November 8, 2013

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: North Bay Hydro Distribution Ltd.
2014 IRM3 Distribution Rates and Smart Meter Cost Recovery Application
D. D. Rennick Submission
Board File No. EB-2013-0157

In accordance with the Notice of Application and Written Hearing, please find attached my submission in the above noted proceeding.

Two hard copies have been mailed to Board offices and an electronic copy has been uploaded using the Board's RESS system as well as being forwarded to the applicant and the Vulnerable Energy Consumers Association.

Yours very truly,

D. D. Rennick, CPA, CA

D. D. Rennick Submission
North Bay Hydro Distribution Ltd.
2014 IRM3 Distribution Rate and Smart Meter Cost Recovery Application
EB-2013-0157

This document is to provide the Board with my submissions based on the application submitted by NBHDL and their responses to interrogatories.

Submissions are made on the following topics:

1. Shared Tax Savings

2. Recovery of Smart Meter Capital and OM&A costs

3. Web presentment

Manager's Summary – 6) Tax Changes

NBHDL's response supporting their calculation of Tax Changes includes reference to the method used in the EB-2011-0187 application.

I agree that the explanation of NBHDL's method was contained in their submission to the Board on January 23, 2012. Their method was copied directly from my submission dated January 9, 2012 (DRennick_Sub_NorhtBay_20120109). NBHDL copied my submission so closely that their submission included the same error that was made in mine.

The error that was made was that the tax credit or $34,000 included in the 2010 COS calculation of taxes was not accounted for in the Tax Savings calculation for the following years. In order to compare apples to apples, the tax credit must be factored into both tax calculations or into neither calculation. The method used by NBHDL in this application only factors in the credit into the 2010 calculation.

Using the effective tax rate of 28.72% which incorporates the impact of the tax credit into the tax calculation dictates that the tax credit must be used in Cell I20, not excluded as suggested by NBHDL. In order to arrive at the proper tax savings amount of $71,006, the tax credit must be used in both the 2010 calculation and the 2014 tax calculation. In the alternative, excluding the tax credit from both years' tax calculations would also result in a tax savings of $71,006.

I submit that the tax credit of $34,000 must be included in cell I20 to give the proper tax savings amount. I further submit that because of a similar error in 2011, 2012 and 2013 IRM applications that tax savings were been lowered by $17,000 per year and should

be added to the current year's tax saving amount of $71,006 to bring the total to $122,006 ($71,006 + ($17,000 times 3) and included in the calculation of the current rate rider.

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

APPLICATION – Page 1 of 21

1. NBHDL's response indicates that they disagree with the notion that the application contains costs that are not actual costs.

Unfortunately NBHDL is partially correct. The PILS amount of $184,921.80 included in the SMDR and SMIRR riders represents an amount that will be paid to the Provincial because NBHDL has chosen to add a return on equity figure to the current rate rider calculation

However, since NBHDL is reluctant to provide the totals for these non-costs, I have completed that task and find them to be

NBHDL's unique treatment of smart meter acquisition costs is not excused by their suggestion that they were only following orders.

2. NBHDL indicates that it has not chosen a unique method for dealing with smart meter amortization in spite of the fact that amortization of other capital acquisitions are being handled differently than smart meter acquisition costs.

NBHDL also submits that they are following the Board's guideline G-2011-0001. The guideline in question states that, *"While providing guidance to distributors on how to apply for smart meter cost recovery beginning with the 2012 rate year, this document is a guideline and is therefore not determinative of how the Board may decide in any case. The onus is on an applicant to make and support its application in light of its own specific circumstances."*

The guideline does not support the unique treatment but merely offers a guideline for recovery of costs. NBHDL is free to submit its claim for cost recovery on any basis it wishes. NBHDL has already collected over 50% of its actual costs for smart meter installation and will collect more than the remaining balance through amortization charges and interest and return on equity beginning in the next COS application test year.

I submit that NBHDL should treat smart meter costs in a similar manner to that of other capital asset purchases during IRM years and refrain from burdening ratepayers with additional costs using a method that is unique to the acquisitions of smart meters.

3. NBHDL's claim that Return on capital is not being treated in a unique way because they are simply following the guidelines issues by the Board is not corroboration.

Cost of capital parameters are established by the Board for all LDC's each year. This yearly calculation applies to all LDC"S not only LDC"s who are submitting COS applications.

In the example given in FAQ-APH-August, 2008 - Q and A #8 - Page 7 there is no mention of the COS year as a factor in calculations but simply assumes rates for return on deemed capital and equity for the purposes of the example. One would suspect that these return rates are meant to represent the Board-approved rates for the year in which the calculation is made.

I submit that the approved capital parameters for:

2011 – Short term debt – 2.46%; Long term debt – 5.32% and return on equity - 9.58%,

2012 – Short term debt – 2.08%; Long term debt – 4.41% and return on equity - 9.12%,

2013 – Short term debt – 2.08%, Long term debt – 4.03% and return on equity - 8.93%

should be used on sheet #3 Cost_of_Service_Parameters contained in the Revised Smart Meter model workbook.

This would result in the SMDR being reduced from $2.05 to $1.92 and the SMIRR being reduced from$1.57 to $1.49 before the rate class calculation are made.

Manager's Summary – Item # 10 Web Presentment

1. NBHDL has provided a non-answer to my question. I asked for specific practical examples of how this initiative would be a real benefit to the average residential customer. NBHDL provided subjective statements without any evidence whatsoever to back them up or to show how providing ratepayers with this type of information advances reductions in energy use in any concrete way.

For example, "Homeowners can now understand exactly the times in a day when their electricity consumption is typically high or low ....". I'm just going to make a wild guess without the help of the web presentment tool. The time of day when a homeowner's electricity consumption is high is exactly that time of day when they are using the most electricity.

NBHDL seems to have a predilection for attempting to be the trailblazer in every new gadget that comes along. In the 2010 COS NBHDL fought vigorously to initiate a pilot project which, if left unchallenged by intervenors at that time, would have cost ratepayers $440,000 and was supposed to supply customer information from their smart meters on a real time basis.

The need for this “Real Time Operating Pilot Program” was supported at that time by mentioning that he Province had indicated its desire to move towards a Smart Grid.

In this application, NBHDL is indicating that the Ontario Ministry of Energy is encouraging utilities to expand the capabilities of their web- present solutions. The Real Time Operating Pilot Program” was a complete waste of money from the start and in any event has now been eclipsed by the all new, all original web-presentment program which promises even more ephemeral savings.

I submit that NBHDL should discontinue this initiative since it fails to supply any real tools to consumers that are not already available through monthly bills, appliance calculators or frankly just plain common sense. In addition, this project is better initiated by the Province or by a LDC with a few more customers than that of NBHDL. If and when an application like this proves to be any real help to consumers regarding energy usage reduction it can be instituted at that time.