group 1 accounts is a debit of \$511,476. Debit balances are amounts payable to the utility. This amount results in a total claim per kWh of \$0.000907. Since this rounds to the preset disposition threshold of \$0.001 per kWh, North Bay concluded that disposition was required. North Bay proposed a disposition period of one-year for its Group 1 account balances.

With respect to the global adjustment sub-account debit balance of \$543,853, North Bay indicated that it is not in a position to dispose of the global adjustment sub-account balance by means of a separate rate rider that would apply prospectively to non-RPP customers. North Bay indicated that in its 2010 Cost of Service application (EB-2009-0270), the Board accepted that North Bay does not have the billing capability to have a rate rider that would only apply to non-RPP customers.

Board staff notes that North Bay's total claim per kWh is \$0.000907, which is below the preset disposition threshold contained in the EDDVAR Report of \$0.001 / kWh. Therefore, the disposition of North Bay's Group 1 account balances is not required at this time. In addition, the Board noted that the Board agreed in principle, in its EB-2009-0270 Decision, that a separate rate rider for the Global Adjustment sub-account should apply to non-RPP customers only. However, the Board approved the disposition of the Global Adjustment Sub-account from all customers in the affected rate classes on the basis that North Bay did not have the billing

capability to establish this separate rate rider. The Board also directed North Bay to estimate the costs of the system upgrades required to allow for this capability at the time of its next rebasing. Board staff further noted that there is an appreciable debit balance in North Bay's global adjustment sub-account and submits that the Board's general policy is to dispose of the global adjustment sub-account balance by means of a separate rate rider that would apply prospectively to non-RPP customers.

For the reasons stated above, Board staff submits that the disposition of North Bay's Group 1 account balances is not warranted at this time.

#### Submission

NBHDL agrees that the preset disposition threshold of \$.001 / kWh is appropriate and leads to a more systematic approach to the disposition of Group 1 account balances and mitigates intergenerational inequities, the accumulation of large balances, and enhances a distributor's ability to manage cash flow. These same concerns were also brought forward by both Board staff and NBHDL in a prior application (EB-2009-0113) regarding the disposition of RSVA balances. However, NBHDL submits that while the debit balance of \$511,476 does not exceed the threshold, it does round to \$.001 / kWh, thereby narrowly missing the threshold requirement. The total claim \$.000907 does not materially differ from the preset disposition threshold and NBHDL further submits that its proposal to dispose of Group 1 balances is substantively consistent with the rationale of the EDDVAR Report.

The Board appears to have considered both Innisfil Hydro's (EB-2010-0093) claim per kWh of (\$.000625) and Chapleau's (EB-2010-0073) claim per kWh of (\$.000597) to have narrowly missed the threshold; NBHDL's claim per kWh is significantly closer to the threshold of \$.001 / kWh. While it is understood that both of the referenced LDC's are in a position to refund the customer, NBHDL submits that the principal is the same.

NBHDL agrees in principal that a separate rate rider for the Global Adjustment sub-account should apply to non-RPP customers only and is working diligently to address the inability of its billing system to handle this capability. NBHDL anticipates that the correction of this shortfall will be made prior to the next Cost of Service application; however, at the present time the issue still exists.

#### **VECC SUBMISSION REPLY**

##### **Revenue-to-Cost Ratios**

VECC submits that the adjustments to revenue-to-cost ratios are in accordance with the Board's EB-2009-0270 decision and that the Revenue-Cost Ratio Adjustment Work Form has been completed appropriately.

Submission

NBHDL has no further comments on this issue.

**D.D. RENNICK SUBMISSION REPLY**

**Shared Tax Savings**

NBHDL respectfully acknowledges Mr. Rennick's submission and submits that NBHDL has followed Board guidelines as directed in "Chapter 3 of the Filing Requirements for Transmission and Distribution Applications"; NBHDL has no further comments on the issue.

All of which is respectfully submitted on this 15<sup>th</sup> day of February, 2011.