



74 Commerce Crescent Tel. (705) 474-8100
P.O. Box 3240 Fax: (705) 495-2756 Administration
North Bay, Ontario Fax: (705) 474-3138 Engineering/Purchasing
P1B 8Y5 Fax: (705) 474-8579 Customer Services/Accounting
Fax: (705) 474-4634 Operations

Wednesday, November 21, 2012

Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Attention: Kristen Walli, Board Secretary

Dear Ms. Walli:

**Re: North Bay Hydro Distribution Ltd. (EB-2012-0152)
Application for 2013 Electricity Distribution Rates
Reply Submission to Board Staff and D.D Rennick Submissions**

Please find attached a copy of North Bay Hydro Distribution Ltd.'s response to Board Staff and D.D. Rennick's submissions of comments with regards to the 2013 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 Intervenor as follows:

Donald Rennick
a) Donald Rennick, Independent Participant

Yours truly,

Original signed by

Melissa Casson,
Regulatory Manager
North Bay Hydro Distribution Limited
(705) 474-8100 (300)
mcasson@northbayhydro.com

**RESPONSE TO BOARD STAFF AND D.D. RENNICK SUBMISSIONS
NORTH BAY HYDRO DISTRIBUTION LTD.
EB-2012-0152**

North Bay Hydro Distribution Ltd. (“NBHDL”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), on August 31, 2012 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, 2013. The Application is based on the 2012 3rd Generation Incentive Regulation Mechanism (“IRM”).

Based on a review of the evidence submitted by NBHDL, the Board and Mr. Rennick filed their submissions on November 6, 2012 on the following matters:

- Disposition of Group 1 Deferral and Variance Account Balances;
- Shared Tax Savings; and
- Smart Meters.

This document reviews the submissions and provides the reply submission of NBHDL on the matters stated above.

BOARD STAFF SUBMISSION REPLY:

Disposition of Group 1 Deferral and Variance Account Balances

Board staff has reviewed NBHDL’s Group 1 Deferral and Variance account balances and notes that the principal amounts to be disposed of as of December 31, 2011 reconcile with the amounts reported as part of the RRR. Board staff also notes that the preset disposition threshold was not exceeded. Accordingly, Board staff has no issue with NBHDL’s request not to dispose of its Group 1 2011 Deferral and Variance Account balances at this time.

NBHDL Reply Submission

NBHDL has no further comments on this issue.

Shared Tax Savings

NBHDL proposed including the tax savings amount of \$(36,506) in Account 1595 on the basis that the amount was not material; Board staff supports NBHDL’s proposal as it is consistent with the Filing Requirements.

NBHDL Reply Submission

NBHDL has no further comments on this issue.

Smart Meters

In the absence of SMFA funding since April 30, 2012, Board staff submits that the deferred revenue requirement and hence resulting SMDRs to recover it could be significant if delayed until 2014. Board staff therefore submits that the Board should consider directing NBHDL to file a stand-alone application for disposition and recovery of smart meter costs prior to its 2014 cost of service application.

NBHDL Reply Submission

The community of North Bay has been hit particularly hard by current economic realities and NBHDL is sensitive to the impact of electricity rates on community viability. There is significant pressure to keep electricity rates low and minimize bill impacts while continuing to deliver safe and reliable electricity. There are several factors which are playing a role in NBHDL's decision to file its smart meter application for rates effective 2014. NBHDL recognizes that deferring an additional year will increase the deferred revenue requirement that it will eventually seek from customers, however, there are still significant costs that are anticipated over the next 6 months and, of more importance, there are several rate riders that will be expiring April 30, 2014 that will assist significantly in reducing the overall increase to a typical residential or general service <50 customer that result from the smart meter disposition.

While the majority of smart meters have been installed and are operating under TOU billing, NBHDL will see additional costs flow through the incremental deferral account over the next six months while the company addresses two substantial infrastructure issues. NBHDL has made significant efforts to implement the provincial initiative of TOU billing across the residential and general service <50 classes for all eligible customers. NBHDL did not request an extension to its transition to TOU billing and pushed hard to meet the deadlines given. The rough and difficult terrain of Northern Ontario has presented communication challenges to all AMI service providers. NBHDL has been working with Sensus, its AMI partner, to pioneer solutions to overcome the technology limitations that are prevalent in difficult terrain. Often the solution is only found through trial and error. Over the next few weeks NBHDL and Sensus will be fine tuning upgrades made this fall to the system to ensure stability in read interval success performance. Coinciding with the communication infrastructure upgrades, NBHDL is preparing to roll out the installation of approximately 1,200 three phase meters to complete the smart meter transition for all eligible customers. The anticipated costs of this implementation will be substantial and NBHDL believes it is appropriate to ensure that all costs related to the TOU mandate are included in its smart meter application. Sensus has only recently made this type of meter available in larger quantities and NBHDL is pushing the installation forward quickly in order to align the final phase of the smart meter installation with the submission of the disposition application.

April 30th, 2014 is the sunset date for several rate riders that are included on NBHDL's Tariff of Rates and Charges for residential and general service <50 customers, specifically the Deferral/Variance Account Disposition (2012), LRAM (2012) and the rider for Global Adjustment Sub-Account Disposition (2012). A typical residential customer using 800 kWh / month will see a reduction \$1.04 / month beginning May 1st, 2014. A residential customer signed with a retailer will experience an even larger reduction of \$1.76 / month. A typical general service <50 customer using 2,000 kWh / month will see a reduction \$2.00 / month beginning May 1st, 2014. If signed with a retailer, a <50 customer will experience an even larger reduction of \$3.80 / month. NBHDL feels that timing the addition of the SMDR with the sunset date of the above mentioned riders will assist substantially in mitigating the impact that is expected to come from the disposition of the smart meter costs. The customer ultimately pays for the costs of transitioning to smart meters; NBHDL is proposing that the timing of those costs be delayed to ensure all costs are included and that the timing offers some relief to the customer.

NBHDL is proposing to submit an application seeking disposition of the smart meter costs in 2013 with a rate rider aligned with May 1st, 2014 effective dates that coincide with the sunset date of several rate riders to help mitigate the anticipated increase of the SMDR. The timing of the application will also ensure that the bulk of the costs related to the smart meter transition are included in the disposition.

D.D. RENNICK SUBMISSION REPLY:

NBHDL respectfully acknowledges Mr. Rennick's submission and has no further comments.

All of which is respectively submitted on this 21st day of November, 2012.