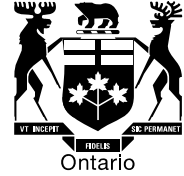


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BY E-MAIL ONLY

December 19, 2007

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: North Bay Hydro Distribution Limited
2008 Incentive Regulation Mechanism (2008 IRM) Rate Application
Board File Number EB-2007-0794**

Please find attached Board Staff Interrogatories for the above proceeding.

Yours truly,

Original Signed By

Angela Pachon
Policy Advisor, Regulatory Policy Development

Encl.

**2008 Incentive Rate Mechanism Application
Ontario Energy Board Staff Interrogatories for
North Bay Hydro — EB-2007- 0794**

For each of the interrogatories below, please provide a complete explanation. Where applicable, clarify whether there were errors, confirming what the correct entry should have been, or justify the noted discrepancies. The format of the response should repeat the references and interrogatories.

Ref.: 2008 IRM Model, Sheet 3 (2007 Tariff Sheet)

1. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the service charge for the Unmetered Scattered Load class is applied on a “per customer” basis, however your 2008 model does not reflect this.
2. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the service charge for the Sentinel Lighting and Street Lighting classes is applied on a “per connection” basis, however your 2008 model does not reflect this.
3. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the retail Transmission Rates for Network Service Rate and Line and Transformation connection Service Rate for the General Service 3,000 to 4,999kW class is applied on an “Interval Metered” basis, however your 2008 model does not reflect this.

Ref: Z-Factor, Request for Recovery of Storm Costs (Manager’s Summary, Appendix B and C)

Prudence

The Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario’s Electricity Distributors (the “Board Report”) states that amounts claimed must represent the most cost-effective option (not necessarily the least initial cost) for ratepayers. Consequently, the distributor will need to justify the reasonableness of the amounts relative to other options that the distributor may have had.

4. Please provide information supporting the choices made with respect to the procurement of external contractors for all costs included in Appendix B.
5. Please provide the method used to determine the level of incremental labour costs including the method for tracking overtime hours and labour rates.
6. Please provide copies of all invoices for the costs included in Appendix B, including a detailed breakdown of the costs for each contractor.
7. Does the Applicant have a contingency plan for the provision of emergency response services? If so:
 - a) Please summarize the extent to which the Applicant followed its contingency plan. If the Applicant deviated in any material way from the plan, please identify the deviations and the reasons for those deviations.
 - b) Please identify any arrangements/agreements that the Applicant has with other LDCs and non-LDCs. For each arrangement please include the parties to the arrangement(s), the purpose of the arrangement(s) and the types of services provided including the associated rates/fees and the basis for those rates/fees.
8. Appendix C states that the following costs were included in the proposed storm costs claims.
 - a) Overheads related to crews and outside staff.
 - b) An allocation of equipment costs related to storm repairs (vehicle maintenance expenses)
 - c) Management time spent directing and resolving storm crisis, for at least 6 days management and supervisory staff efforts were concentrated on support, staffing, communication, engineering, and safety issues regarding storm recovery, all other regular duties were deferred.

These items would not usually be considered as incremental costs. Please explain the rationale for the inclusion of these costs, including a demonstration that these costs were incremental.

9. Does North Bay Hydro have insurance coverage for storm damages? If so, please provide detailed evidence on the insurance coverage.
10. Please confirm that the costs that North Bay Hydro seeks to recover are associated exclusively with the distribution assets of the regulated utility. If not, please provide the allocation methodology used to apportion the costs to the regulated utility.
11. Please explain why the Company did not apply for the recovery of storm costs incurred in 2006 as part of its 2007 IRM application.

Recording and Record Keeping

The Board Report states that Z-Factor cost claims should be included in account 1572, Extraordinary Event Costs. The appropriate recording and record-keeping methodologies for account 1572 can be found in Board issued documents such as, but not limited to, Article 220 of the Accounting Procedures Handbook and the September 15, 2003 Regulatory Asset Filing Guidelines.

12. Appendix C states there are still a number of items that have not been resolved or billed at this time. Please explain the reason for this delay. Does the Applicant intend to make the amounts related to these items, the subject of any future claim to the Board?
13. North Bay Hydro states that the costs attributed to the storm were \$509,747.04 while the amount claimed for costs recovery is \$470,047.29.
 - a) Please confirm the amount that North Bay Hydro intends to book into account #1572.
 - b) Please provide the rationale for submitting a Z-factor adjustment of \$470,047.29 rather than \$509,747.04. Please itemize the amounts that have been excluded, and the rationale for their exclusion.
 - c) Is any portion of the difference between the costs of the storm damage and the Z-Factor claim included elsewhere other than account 1572 on either the balance sheet or the income statement?
 - d) Does the Applicant intend to make the difference in these amounts the subject of any future claim to the Board?

14. For each of the cost claims included in Appendix B, please indicate whether North Bay Hydro intends to capitalize these costs or treat them as OM&A.
15. Appendix C provides a list of items included in the costs directly related to storm recovery and restoration of power. The following items are part of that list:
 - Material cost to repair and replace distribution assets (line transformers, conduit, conductors); and
 - Replacement of distribution transformers (approximately 21).

For these items, please confirm that they relate to the replacement value of the damaged assets that are no longer used and useful following the storm, and exclude the value of stranded assets.

16. Please identify the annual storm cost included in your 2006 EDR rates. Please also provide information relating to distributors' historic storm cost levels for the years 2004 and 2005.

Recovery Methodology

In its Decision with Reasons for the Combined Proceeding on Storm Damage Cost Claims dated July 31, 2007 (EB-2007-0514, EB-2007-0595, EB-2007-0571, and EB-2007-0551) the Board found that the approved storm damage costs should be allocated to the classes on the basis of distribution revenue.

17. Please provide the rationale for using customer count (based on 2006 EDR) to allocate storm costs.
18. Why is North Bay Hydro proposing to recover storm costs solely based on a monthly service charge rate rider?
19. Please recalculate the rate riders by rate class by using an allocation based on 2006 distribution revenue, and a recovery from fixed and variable charges based on the class-specific percentage splits as per the approved 2006 EDR methodology.
20. The Applicant has proposed to mitigate the impact on its ratepayers by proposing to recover the claimed costs over two years. Please provide the bill impact for a recovery of storm cost over a 12 months period expressed as a percentage of the total bill. Please show all calculations for a minimum of two consumption levels per class including 1,000 kWh for the residential class and 2,000 kWh for the general service < 50kW class.