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BY E-MAIL

December 1, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: North Bay Hydro Distribution Ltd. (“North Bay”)
2012 IRM3 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2011-0187**

In accordance with the Notice of Application and Hearing, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to North Bay Hydro Distribution Ltd. and to all other registered parties to this proceeding.

In addition please advise North Bay Hydro Distribution Ltd. that responses to interrogatories are due by December 15, 2011.

Yours truly,

Original Signed By

Christiane Wong
Information Administrator – Applications & Regulatory Audit

Encl.

Board Staff Interrogatories

2012 IRM3 Electricity Distribution Rates North Bay (“North Bay”) EB-2011-0187

2012 IRM3 Rate Generator

1. Ref: A portion of Sheet “14. Proposed Rate Riders” of the rate generator is reproduced below.

Rate Description	Unit	Amount	Effective Until Date	Proposed Amount	Effective Until Date
Residential					
Low Voltage Service Rate	\$/kWh	0.00004			
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery / Shared Savings Mechanism (SSM) Recovery	\$/kWh	0.00030	April 30, 2013		
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery (2011)	\$/kWh			0.00020	April 30, 2014
General Service Less Than 50 kW					
Low Voltage Service Rate	\$/kWh	0.00004			
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery / Shared Savings Mechanism (SSM) Recovery	\$/kWh	0.00020	April 30, 2013		
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery (2011)	\$/kWh			0.00040	April 30, 2014
General Service 50 to 2,999 kW					
Low Voltage Service Rate	\$/kW	0.01390			
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery / Shared Savings Mechanism (SSM) Recovery	\$/kW	0.06770	April 30, 2013		
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery (2011)	\$/kWh			0.02650	April 30, 2014

a) Please confirm the “Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery (2011)” for the Residential, General Service Less Than 50 kW and General Service 50 to 2,999 kW should be “Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery (2012)”. If confirmed, Board staff will make the relevant corrections.

2. Ref: A portion of Sheet “9. 2012 Cont. Sched. Def-Var” of the rate generator is reproduced below.

		2.1.7 RRR	
Account Descriptions	Account Number	As of Dec 31-10 ⁴	Variance RRR vs. 2010 Balance (Principal + Interest)
Group 1 Accounts			
LV Variance Account	1550	\$ 30,405	-\$ 0
RSVA - Wholesale Market Service Charge	1580	-\$ 753,634	-\$ 0
RSVA - Retail Transmission Network Charge	1584	\$ 594,710	-\$ 172
RSVA - Retail Transmission Connection Charge	1586	\$ 323,169	\$ 0
RSVA - Power (excluding Global Adjustment)	1588	\$ 512,293	\$ 567,580
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ -	-\$ 567,580
Recovery of Regulatory Asset Balances	1590	\$ -	\$ -
Disposition and Recovery of Regulatory Balances (2008) ⁷	1595	\$ 179,899	\$ 146,920
Disposition and Recovery of Regulatory Balances (2009) ⁷	1595	\$ -	\$ -
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		\$ 886,842	\$ 146,748
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ 886,842	\$ 714,329
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ -	-\$ 567,580

North Bay has reported in their 2.1.7 RRR report that the December 31, 2010 balance in account 1588 is \$512,293. North Bay has input this amount into the RSVA – Power (excluding Global Adjustment) (row 28) line of the worksheet.

- a) Please confirm that the \$512,293 is the net balance in account 1588, which includes the global adjustment sub-account balance.
- b) If confirmed, please provide the breakdown of account 1588 by separating out the global adjustment sub-account balance.

Account 1521 – Special Purpose Charge (“SPC”)

3. Ref: Manager’s Summary, Pg. 6 of 13

- a) Please confirm North Bay’s SPC assessment amount and provide a copy of the original SPC invoice.
- b) Please complete the following table related to the SPC.

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charges Balance	Forecasted Carrying Charges for 2012 (Jan.1 to Apr.30)	Total for Disposition (Principal & Interest)

Lost Revenue Adjustment Mechanism (LRAM)

4. Ref: Appendix K: IndEco Third Party Review Document, October 11, 2011

North Bay Hydro is requesting an LRAM amount of \$187,545 for CDM programs that were delivered in 2008, 2009 and 2010 and the persisting energy savings between January 1, 2008 and April 30, 2012.

- a) Please confirm that final 2010 OPA program results were used in the calculation of LRAM amounts.
- b) If North Bay Hydro has not received final 2010 program results from the OPA, please discuss when North Bay Hydro plans on receiving them and how it proposes to update its LRAM amount to reflect the final results.
- c) Please confirm that North Bay Hydro has not collected any LRAM amounts it has requested in this application in past LRAM applications.
- d) Please provide a table that clearly shows the total LRAM amount North Bay Hydro seeks by year.

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- e) Please confirm when North Bay Hydro's last load forecast was approved by the Board.
- f) Please identify the savings included in North Bay Hydro's last Board approved load forecast, for CDM programs deployed from 2006 to 2010 inclusive.

Account 1562 – Deferred PILs

5. Preamble:

In RP-2000-0213/EB-2000-0454, North Bay had requested unbundled rates to be effective on market opening date of May 1, 2002. North Bay remained on a bundled rate structure until May 1, 2002.

In RP-2002-0027/EB-2002-0036, in order to mitigate rate increases, North Bay elected to only recover 38% of the 2002 PILs amount and recognized that the remaining 62% would never be collected. The 2002 Decision and Order dated March 28, 2002 stated:

“The Board notes that, because of rate impact concerns, the Applicant proposed to forego recovery of 62% of 2002 PILs, or \$780,095, and defer recovery of the one half of the second of three instalments of MARR, \$427,796, to May 1, 2003. The Board accepts the Applicant's proposals.”

Given its wish to mitigate customer impact, North Bay voluntarily requested that the unbundled rate impact including the 2001 and 2002 PILs proxies should not take effect until May 1, 2002.

Reference: Appendix 1, Monthly Continuity Schedule, 2002, 2004 and 2005 Proxy Entitlements

- a) Please explain why North Bay believes that its entitlement to the 2001 and 2002 PILs proxy should begin prior to May 1, 2002?
- b) Please clarify how the 2002 PILs entitlement for the year of \$478,122.24 is calculated with specific reference to the period of January 1, 2002 to the effective date of rate change on May 1, 2002.
- c) What regulatory reference supports starting the 2002 PILs entitlement at January 1, 2002 rather than May 1, 2002?
- d) Please clarify how the 2004 PILs entitlement for the year of \$540,523.80 is

calculated with specific reference to the period of January 1, 2004 to the implementation date of rate change on April 1, 2004.

- e) Please clarify how the 2005 PILs entitlement for the year of \$1,193,981.25 is calculated with specific reference to the period of January 1, 2005 to the implementation date of rate change on April 1, 2005.

6. Reference: Appendix 17, 2001 T2 Federal Tax Return and 2001 Audited Financial Statements

The net book value of fixed assets used for rate purposes in North Bay's Rate Unbundling Application for 2000 was \$32,544,432. Schedule 8 Summary of Capital Cost Allowance (CCA) in the 2001 T2 tax return shows an opening balance for depreciable assets (excluding land) of \$47,088,725.

On October 1, 2001 North Bay elected to apply the fair market value bump-up of assets in their annual tax filings. North Bay received the benefit of its fixed assets in distribution rates and higher CCA due to the fair market value bump-up of approximately \$15 million.

- a) Please confirm that the difference between the net book value and the amount on Schedule 8 of the T2 tax return is the appraisal increment for tax purposes.
- b) Does North Bay agree that the shareholders received the tax advantage of the fair market value bump-up for tax purposes from 2001 to 2005?

7. Reference: Appendices 13 and 15, 2002 and 2004 SIMPIL models Appendix 20, 2002 T2 Federal Tax Return and 2002 Audited Financial Statements, Write-down of Capital Property and Loss of Disposal of Assets

The 2002 T2 Schedule 1 shows an addition for a write-down of capital property of \$540,755 that is not deductible for tax purposes.

- a) What was the business reason for writing down this asset?
- b) Was the asset sold to a municipal owner, an affiliated company, or an associated company?
- c) Did North Bay apply to the Board for the recovery of the write down?
- d) This addition was added to the 2002 SIMPIL model TAXREC2 sheet row 34 cell

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C34. Material items recorded on TAXREC2 true-up to the ratepayers only. However, if the value of the asset was included in rate base in 2001, shareholders are getting a continued benefit in distribution rates. A write down of assets is accelerated depreciation and does not true up in the PILs methodology.

Please explain why this asset write down should true up to ratepayers and not to the shareholder.

- e) If North Bay agrees it benefits shareholders only, please move the transactions to TAXREC3.

8. The 2004 T2 Schedule 1 shows an addition for a loss on disposal of assets of \$144,597.

- a) Is this the same asset that was written down in 2002?
- b) This addition was added to the 2004 SIMPIL model TAXREC2 sheet row 19 cell C19. Material items recorded on TAXREC2 true-up to the ratepayers only.

Please explain why a loss on disposal of assets on which shareholders are getting a return in distribution rates and a CCA tax benefit should true-up to ratepayers and not to the shareholder.

- c) If North Bay agrees it benefits shareholders only, please move the transactions to TAXREC3.

9. Reference: Appendix 20, 2002 T2 Federal Tax Return - Schedule 8, Class 1 Asset – Summary of Capital Cost Allowance

North Bay's 2002 T2 Schedule 8 is showing a disposal of a class 1 asset of \$1,597,939.

- a) Please explain what was disposed in 2002.
- b) Did the asset remain in rate base?
- c) Did North Bay continue to receive a return on this asset in distribution rates?

10. Reference: Appendix 15, 2004 SIMPIL model, Ontario Capital Tax

The 2003 Ontario Capital Tax (OCT) included in 2004 income tax of \$29,301 is recorded on the 2004 SIMPIL TAXREC2 sheet row 96 cell C96 which true up to ratepayers. Income tax effect of OCT additions and deductions should not true-up to ratepayers and should be recorded on TAXREC3.

- a) Please explain why North Bay believes it should true-up to ratepayers.

11. Reference: Appendices 12 to 16, 2001 to 2005 SIMPIL Models, Interest Expense for Tax Years 2001 to 2005

For the tax years 2001 to 2005:

- a) Did North Bay have interest expense related to other than debt that is disclosed as interest expense in its financial statements?
- b) Did North Bay net interest income against interest expense in deriving the amount it shows as interest expense? If yes, please provide details to what the interest income relates.
- c) Did North Bay include interest expense on customer security deposits in interest expense?
- d) Did North Bay include interest income on customer security deposits in interest expense?
- e) Did North Bay include interest expense on IESO prudentials in interest expense?
- f) Did North Bay include interest carrying charges on regulatory assets or liabilities in interest expense?
- g) Did North Bay include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?
- h) Did North Bay deduct capitalized interest in deriving the interest expense disclosed in its financial statements?
- i) Please provide North Bay's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.
- j) Please provide a table for the years 2001 to 2005 that shows all of the

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components of North Bay's interest expense and the amount associated with each type of interest.