

Oct 15, 2013

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

Attention: Kristen Walli, Board Secretary

Dear Ms. Walli:

Re: North Bay Hydro Distribution Ltd. (NBHDL) - EB-2013-0157

In accordance with the Notice of Application and Hearing, please find enclosed two copies of my interrogatories in the above-noted proceeding.

At this time, I am in agreement with the Board's intentions regarding a written hearing with interrogatories, responses, submissions and reply submission.

I have uploaded the file to the OEB site and emailed a copy to NBHDL.

Yours very truly,

Donald Rennick, CPA, CA

**DONALD RENNICK -
INTERROGATORIES
TO
NORTH BAY HYDRO DISTRIBUTION LIMITED (NBHDL)
OEB FILE NO: EB-2013-0157**

MANAGER'S SUMMARY

6) Tax changes

The "NorthBay_2014_IRM_Tax_Sharing_Model.....XLSM" file contains an error on "Sheet 5 - Z-Factor Tax Changes".

The reference in the formula in Cell C20 should be D29 not D27 which would change the information in that cell to read; "For the 2010 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)". That figure, taken from the 2010 COS tax calculation, is \$34,000.

Correction of the reference Cell C20 and entry of the \$34,000 as a positive amount in Cell I20 will change the Shared Tax Savings amount to a credit of \$71,006 which changes the rate rider for some of the volumetric rate classes. (See graphic below)

Please note that this omission was not noticed by anyone in the last three IRM's (EB-2010-0102, EB-2011-0187, and EB-2012-0152) resulting in a \$17,000 per year underestimate of the tax saving due to ratepayers.

This change will adjust the Tax Sharing rate rider for a majority of the rate classes. Please adjust Sheet 5 to reflect the above changes or indicate the reasoning for not doing so.

This worksheet calculates the tax sharing amount.

[UPDATE SHEET](#)

Step 1: Press the Update Button (this will clear all input cells and reveal your latest cost of service re-basing year).

Step 2: In the green input cells below, please enter the information related to the last Cost of Service Filing.

Summary - Sharing of Tax Change Forecast Amounts

For the 2010 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)

\$ 34,000

1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2010	2014
Taxable Capital	\$ 44,104,715	\$ 44,104,715
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 29,104,715	\$ 29,104,715
Rate	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 21,649	\$ -

2. Tax Related Amounts Forecast from Income Tax Rate Changes

	2010	2014
Regulatory Taxable Income	\$ 2,313,637	\$ 2,313,637
Corporate Tax Rate	28.72%	24.99%
Tax Impact	\$ 664,477	\$ 544,114
Grossed-up Tax Amount	\$ 664,477	\$ 544,114
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 21,649	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 664,477	\$ 544,114
Total Tax Related Amounts	\$ 686,126	\$ 544,114
Incremental Tax Savings		-\$ 142,012
Sharing of Tax Savings (50%)		-\$ 71,006

Appendix “J” – Prudence Review of Smart Meter Costs - Application for Recovery of Smart Meter Capital and OM&A Costs

APPLICATION – Page 1 of 21

The application is seeking to recover the balance of \$2,207,161 for smart meter costs from 2006 – 2013 and \$451,412 for estimated smart meter costs in 2014.

1. After deducting amortization, please indicate the amount included in the figures noted above which does not represent an actual “cost” but represents a calculated figure for such items as deemed interest, return on equity and PIL’s. Please note the question does not require that you justify the inclusion of these calculated amounts but requests the figure that represents the total of these amounts.

2. In this application, Smart meter amortization has been treated differently, from a rate setting point of view, than amortization of other capital assets purchased by NBHDL. Capital asset amortization expense included in rates remains constant between COS applications, except for the effect of the annual adjustment mechanism, until the next COS application.

In this case, NBHDL has charged customers on a retroactive basis for amortization of these capital assets. Please explain why NBHDL has chosen this unique method for dealing with smart meter acquisition costs.

3. Return on equity for smart meter acquisitions has been treated differently, from a rate setting point of view, than other capital assets purchased by NBHDL. Return on capital (ROC) expense included in rates remains constant between COS applications, except for the effect of the annual adjustment mechanism, until the next COS application.

In this case, NBHDL has charged customers on a retroactive basis for ROC on these capital assets. Please explain why NBHDL has chosen this unique method for dealing with smart meter acquisition costs.

As well as charging ROC retroactively, NBHDL has used ROC percentages which reflect those in effect as of 2010. If NBHDL is going to change the usual practice and charge ROC on assets purchased in the interval between COS applications then, in order to be consistent, they should use the ROC percentages in effect during those intervening years. This would have the effect of reducing the requested smart meter recovery rates for Residential Customers from \$1.28 to \$1.16 (2006 – 2013) and from \$1.37 to \$1.29 (2014) and for General Service <50kW customers from \$7.79 to \$7.51 (2006 – 2013) and from \$3.20 to \$3.02 (2014).

Please explain why NBHDL has chosen this unique method for dealing with smart meter ROC calculations and used ROC percentages from 2010 rather than those in effect during the intervening years 2011 - 2013.

Manager's Summary – Item # 10 Web Presentment

States that TOU consumption within 24 hours of availability is critical if customers are to take control of electricity consumption patterns over the longer term and that customers must be provided with the tools to derive the benefit of the provincially mandated smart meter system.

In order to support this ongoing expense:

1. Please give some specific real world examples of why access to consumption within 24 hours of availability is critical and would provide any real benefit to the average residential customer.

Please provide these examples with a view to explaining how they would be, in any practical way, superior to the present situation without access to that information.

2. Please give some specific real world examples of how access to consumption within 24 hours of availability would be necessary to assist customers to take control of electricity consumption patterns over the longer term.