

**Ontario Energy
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**Commission de l'énergie
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BY E-MAIL

July 8, 2013

Donald D, Rennick, CPA, CA
392 Surrey Drive
North Bay ON P1C 1E3

Dear Mr. Rennick:

**Re: North Bay Hydro Distribution Limited-Delay of 2014 Cost of Service
Application**

Thank you for your recent letters, dated May 27, 2013 and June 20, 2013 regarding North Bay Hydro's distribution rates.

On April 3, 2013, the Board approved North Bay Hydro's request to defer its cost of service application by one year. The Board notified North Bay Hydro that it would be placed on the list of distributors scheduled for rebasing for the 2015 rate year. The Board considered North Bay Hydro's financial position and 3 year performance with respect to system reliability and service quality indicators in coming to this conclusion.

On June 27, 2013 North Bay responded to your objection via email, referencing the reasons provided in the Board's letter of April 3, 2013 and indicated that the generation (FIT) related revenues and costs are to be segregated from the regulated distribution business in accordance with the Board's requirements. This requirement is set out in the Board's accounting policy for distributors engaging in generation activity which require that both the costs and revenues associated with the unregulated FIT programs be kept separate from the regulated distribution business, and therefore cannot be used to either lower or increase delivery rates. Included below for your information is a relevant passage of the accounting policy.

4.2. Generation Facility Owned by Distributor and Non-Rate Regulated

Although under this scenario distributor generation activities will not affect the setting of rates for the distributor, the accounting treatment requires a segregation of these activities from the distributor's rate-regulated activities. This segregation of information requires the use of specified accounts to record generation activities. A distributor should follow these accounting procedures to ensure that information reported for rate setting purposes relates only to the distributor's rate-regulated business and does not include the assets, liabilities, revenues and costs associated with its non-rate regulated activities. In this manner, the distributor will continue to provide financial information on a "stand alone" rate-regulated basis in order to support the distribution rate setting and other requirements of the Board.

Attached you will find a complete copy of the Board's Guidelines: Regulatory and Accounting Treatments for Distributor-Owned Generation Facilities.

The Board sees no material changes in North Bay's circumstances that warrant a reconsideration of the deferral granted to North Bay.

Yours truly,

Original Signed By

John Pickernell
Assistant Board Secretary

c: Melissa Casson