



74 Commerce Crescent Tel. (705) 474-8100
P.O. Box 3240 Fax: (705) 495-2756
North Bay, Ontario Fax: (705) 474-3138
P1B 8Y Fax: (705) 474-8579
Fax: (705) 474-4634

Administration
Engineering / Purchasing
Customer Services / Accounting
Operations

February 19, 2008

Ontario Energy Board
Board Secretary's Office
P.O. Box 2319, 27th Floor
2300 Yonge St.
Toronto, ON, M4P 1E4

Dear Ms. Walli:

RE: North Bay Hydro Distribution Limited, 2008 IRM, Board File Number EB -2007-0794

Please find attached North Bay Hydro's responses to Board Staff's Submission issued February 4, 2008. If you have any questions or require any clarifications please contact the undersigned or Netta Lamothe, Financial & Regulatory Analyst at extension 201 or via email nlamothe@northbayhydro.com.

Sincerely,

Original signed by Todd Wilcox

Todd Wilcox
Chief Operating Officer

IN THE MATTER OF THE *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 Schedule B, as amended;

AND IN THE MATTER OF an Application by North
Bay Hydro Distribution Limited for an Order or Orders
approving or fixing just an reasonable rates and other
charges for the distribution of electricity as of May 1,
2008.

**NORTH BAY HYDRO DISTRIBUTION LIMITED
REPLY TO OEB STAFF SUBMISSION**

FEBRUARY 19, 2008

Todd Wilcox
Chief Operating Officer

North Bay Hydro Distribution Limited
P.O. Box 3240
North Bay, ON P1B 8Y5
Tel: (705) 474-8100
Fax: (705) 495-2756

twilcox@northbayhydro.com

IN THE MATTER OF THE *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15 Schedule B, as amended;

AND IN THE MATTER OF an Application by North Bay Hydro
Distribution Limited for an Order or Orders approving or fixing just
an reasonable rates and other charges for the distribution of
electricity as of May 1, 2008.

NORTH BAY HYDRO DISTRIBUTION LIMITED
REPLY TO OEB STAFF SUBMISSION

February 19, 2008

INTRODUCTION:

1. On November 2, 2007, North Bay Hydro Distribution Limited (“North Bay Hydro”) filed an application (the “Application”) with the Ontario Energy Board (the “OEB”) under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the rates that it charges for electricity distribution, to be effective May 1, 2008. The OEB assigned File No. EB-2007-0794 to the Application.
2. The Application is based on the OEB’s 2008 Incentive Regulation Mechanism (“IRM”). The 2008 IRM process provides for “Z factor” adjustments to address distributor expenditures arising out of extraordinary events. The Application includes a request to recover costs related to a severe wind storm that took place in July 2007. The circumstances surrounding the storm are discussed in the Application and in the material filed by North Bay Hydro in support of its Z factor claim.
3. In its Z factor claim, North Bay Hydro seeks to recover the sum of \$470,047.29 on account of expenditures it incurred in restoring its distribution system after the storm. As discussed in the Application and in its responses to various OEB staff interrogatories, the storm interrupted service to approximately 95% of North Bay Hydro’s customers. Restoration of service took several days, and required North Bay Hydro to enlist the assistance of neighbouring utilities and private contractors.

1 4. The material filed in the Application in support of the claim was, to North Bay Hydro's
2 knowledge, similar in scope to the material filed in support of certain of the 2007 Z
3 factor applications that were considered by the OEB in its combined proceeding on
4 storm damage cost claims (OEB File Nos. EB-2007-0514/-0551/-0571/-0595, referred
5 to here as the "Combined Proceeding"). That material was supplemented by North Bay
6 Hydro in its responses to OEB staff interrogatories, and North Bay Hydro has provided
7 certain additional items in conjunction with this submission, in order to address an OEB
8 staff allegation as to a lack of evidence for the Z factor claim – an allegation
9 respectfully rejected by North Bay Hydro.

10 5. No intervenor has opposed North Bay Hydro's Z factor claim. OEB staff delivered
11 numerous interrogatories to North Bay Hydro in respect of the storm, to which North
12 Bay Hydro has provided complete responses. The impacts of the storm were supported
13 by the media reports filed by North Bay Hydro, and costs related to external services
14 were supported by invoices. Additions to those external costs were explained by North
15 Bay Hydro.

16 6. OEB staff have not explicitly opposed the North Bay Hydro claim, but have called
17 various elements of the claim into question, and have invited parties to comment on the
18 justification for the Z factor claim and certain other matters related to the claim. North
19 Bay Hydro is not aware of any other parties having filed comments.

20 7. The OEB staff comments fall into a number of general categories. Those categories,
21 and the order in which North Bay Hydro will address them, are as follows:

- 22 • Alleged Lack of Evidence and Timing Delays;
- 23 • Causation;
- 24 • Materiality;
- 25 • Prudence; and
- 26 • Accounting and Recovery Method

1 8. As noted above, North Bay Hydro has provided certain additional items in conjunction
2 with this submission, in order to address an OEB staff allegation as to a lack of
3 evidence for the Z factor claim. North Bay Hydro appreciates that additional evidence
4 would not typically be filed at the submission stage of a proceeding, but having
5 provided supporting material in its Application and in response to the staff
6 interrogatories, and with OEB staff still suggesting that the Z factor claim is not
7 adequately supported, North Bay Hydro has had little choice but to provide further
8 supporting material.

9 **ALLEGED LACK OF EVIDENCE AND TIMING DELAYS:**

10 9. As OEB staff have acknowledged, North Bay Hydro submitted “a detailed breakdown
11 for the claim for contracted services from most of the contractors, lodging, meals and
12 travel expenses.” OEB staff have suggested that “No breakdown was provided for the
13 amount claimed on internal overtime hours, materials, ‘overtime’ of trucks, and
14 contracted services from most of surrounding electricity distributors.” With respect to
15 the staff comment regarding North Bay Hydro’s neighbouring distributors that assisted
16 in the recovery effort, North Bay Hydro has provided the OEB with copies of all
17 material provided by those distributors, including relevant invoices, with the exception
18 of the enclosed supporting material from Orillia Power Distribution, which was
19 inadvertently not included in the Application or North Bay Hydro’s interrogatory
20 responses. North Bay Hydro regrets this omission. The material accompanies this
21 submission as Attachment “A”.

22 10. With respect to invoices from external contractors, North Bay Hydro has filed with the
23 OEB the material received from those contractors. Those invoices were reviewed and
24 approved by North Bay Hydro’s General Manager (now retired) who oversaw the
25 provision of these services. That individual was actively involved in the storm recovery
26 work, and was aware of what crews and equipment were in North Bay and for what
27 periods of time. North Bay Hydro exercises diligence in reviewing and approving all
28 invoices for contracted services, including those incurred for storm recovery.

- 1 11. With respect to the OEB staff comments regarding overtime, North Bay Hydro states
2 that overtime is not invoiced – accordingly, no invoices are available for filing in this
3 regard. Overtime hours for internal labour and vehicles are tracked internally via North
4 Bay Hydro payroll and work order software. North Bay Hydro’s Z factor claim
5 includes only overtime attributable to the storm recovery work.
- 6 12. Similarly, North Bay Hydro materials are not invoiced directly. As with the overtime
7 amounts, North Bay Hydro’s Z factor claim includes only materials attributable to the
8 storm recovery work.
- 9 13. North Bay Hydro’s comments with respect to accrued interest and truck-related
10 overtime are set out below in the section on “Causation”.
- 11 14. Board staff have raised questions about timing and regulatory efficiency with respect to
12 the Z factor claim. North Bay Hydro now understands that the 2007 IRM process could
13 have provided a mechanism for a Z factor claim, and is aware of the outcome of the
14 Combined Proceeding. However, North Bay Hydro notes that it would have been
15 difficult for North Bay Hydro to have prepared the Z Factor claim in time for inclusion
16 in its 2007 IRM claim in any event, for the reasons set out in the following paragraph.
- 17 15. In July 2006, North Bay City Council requested that the Ministry of Municipal Affairs
18 and Housing consider the City of North Bay (the “City”) for a disaster area designation
19 under the Ontario Disaster Relief Assistance Program. An estimate of NBH’s storm
20 costs was included in this request. In October 2006, the City was informed that it did
21 not qualify for a Special Assistance Grant. Please see the attached letter (Attachment
22 “B”) dated October 25, 2006 from the Ministry of Municipal Affairs and Housing in
23 this regard. In November 2006, North Bay Hydro requested that the Northeastern
24 Municipal Services Office – Ministry of Municipal Affairs & Housing reconsider its
25 decision and provide financial assistance to the City and North Bay Hydro. Please see
26 the attached letter (Attachment “C”) dated November 21, 2006, signed by Glen
27 Weckworth, Chair of the Board of North Bay Hydro, and Jim Snider, the General
28 Manager (now retired) of North Bay Hydro. At the end of December 2006, North Bay

1 Hydro was advised that the Ministry was not in a position to provide financial
2 assistance. Please see the attached letter (Attachment "D") dated December 21, 2006.
3 North Bay Hydro was diligent in its attempts to secure disaster relief funding through
4 the municipality and then independently.

5 16. With respect to OEB staff's comments about regulatory efficiency, North Bay Hydro
6 submits that while four other utilities received rate approval following the Combined
7 Proceeding, each utility's claim was evaluated on its own merits. The fact that North
8 Bay Hydro did not participate in that proceeding should not prejudice OEB staff, or the
9 OEB itself, in the evaluation of the claim.

10 17. With respect to OEB staff's comments regarding an "out-of-period adjustment which
11 could lead to inter-generational inequities", North Bay Hydro submits that there is little
12 difference between a 2008 claim based on a 2006 extraordinary event and the OEB's
13 2006 EDR process, which established 2006 electricity distribution rates based for the
14 most part on 2004 data.

15 18. The OEB has permitted, but not required, electricity distributors to make Z factor
16 claims immediately following their expenditures. While it may have been open to
17 North Bay Hydro to make its claim in 2007, no parties have will been prejudiced by the
18 claim having been made as part of the 2008 IRM process. If the OEB is concerned
19 about the interest that will have accrued on these costs since North Bay Hydro incurred
20 them, then North Bay Hydro respectfully suggests that a reduction in the carrying
21 charges exigible on the Z factor claim is a far more appropriate response than the denial
22 of a supported claim that represents 6.49% of North Bay Hydro's 2006 total distribution
23 expenses.

24 19. Finally, with respect to "inter-generational inequities", North Bay Hydro is not aware of
25 concerns in the 2006 EDR process regarding inter-generational inequities
26 notwithstanding that 2006 rates were based on 2004 data. Similarly, transition costs
27 incurred by electricity distributors in the period leading to the opening of Ontario's
28 wholesale and retail electricity markets in May 2002 will not be fully recovered until

1 the end of April of this year, six or more years after those costs were incurred, when
2 recovery of the Regulatory Assets approved in the OEB's 2006 EDR process will be
3 completed. By contrast, the Z factor-related rate adjustments for the utilities that
4 participated in the Combined Proceeding did not take effect until September 1, 2007.
5 The Z factor-related adjustment requested by North Bay Hydro would take effect on
6 May 1, 2008, only 8 months after the adjustments of the participants in the Combined
7 Proceeding. An 8 month difference in the effective date of the adjustment should not
8 raise issues of inter-generational inequities, particularly where, as in this Application,
9 there is no suggestion that North Bay Hydro is seeking a retroactive rate adjustment.

10 **CAUSATION – ALLOCATED OVERHEAD COSTS:**

11 20. North Bay Hydro's accounting practice is to account for all payroll overhead costs
12 (employer deductions, pension contributions, benefits etc) in separate accounts and then
13 apportion these actual costs by means of a payroll overhead cost allocation, which is
14 attached to every payroll unit or direct labour cost.

15 21. North Bay Hydro submits that the allocation of payroll overheads to overtime labour
16 costs is justified as North Bay Hydro incurs incremental CPP, EI, EHT, WSIB and meal
17 allowance costs for every incremental overtime hour.

18 22. North Bay Hydro's overhead allocation rate for overtime in this Z factor claim is 40%,
19 and is lower than the allocation rate on regular labour of 70%. This reflects the fact that
20 not all payroll overhead costs are incurred on overtime wages (for example pension
21 expense, extended health benefits, uniforms and safety boot allowance).

22 23. With respect to truck overtime, North Bay Hydro's accounting practice is to incur and
23 account for all truck related maintenance and operating expense to specific truck
24 maintenance accounts. These expenses are then allocated to specific departments or
25 work orders depending on truck time sheets that are submitted by employees when they
26 submit their labour hours timesheets. This allocates the equipment cost per hour to the

department or work order (rates are \$31 per hour for a line truck and \$7 per hour for a light truck).

24. North Bay Hydro maintains that incremental costs were incurred to run this equipment after normal operating hours. North Bay Hydro was conducting recovery operations 24 hours a day for approximately 4 days. This resulted in incremental mileage and wear and tear on its trucks, as well as incurred incremental fuel costs. North Bay Hydro maintains that these costs are incremental and justified.

25. With respect to its incremental Operations Supervision costs and incremental Engineering costs, North Bay Hydro has determined that there was an error in its response to OEB staff Interrogatory No. 8. That response had indicated that North Bay Hydro allocates an additional 5% in overhead to incremental Operations Supervision costs and 25% to incremental Engineering costs. The correct response is that North Bay Hydro allocates an additional 25% in overhead to incremental Operations Supervision costs and 5% related to incremental Engineering costs that are not expensed directly. These overhead allocations relate to internal labour only and do not apply to third party contractors. An expense was incurred by North Bay Hydro to compensate its Management and Supervisors for working significant overtime related to storm recovery. Paid overtime to management and supervisory staff amounted to \$27,253.87, and was not included in North Bay Hydro's Application. Instead, North Bay Hydro has used the 25% allocation factor for Operations Supervision costs. This amounts to \$19,694.42 on account of incremental Operations Supervision costs, approximately \$8,000 less than the actual incremental cost, and North Bay Hydro submits that the claim of \$19,694.42 is both reasonable and justified.

26. With respect to the allocation of overhead for incremental Engineering costs, North Bay Hydro has reviewed that portion of its claim and has determined that overtime for engineering was charged directly to the storm work order and was therefore already included in the storm-related costs. Accordingly, North Bay Hydro is prepared to remove the 5% allocator, equal to \$3,938.88, from its claim.

MATERIALITY – TRANSFORMERS:

27. North Bay Hydro did advise OEB staff that the claim included capital costs related to distribution transformers, but did not provide detailed costs. North Bay Hydro incurred \$41,898.96 in incremental costs related to distribution transformers and this amount was included under materials in Appendix B (please see Attachment “E”).

28. North Bay Hydro reiterates that under GAAP these transformers have been capitalized, however the costs incurred are incremental and as such North Bay Hydro is seeking recovery of those costs as a materials expense. The recovery of these costs as operating expenses is consistent with the OEB’s Decision in the Combined Proceeding, as OEB staff note at page 9 of their submission. North Bay Hydro also acknowledges that these costs, if approved, should not be treated as distribution expenses for the purpose of determining a future revenue requirement.

29. North Bay Hydro maintains that amounts approved by the OEB in this Application on account of distribution transformers will not be included in its rate base when North Bay Hydro applies to rebase for 2009. In effect, these transformers will be treated in the same manner as capital contributions in order to eliminate any concerns regarding over-recovery.

PRUDENCE:

30. In the circumstances of this catastrophic storm, North Bay Hydro was forced to use its own forces to their maximum capacity and to seek help from neighbouring LDCs and third parties in order to restore service to its customers. Even with this outside help, it was four days before service was restored to the majority of North Bay Hydro customers. North Bay Hydro had no other reasonable options in this regard, other than to further delay the restoration of power to its customers. North Bay Hydro has provided services of this kind to its neighbouring LDCs on a collaborative basis as well, on occasions when its neighbours have faced weather emergencies that cannot be met

1 by their forces alone. As a result, there is no incentive for neighbouring LDCs to
2 overcharge each other for these services.

3 31. However, North Bay Hydro acknowledges OEB staff's comments regarding more
4 formal arrangements that may limit expenditures in these instances, and North Bay
5 Hydro's management staff will be reviewing that matter with its operations
6 management staff.

7 32. With respect to the addition of 8% in overhead North Bay Hydro maintains that it is
8 justified in applying to recover an overhead allocation for administrative expenses
9 related to the management of services received under external contracts. These
10 expenses have not been expensed directly. North Bay Hydro maintains that no costs
11 were included for recovery for Management and Supervisory staff even though
12 management staff worked significant overtime hours for which they were compensated.
13 Therefore only incremental costs incurred related to the provision of incremental
14 contractor expenses are included through the 8% allocation factor which is reasonable
15 and justified.

16 **ACCOUNTING & RECOVERY METHOD:**

17 33. North Bay Hydro's accrued interest calculation was inadvertently omitted from its
18 Application and supporting material. North Bay Hydro has now provided it as an
19 attachment to this submission (Attachment "F"). North Bay Hydro regrets this
20 oversight.

21 34. By way of explanation, North Bay Hydro notes that interest is accrued from December
22 2006, as North Bay Hydro was still receiving invoices into late October and November
23 2006 for services rendered during the storm recovery period. North Bay Hydro
24 considered it fair and reasonable to begin to accrue interest from the point at which its
25 total storm recovery costs were known. In addition, as discussed above, North Bay
26 Hydro was not certain of its lack of eligibility for disaster relief funds until early 2007.
27 North Bay Hydro believes that it would have been unreasonable to accrue interest on

1 expenditures which had been treated as operating/capital expenses (which would have
2 been the case had disaster relief funds been available), as opposed to amounts which are
3 comparable to deferral account balances (as is the case with the amounts claimed in this
4 Application).

5 35. North Bay Hydro is reducing its claim by \$3,938.88 to reflect removal of overhead for
6 incremental engineering costs, as noted in paragraph 26, above. This will reduce its
7 claim to \$425,260.72 plus interest. With respect to interest, North Bay Hydro maintains
8 that it has been diligent and responsible in attempting to seek recovery through other
9 means prior to applying for recovery through rates. While North Bay Hydro maintains
10 that it has acted responsibly in making this request for a Z factor adjustment as part of
11 its 2008 IRM application, North Bay Hydro is prepared to forgo carrying charges on the
12 second year of its proposed 24 month recovery period (May 2009 through April 2010),
13 so that North Bay Hydro now seeks to recover interest for the period from December
14 2006 through April 2009. In that way, North Bay Hydro's interest recovery will be
15 limited in time to the period over which interest would have been recovered had North
16 Bay Hydro made its Z factor adjustment request in conjunction with its 2007 IRM
17 application. As a result, the interest amount to be recovered will be reduced from
18 \$40,847.68 to \$35,858.49. With the adjustments for engineering overhead and interest,
19 North Bay Hydro's revised total claim is \$461,119.21.

20 36. At page 8 of their submission, OEB staff state that North Bay Hydro is proposing to
21 allocate storm costs based on the number of customers, using its 2006 EDR customer
22 count, and that the recovery be solely through a monthly service charge rate rider over a
23 two-year period. North Bay Hydro notes, however, that in its response to OEB staff
24 Interrogatory No. 19, North Bay Hydro did provide a calculation of the rate riders by
25 rate class by using an allocation based on 2006 distribution revenue, and a recovery
26 from fixed and variable charges based on the class-specific percentage splits as per the
27 approved 2006 EDR methodology. That question also requested recovery over a 12
28 month period. To minimize customer impact North Bay Hydro has requested and
29 continues to prefer to recover these costs over a two year period.

CONCLUSION:

37. North Bay Hydro applied for recovery through monthly fixed charge over 24 months. As OEB staff have observed, this Application, including the proposed Z factor-related rate riders, results in total bill *reductions* of 0.4% for residential customers at 1,000 kWh/month, and approximately 0.7% for GS < 50 kW customers at 2,000 kWh/month. The reductions will be slightly greater with the adjustments for engineering overhead and interest discussed above.

38. Accordingly, North Bay Hydro submits that its Application, and more particularly its proposed Z factor-related adjustment, represents a reasonable and prudent approach to the recovery of the incremental costs related to its catastrophic storm of July 2006, which clearly minimizes customer bill impacts. North Bay Hydro respectfully requests that the OEB approve its Application, subject to the removal of \$3,938.88 previously attributed to overhead for incremental Engineering costs and the removal of \$4,989.19 in carrying charges for the period May 2009 to April 2010, for a revised total Z factor claim of \$461,119.21.

All of which is respectfully submitted this 19th day of February, 2008,

North Bay Hydro Distribution Limited

Todd Wilcox
Chief Operating Officer

ATTACHMENT A

REFERENCE: PARAGRAPH 9

Invoice

North Bay Hydro Distribution L

74 Commerce Cresc.
Box 3240
North Bay

ON P1B 8Y5

21-06-6801
Job Address:
74 Commerce Cresc.
Box 3240
North Bay

ON P1B 8Y5

Date	Invoice Number	Customer Order Number	Customer Number	Net Terms
11/10/2006	1498		NORTH BAY HYDRO	Net 30
Description				

Assist with storm damage

Labor	Quantity	Unit Chg	Billable Amount
Lab-Distrib-Sup-Reg	4.00	66.75	267.00
Lab-Distrib-Reg	130.50	53.23	6,947.46
Lab-Distrib-D/T	231.50	107.77	24,948.83
Lab-Flagperson-Reg	5.00	27.17	135.88
Lab-Mech-D/T	6.00	113.62	681.75
Labor Total:			\$32,980.92

Materials	Quantity	Unit Chg	Billable Amount
KVSU-26 - OKLIP CONNECTOR	3.00	24.37	73.11
KVSU-28 - OKLIP CONNECTOR	6.00	34.68	208.09
WIPERS - TERI - REINFORCED - 6 /	3.00	18.71	56.13
FIVE FINGER WORK GLOVES	4.00	22.21	88.84
D-15 INSECT REPELLENT / AEROSOL	3.00	14.61	43.84
MUSKOL INSECT REPELLENT/AEROSOL	1.00	10.46	10.46
FLASH GLASSES - SCT GRAY - UVEX	2.00	11.14	22.28
LANTERN - SMALL - WATERPROOF	5.00	38.37	191.85
FLASH GLASSES - SCT GRAY - UVEX	-2.00	11.14	-22.28
LANTERN - SMALL - WATERPROOF	-5.00	40.21	-201.09
Material O/H July 2006	1.00	138.91	138.91
Material O/H Oct. 2006	-1.00	44.66	-44.66
Materials Total:			\$565.48

Equipment	Quantity	Unit Chg	Billable Amount
1998 CHEV PICKUP	8.00	8.75	70.00
1998 CHEV PICKUP	7.00	8.75	61.25
TRUCK # 06-19 CHEV 4 X 4	6.00	8.75	52.50
1998 CHEV PICKUP	8.00	8.75	70.00
1998 CHEV PICKUP	7.50	8.75	65.63
1998 CHEV PICKUP	8.00	8.75	70.00
1998 CHEV PICKUP	6.50	8.75	56.88
1998 CHEV PICKUP	8.00	8.75	70.00
1998 CHEV PICKUP	7.00	8.75	61.25
TRUCK # 06-19 CHEV 4 X 4	6.50	8.75	56.88
1998 CHEV PICKUP	15.50	8.75	135.63
1998 FORD 4X4 PICKUP	5.00	8.75	43.75
1998 CHEV PICKUP	10.00	8.75	87.50
2005 FREIGHTLINER BUCKET	8.00	31.25	250.00
2005 FREIGHTLINER SINGLE BUCKET	3.50	31.25	109.38
2005 FREIGHTLINER BUCKET	7.00	31.25	218.75
2005 FREIGHTLINER SINGLE BUCKET	3.00	31.25	93.75

Invoice

2005 FREIGHTLINER SINGLE BUCKET	8.00	31.25	250.00
2005 FREIGHTLINER BUCKET	8.00	31.25	250.00
2005 FREIGHTLINER SINGLE BUCKET	7.50	31.25	234.38
2005 FREIGHTLINER BUCKET	7.50	31.25	234.38
2005 FREIGHTLINER SINGLE BUCKET	8.00	31.25	250.00
2005 FREIGHTLINER BUCKET	8.00	31.25	250.00
2005 FREIGHTLINER SINGLE BUCKET	6.50	31.25	203.13
2005 FREIGHTLINER BUCKET	6.50	31.25	203.13
2005 FREIGHTLINER SINGLE BUCKET	8.00	31.25	250.00
2005 FREIGHTLINER BUCKET	8.00	31.25	250.00
2005 FREIGHTLINER SINGLE BUCKET	7.00	31.25	218.75
2005 FREIGHTLINER BUCKET	7.00	31.25	218.75
2005 FREIGHTLINER SINGLE BUCKET	15.50	31.25	484.38
2005 FREIGHTLINER BUCKET	15.50	31.25	484.38
2005 FREIGHTLINER SINGLE BUCKET	10.00	31.25	312.50
2005 FREIGHTLINER BUCKET	10.00	31.25	312.50

Equipment Total: \$5,979.43

AP Direct Purch	Quantity	Unit Chg	Billable Amount
-----------------	----------	----------	-----------------

	1.00	542.60	542.60
--	------	--------	--------

AP Direct Purch Total \$542.60

Billing Amount:	\$40,068.43
Retention Withheld:	\$0.00
Retention Due:	\$0.00

Subtotal: \$40,068.43

Misc: 0.00

Tax: 2,404.11

G.S.T. 86512 0596

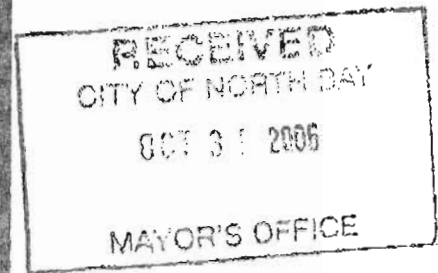
Pay This Amount: \$42,472.54

ATTACHMENT B

REFERENCE: PARAGRAPH 15

**Ministry of
Municipal Affairs
and Housing**
Municipal Services Division
777 Bay Street - 16th Floor
Toronto ON M5G 2E5
Telephone: 416 585-7257
Fax: 416 585-6445

**Ministère des
Affaires municipales
et du Logement**
Division des services municipaux
777, rue Bay, 16^e étage
Toronto ON M5G 2E5
Téléphone: 416 585-7257
Télécopieur: 416 585-6445



Ocother 25, 2006

His Worship
Mayor Victor Fedeli
City of North Bay
P.O. Box 360
200 McIntyre Street E
North Bay ON P1B 8H8

Dear Mayor Fedeli:

Thank you for your resolution of July 24, 2006, in which Council requested the consideration of a disaster area designation under the Ontario Disaster Relief Assistance Program (ODRAP).

ODRAP is designed to provide disaster assistance in situations where damage to private property or municipal infrastructure is so extensive that the cost of recovery would exceed the financial resources of the community.

After careful consideration of the affected area and the types of infrastructure damaged by the July 17, 2006 windstorm, the Ministry has determined that it would not be appropriate to declare the City of North Bay a disaster area for the purpose of accessing financial assistance under ODRAP.

The Ministry understands the financial impact that the cost of recovery from such events as the July 17th windstorm can have on a community. As a result, the Ministry also considered whether your municipality would meet the criteria for a one-time Special Assistance Grant to assist with these costs.

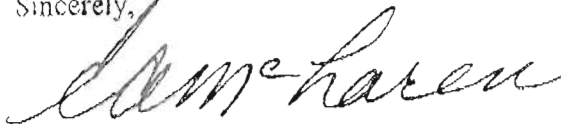
A key consideration for determining whether to provide a grant of this nature is the municipality's financial well-being and its ability to meet its financial obligations and provide minimum essential services to businesses and residents. As a way of assessing this, the Ministry determines the net assistance that an applicant municipality would receive if an amount equivalent to 4% of the municipality's own purpose taxation is deducted from the amount of assistance requested. However, when the formula was applied, the 4% (\$2,221,082) amount of your 2004 own purpose taxation (\$55,527,055) exceeded the amount of your public damage costs (\$571,000), therefore, the City of North Bay does not qualify for a Special Assistance Grant.

...2.

Mayor Victor Fedeli

If you require further explanation of this decision, please contact Lynn Buckham, Regional Director, in the Northeastern Municipal Services Office in Sudbury, at 705-564-6858.

Sincerely,

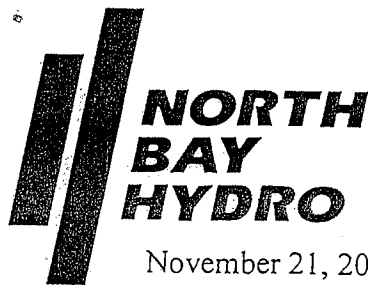
A handwritten signature in cursive script, appearing to read "E McLaren".

Elizabeth A. McLaren
Assistant Deputy Minister
Municipal Services Division

c: Monique Smith, MPP, Nipissing
David G. Linkie, CAO, City of North Bay

ATTACHMENT C

REFERENCE: PARAGRAPH 15

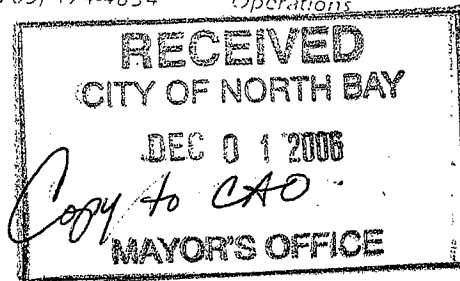


November 21, 2006

Northeastern Municipal Services Office
Ministry of Municipal Affairs and Housing
Suite 401
150 Cedar Street
Sudbury, Ontario
P3E 6A5

74 Commerce Crescent Tel: (705) 474-8100
P.O. Box 3240 Fax: (705) 495-2756
North Bay, Ontario Fax: (705) 474-3138
P1B 8Y Fax: (705) 474-8579
Fax: (705) 474-4634

Administration
Engineering, Purchasing
Customer Services, Accounting
Operations



Attention: Lynn Buckham, North East Regional Director

On Monday July 17, 2006 the city of North Bay was hit by a devastating wind storm. Seven sub transmission feeders comprise the backbone of the distribution system. Only one sub transmission feeder (18M2) was operational and still fed customers. It is estimated that about 21,800 of 23,000 North Bay Hydro customers were without power.

The damage was so sever that every street and every line had to be patrolled before any attempt could be made to restore power. There were so many trees on lines and wires down that public safety would have been jeopardized by traditional methods of restoring power. The sub transmission feeders were patrolled and restored as a first step. The substation transformers were then brought back on line. Each distribution feeder had to be patrolled before any attempts to restore power could be undertaken. There were many hundreds of services torn down by the winds and by trees. North Bay Hydro has many kilometers of rural and "off road" lines in its service area. This increases patrol and restoration times dramatically. Some lines can only be accessed on foot.

Two sub transmission feeders operate at 22KV. On the first night we spent several hours restoring the 22KV system only to have both feeders go off again. It took until Thursday July 20 to get about 95% of the customers back on. This left many of the rural customers still without power. Most of the rural system was restored by Sunday July 23. There were still many single services without power heading into Monday July 24. Most of these services were waiting for Electrical Safety Authority (ESA) inspection. The service provided by the ESA was excellent.

North Bay Hydro contracts its tree trimming to a private contractor. The contractor spent over three weeks cleaning up tree damage from the storm. At times there were as many as eight men working on tree removals and clean up. We also had a great deal of assistance from the City of North Bay crews who cleaned up roadways and trees that were on the ground clear of hydro lines. There were trees "hung up" on other trees in the rural system that have since come down causing damage to our lines weeks later. In one heavily treed area of the city we have had several customer complaints about how many times the power has been off in the wake of the storm.

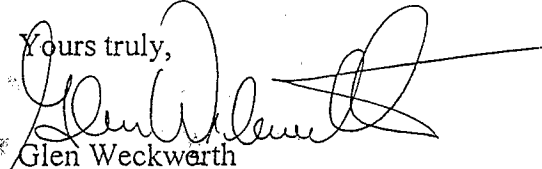
North Bay Hydro staff were required to man the work center twenty four hours per day for six days. There were many customer calls concerning the length of the outage and the expected restoration schedule. Crews from Greater Sudbury Utilities, Orillia Power and Lakeland Power provided assistance. Aultman Construction and Badger Daylighting were also used to provide clean up assistance. At the height of the storm there were about 40 supervisory, line crew, civil and forestry staff working on power restoration. Eight office staff answered customers concerns during the storm period. After July 21 they were assisted by Northern Communications who act as North Bay Hydro's after hours answering service.

On the first night the outage was so wide spread that food could not be found for the crews as the local restaurants were all closed. A local family pitched in to make sandwiches for the crews. This type of local support buoyed the crews during a very trying time. Many of the line crews involved were at the ice storm in 1998. They likened the damage here to what they experienced at the ice storm.

The damage to North Bay Hydro's system included a substation transformer (an insurance claim), 21 distribution transformers, 25 broken poles, many spans of primary conductor down and hundreds of services down. The material costs were more than \$100,000 with the total cost of storm being in excess of \$500,000. This is almost one third of the North Bay Hydro line maintenance budget for a year. This indicates the kind of damage that occurred over a period of a few hours.

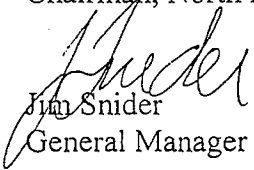
North Bay Hydro is very disappointed that the Ministry has decided not to declare the City a state of emergency. No one at North Bay Hydro can remember such a storm. There was so much damage in such a short time. The inconvenience and hardships that the residents of North Bay suffered during this period will be on their minds for years to come. It was a credit to them the way they rallied to support each other as some stretched into eight or ten days without power. North Bay Hydro urges the Ministry to reconsider their decision and provide financial assistance to our City and to North Bay Hydro for the damage suffered.

Yours truly,



Glen Weckwerth

Chairman, North Bay Hydro Distribution Ltd.



Jim Snider

General Manager

c.c. Victor Fedeli. North Bay Mayor
Monique Smith. Nipissing MPP

ATTACHMENT D

REFERENCE: PARAGRAPH 15

**Ministry of
Municipal Affairs
and Housing****Ministère des
Affaires municipales
et du Logement****Ontario****Municipal Services Office
Northeastern
159 Cedar Street, Suite 401
Sudbury ON P3E 6A5****Telephone: (705) 564-0120
Toll Free: 1-800-461-1193
Fax: (705) 564-6863****Bureau des services aux municipalités
Région du Nord-est
159 rue Cedar, Local 401
Sudbury ON P3E 6A5****Téléphone: (705) 564-0120
sans frais: 1-800-461-1193
Télécopieur: (705) 564-6863**

December 21, 2006

Mr. Glen Weckworth, Chairman
Mr. Jim Snider, General Manager
North Bay Hydro
74 Commerce Crescent
P.O. Box 3240
North Bay ON P1B 8Y5

Dear Mr. Weckworth and Mr. Snider:

Thank you for your letter of November 21, 2006, requesting the Ministry to reconsider its decision to not fund the costs incurred by the City of North Bay and North Bay Hydro resulting from the July 17, 2006 storm.

The Ministry examined the request from the City of North Bay for financial assistance in relation to the purpose of the Ontario Disaster Assistance Relief Assistance program (ODRAP).

ODRAP is intended to alleviate hardships suffered by individuals, farmers, small businesses, and non-profit organizations in municipalities and unincorporated areas whose essential property has been damaged in a natural disaster. ODRAP also provides assistance for extraordinary municipal costs where damage to municipal infrastructure is so extensive that they exceed the financial resources of the municipality.

After considering the information provided on the nature and extent of the private and public damage incurred, a disaster declaration was not issued for the City of North Bay or any of the other thirteen municipalities in northeastern Ontario affected by the storm.

While it is recognized that the summer storm event had an impact on the City of North Bay and North Bay Hydro, the Ministry is not in a position to provide financial assistance.

Sincerely,

Lynn Buckham
Regional Director
Northeastern Municipal Services Office

ATTACHMENT E

REFERENCE: PARAGRAPH 27

Transformers changed during storm July 2006 – WF 0297031

TRANSFORMER	ADDRESS	COST	MANU. DATE
1. CT 06C2564308 25 kv T02966	425 Viceroy Rd	1716.30	April 6/06
2. CT 06C2564301 25 kv T01564	333 Viceroy Rd	1716.30	April 6/06
3. CT 06C2564303 25 kv T01687	120 Borden Ave	1716.30	April 6/06
4. CT 06C2539405 50 kv	Seymour St	2040.28	Jan 2/06
5. CT 06C2539401 50 kv	Seymour St	2040.28	Jan 2/06
6. CT 06C2564309 25 kv T02222	140 Tower Dr	1716.30	April 6/06
7. CT 06C2564307 25 kv T02034	791 Anita Ave	1716.30	April 6/06
8. CT 06P0313802 25 kv T01818	240 North Shore Rd	1883.64	July 7/06
9. CT 06C2564302 25 kv T03048	211 West Peninsula	1716.30	April 6/06
10. CT 06C2577403 75 kv T02172	5 Commerce Cr	2810.00	May 16/06
11. CT 06C2577402 75 kv T02172	5 Commerce Cr	2810.00	May 16/06
12. CT 06C2577401 75 kv T02172	5 Commerce Cr	2810.00	May 16/06
13. CT 06C2539404 50 kv	Farmers Cartage Hwy 17 E.	2040.28	Jan 2/06
14. CT 06C2539403 50 kv	Farmers Cartage Hwy 17 E.	2040.28	Jan 2/06
15. CT 06C2539402 50 kv	Farmers Cartage Hwy 17 E.	2040.28	Jan 2/06
16. CT 06C2570801 50 kv	Premier Rd	2164.18	Mar 5/06
17. CT 06C2538604 50 kv	NB Golf & Country Cb Airport Rd	2077.53	Jan 2/06
18. CT 06C2538602 50 kv	unknown	2077.53	Jan 2/06
19. PI G7449-1 50 kv T00231	175 Oak St. E	1854.58	Jan 2/06
20. CA 553010 25 kv T00327	Clarence St. North End	1196.00	Jan 2/94
21. CT 06C2564305 25 kv	Shorewood Rd	1716.30	Apr 5/06
TOTAL		41,898.96	

ATTACHMENT F

REFERENCE: PARAGRAPH 33

19/02/2008

		RATE/AMNT	NUM PMTS	AMOUNT
9.25		4.59%	24	\$18,578.79
Amt incl all tax	3205.82	425,260.72	12	\$36,325.65

5.14% Oct 2007 - April 2008

INTEREST

\$27,390.29

PAYMENT

\$ 452,651.01

Opening	Principal	Interest	Payment	\$	
1	\$ (1,626.62)	\$1,626.62	\$0.00	\$	425,260.72
2	\$ (1,626.62)	\$1,626.62	\$0.00	\$	426,887.34 Jan-07
3	\$ (1,626.62)	\$1,626.62	\$0.00	\$	428,513.96 Feb-07
4	\$ (1,626.62)	\$1,626.62	\$0.00	\$	430,140.58 Mar-07
5	\$ (1,626.62)	\$1,626.62	\$0.00	\$	431,767.20 Apr-07
6	\$ (1,626.62)	\$1,626.62	\$0.00	\$	433,393.82 May-07
7	\$ (1,626.62)	\$1,626.62	\$0.00	\$	435,020.44 Jun-07
8	\$ (1,626.62)	\$1,626.62	\$0.00	\$	436,647.06 Jul-07
9	\$ (1,626.62)	\$1,626.62	\$0.00	\$	438,273.68 Aug-07
10	\$ (1,626.62)	\$1,626.62	\$0.00	\$	439,900.30 Sep-07
11	\$ (1,821.53)	\$1,821.53	\$0.00	\$	441,721.83 Oct-07
12	\$ (1,821.53)	\$1,821.53	\$0.00	\$	443,543.36 Nov-07
13	\$ (1,821.53)	\$1,821.53	\$0.00	\$	445,364.89 Dec-07
14	\$ (1,821.53)	\$1,821.53	\$0.00	\$	447,186.42 Jan-08
15	\$ (1,821.53)	\$1,821.53	\$0.00	\$	449,007.95 Feb-08
16	\$ (1,821.53)	\$1,821.53	\$0.00	\$	450,829.48 Mar-08
	\$ (1,821.53)	\$1,821.53	\$0.00	\$	452,651.01 Apr-08

19/02/2008

RATE/AMNT	NUM PMTS	AMOUNT
5.14%	12	\$36,432.79
425,260.72	24	\$18,197.44

Amt incl all tax

INTEREST **8,468.20** PAYMENT \$18,197.44
433,728.92

Opening	Principal	Interest	Payment	425,260.72		
1	\$ 17,286.67	\$910.77	\$18,197.44	\$407,974.05	1	May-08
2	\$ 17,323.70	\$873.74	\$18,197.44	\$390,650.35	2	Jun-08
3	\$ 17,360.80	\$836.64	\$18,197.44	\$373,289.55	3	Jul-08
4	\$ 17,397.98	\$799.46	\$18,197.44	\$355,891.57	4	Aug-08
5	\$ 17,435.24	\$762.20	\$18,197.44	\$338,456.33	5	Sep-08
6	\$ 17,472.58	\$724.86	\$18,197.44	\$320,983.75	6	Oct-08
7	\$ 17,510.00	\$687.44	\$18,197.44	\$303,473.75	7	Nov-08
8	\$ 17,547.50	\$649.94	\$18,197.44	\$285,926.25	8	Dec-08
9	\$ 17,585.08	\$612.36	\$18,197.44	\$268,341.17	9	Jan-09
10	\$ 17,622.74	\$574.70	\$18,197.44	\$250,718.43	10	Feb-09
11	\$ 17,660.48	\$536.96	\$18,197.44	\$233,057.95	11	Mar-09
12	\$ 17,698.31	\$499.13	\$18,197.44	\$215,359.64	12	Apr-09
13	\$ 18,197.44		\$18,197.44	\$197,162.20	13	May-09
14	\$ 18,197.44		\$18,197.44	\$178,964.76	14	Jun-09
15	\$ 18,197.44		\$18,197.44	\$160,767.32	15	Jul-09
16	\$ 18,197.44		\$18,197.44	\$142,569.88	16	Aug-09
17	\$ 18,197.44		\$18,197.44	\$124,372.44	17	Sep-09
18	\$ 18,197.44		\$18,197.44	\$106,175.00	18	Oct-09
19	\$ 18,197.44		\$18,197.44	\$87,977.56	19	Nov-09
20	\$ 18,197.44		\$18,197.44	\$69,780.12	20	Dec-09
21	\$ 18,197.44		\$18,197.44	\$51,582.68	21	Jan-10
22	\$ 18,197.44		\$18,197.44	\$33,385.24	22	Feb-10
23	\$ 18,197.44		\$18,197.44	\$15,187.80	23	Mar-10
24	\$ 18,197.44		\$18,197.44	(\$3,009.64)	24	Apr-10