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Tuesday, November 26, 2013

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-2013-0157)
Application for 2014 Electricity Distribution Rates
Reply Submission to Board Staff, VECC and D.D Rennick Submissions

Please find attached a copy of North Bay Hydro Distribution Ltd.'s response to Board Staff, VECC and D.D. Rennick's submissions of comments with regards to the 2014 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 Intervenors as follows:

Donald Rennick

a) Donald Rennick, Independent Participant

Vulnerable Energy Consumers Coalition

a) Michael Janigan, Public Interest Advocacy Centre

b) Shelley Grice, Econalysis Consulting Services

Yours truly,

Original signed by

Melissa Casson, CGA
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**RESPONSE TO BOARD STAFF, VECC AND D.D. RENNICK SUBMISSIONS
NORTH BAY HYDRO DISTRIBUTION LTD.
EB-2013-0157**

North Bay Hydro Distribution Ltd. ("NBHDL") filed an application (the "Application") with the Ontario Energy Board (the "Board"), on August 30, 2013 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, 2014. The Application is based on the 2014 4th Generation Incentive Regulation Mechanism ("IRM").

Based on a review of the evidence submitted by NBHDL, Board Staff, VECC and Mr. Rennick filed submissions in respect of the following matters:

- Shared Tax Savings Model;
- Smart Meters Cost Recovery; and
- Web Presentment.

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

A. REPLY SUBMISSION - BOARD STAFF:

1. Shared Tax Saving Model

Board staff made the following submission in respect of the Shared Tax Savings Model:

Board staff submits that North Bay Hydro's model is consistent with the calculation of the taxes underpinning its 2010 rates. However its model as submitted makes use of some shortcuts in its 2010 calculations which have the effect of reducing the amount refundable to its ratepayers. Specifically, North Bay Hydro has removed the tax credits from the calculation of 2014 taxes, which has the effect of increasing the tax impact for 2014 and reducing the tax savings to be shared. Board staff prepared a revised version of the model which includes the tax credits in the calculation of 2014 taxes. The Board relied on information from North Bay Hydro's 2010 Cost of Service (EB-2009-0270), specifically the Revised Draft Rate Order updated April 14, 2010 in order to determine the total tax as calculated by the model. This results in a total tax savings amount of \$199,642 and a refund to ratepayers of \$99,821. Board staff indicated in its submission that North Bay Hydro can address any issues with the revised model in its reply submission. Board staff acknowledged that if the apprentice tax credits no longer exist for

2014, North Bay Hydro would have a reasonable argument for excluding these amounts from cell I20 of the model.¹

NBHDL Reply Submission

NBHDL has reviewed Board staff's revisions to the tax savings model. NBHDL has utilized the effective tax rate of 28.72% and a regulatory taxable income of \$2,313,638 for the purposes of determining the tax savings in its IRM applications since 2011 and had thought the treatment to be correct as the effective tax rate of 28.72% included the impact of tax credits in 2010. Upon further investigation of Board staff's submission, NBHDL noted the oversight of utilizing the effective tax rate and regulatory taxable income on the comparative tax year calculation when excluding tax credits. NBHDL submits that it is in agreement with the use of \$1,649,160 as the regulatory taxable income upon which to base a grossed-up tax amount using a corporate tax rate of 30.19% for 2010 taxes which does not include the impact of tax credits in 2010. NBHDL further submits that this is the correct base upon which to calculate 2014 taxes and the applicable incremental savings, however, the model should be revised to reflect the elimination of the \$34,000 tax credit for the purposes of calculating the 2014 taxes. NBHDL no longer qualifies for the Provincial Apprenticeship Training Tax Credit or the Federal Training Tax Credit as all applicable apprentices are now certified journeymen. NBHDL submits that the tax savings model should be revised to reflect the following calculation that results in a total tax savings amount of \$154,682 and a refund to ratepayers of \$77,341:

	2010	2014
Regulatory Taxable Income	1,649,160	1,649,160
Tax Rate	30.19%	24.38%
PILS	497,875	402,027
Tax Credit	(34,000)	-
Net PILs	463,875	402,027
Gross-up PILs	664,478	531,625
Capital Tax	21,829	-
Total PILs	686,307	531,625
Incremental Tax Savings		(154,682)
Sharing of Tax Savings Refund (50/50)		(77,341)

NBHDL seeks disposition of this amount over a one year period from May 1, 2014 to April 30, 2015.

¹ Board Staff Submission, Page 2

2. Smart Meter Cost Recovery

a. *Unaudited Costs*

Board staff made the following submissions in respect of unaudited costs included in the application:

In response to VECC interrogatory #1a), North Bay Hydro states that approximately 87% of the costs included in its smart meter application are audited. Board staff notes that the Board's expectations as expressed in the Guideline are that an application for smart meter cost recovery will be based on costs that have been 90% audited. While North Bay Hydro's application falls slightly short of this threshold, Board staff notes that the Board has approved smart meter recovery in some other applications with similar percentages of costs being audited. In light of North Bay Hydro's documentation of its smart meter program in its application and in response to interrogatories, Board staff submits that the proportion of unaudited costs in this application is reasonable.²

NBHDL Reply Submission

NBHDL submits that the unaudited costs in its application are reasonable. The unaudited costs relate specifically to the costs of the 3PH meter purchase as explained in the application and only 1% of the unaudited costs are based on a forecast; the majority of the unaudited costs are based on actual costs incurred.

b. *Smart Meter Funding Adder (SMFA)*

Board Staff made the following submission in respect of SMFA revenues included in the application:

North Bay Hydro's response to VECC 13d) provides the amount of SMFA revenues collected by rate class, totaling \$1,526,856. This total is consistent with the total revenues shown at sheet 8 of the smart meter model. However, Board staff notes that North Bay Hydro's interrogatory response documents that SMFA revenues were collected from all classes, including Sentinel Lights and Streetlights, which are unmetered classes not subject to an SMFA. Board staff requests that North Bay Hydro provide a clarification of how revenues were recovered from these two rate classes, and provide a corrected schedule of amounts collected by rate class.³

²Board Staff Submission, Page 3

³Board Staff Submission, Page 5

NBHDL Reply Submission

In May 2006, NBHDL began collecting the SMFA of \$0.31/customer. NBHDL's tariff of rates and charges showed a total fixed charge per class that included the \$0.31/customer; the SMFA was not shown separately. When setting up the rates in the billing system, NBHDL segregated the distribution fixed charge from the SMFA in order to track the SMFA revenue by class but during the billing change NBHDL incorrectly reduced the fixed charge for the Sentinel and Street Light classes by the SMFA, along with the other applicable metered classes. This billing error was corrected between January and February of 2007, however, the revenue was not debited out of the deferral account and adjusted correctly back to distribution revenue. Rates were as follows:

Class	SMFA Applicable (Y/N)	Per Tariff	NBHDL Billing System		
		Fixed Distribution Revenue	Fixed Distribution Revenue	SMFA	Total Fixed Rate
Residential	Y	12.84	12.53	0.31	12.84
GS <50 kW	Y	22.01	21.70	0.31	22.01
GS >50 kW	Y	311.74	311.43	0.31	311.74
Intermediate	Y	2,399.80	2,399.49	0.31	2,399.80
Sentinel Lights (per connection)	N	1.98	1.67	0.31	1.98
Street Lights (per connection)	N	0.44	0.13	0.31	0.44
UMSL (per customer)	N	21.75	21.75	-	21.75

Despite the internal billing error the amount of \$1,526,856 represents the total amount collected and allocated to the SMFA revenue by NBHDL. The amount of \$15,355 collected from the Sentinel and Street Light classes is not owed to customers, but was in fact incorrectly removed from distribution revenue over seven years ago. NBHDL submits that the amount of \$15,355 (or 1% of total SMFA collected) is immaterial and would have a minimal impact on the SMDR and SMIRR and that there is no need to alter the smart meter model as revised October 29th, 2013. NBHDL further submits that a corrected schedule of amounts collected by rate class is not required based on the explanation provided above.

c. SMFA Carrying Charges

Board staff made the following submission with regards to the accumulation of interest on SMFA revenues included in the application:

Through its interrogatory #15, Board staff noted certain discrepancies in the Smart Meter model as filed, related to the accumulation of interest on Funding Adder Revenues

beyond April 30, 2014. North Bay Hydro submitted a revised model, making the necessary corrections. Board staff has no concerns with the corrections provided.⁴

NBHDL Reply Submission

NBHDL has no further comments on this issue and submits that the model as revised is correct.

d. Cost Allocation

Board staff noted two issues in relation to cost allocation within the Smart Meter Cost Recovery part of the application; cost of capital parameters and the percentages used to allocate SMFA revenues to the Residential and GS <50kW rate classes. Board staff submitted the following with respect to the cost of capital parameters used in the Smart Meter model:

Through its interrogatory #13, Board staff noted certain discrepancies in the Smart Meter model as filed, related to the cost of capital parameters. NBHDL submitted a revised model, making the necessary corrections. Board staff has no concerns with the corrections provided.⁵

NBHDL Reply Submission

NBHDL submits that the smart meter model, as revised, is correct with regards to the cost of capital parameters utilized in the calculation of cost of capital.

Board staff submitted the following with respect to the percentages used to allocate SMFA revenues to the Residential and GS <50kW rate class:

Board staff noted that Sheet 10A uses the percentages of SMFA revenues collected from the Residential and GS <50kW rate classes as calculated in the table provided in response to VECC interrogatory #13d), rather than calculating these in the model. These percentages are 86.67% for Residential and 11.19% for GS <50 kW. Board staff requested that North Bay Hydro confirm that the percentages for these two classes are correct based on clarification related to the collection of SMFA revenues from the Sentinel and Street Light classes, and provide a corrected smart meter model if necessary.⁶

⁴Board Staff Submission, Page 4

⁵Board Staff Submission, Page 4

⁶Board Staff Submission, Page 5

NBHDL Reply Submission

NBHDL submits that it has clarified the collection of SMFA revenues from the Sentinel and Street Light classes in its submission above and confirms that the percentages of 86.67% and 11.19% for the Residential and GS <50kW classes respectively are correct.

Board staff submitted the following with regards to the overall cost allocation methodology used by NBHDL in the application:

With the exception of the comments regarding Smart Meter Funding Adder Revenues recovered by customer class, Board staff submits that North Bay Hydro has followed the methodology contained within the smart meter model and has appropriately allocated the smart meter costs to the Residential and GS <50 kW rate classes.⁷

NBHDL Reply Submission

NBHDL submits that it has clarified the collection of SMFA revenues from the Sentinel and Street Light classes in its submission above and submits that it has followed the methodology contained within the smart meter model and has appropriately allocated the smart meter costs to the Residential and GS <50 kW rate classes.

e. Smart Meter Costs – Grid Extensions

Board staff made the following submission in regards to the grid extension costs included in the application:

Board staff submits that NBHDL has provided adequate explanations for the costs incurred to address issues with reliability of meter reads, given the terrain, geology and forestation of its service area. NBHDL's response to VECC interrogatory #7 indicates that these issues appear to have been addressed. Board staff takes no issues with the costs incurred.⁸

NBHDL Reply Submission

NBHDL submits that issues related to the reliability of meter reads have been addressed and the costs were reasonable, prudently incurred and incremental in nature arising as a direct result of the smart meter implementation.

⁷Board Staff Submission, Page 4

⁸Board Staff Submission, Page 4

f. Smart Meter Costs – 2006/2007 Professional Fees

Board staff made the following submission in regards to costs from 2006 and 2007 included in the application:

NBHDL was authorized to proceed with smart metering activities on June 28, 2008, but Board staff observed that the utility's smart meter model documented professional fees in 2006 and 2007. NBHDL advised that the costs were related to Ontario Utilities Smart Meter working group and consulting costs incurred by the District 9 group to prepare to implement smart metering activities. Board staff notes NBHDL's challenges for design and deployment to deal with its service territory's characteristics, its collaboration with other utilities, and the fact that these are capitalized costs. Board staff submits that recovery of these early costs, which are generally related to the engineering planning for deployment, is consistent with similar costs allowed by the Board for other utilities with respect to smart meter cost recovery.⁹

NBHDL Reply Submission

NBHDL submits that recovery of these costs should be allowed as the costs were incremental in nature arising as a direct result of the smart meter implementation. NBHDL provided more than adequate evidence that costs were incurred prudently throughout the smart meter transition and where collaboration or efficiencies could be gained, they were.

g. Smart Meter Costs – Operational Savings

Board staff made the following submissions with regards to the operational savings included in the application:

Board staff submits that NBHDL has taken a somewhat innovative approach, and has documented that, post-2011, some of its costs are being recovered through existing rates and are not being sought for recovery in this application. This would appear to Board staff to be an acknowledgement that new costs related to smart meters and TOU billing operational displace meter reading, data entry and some other related operations. Board staff submits that, under these circumstances, NBHDL appears to have (to the extent possible at this time) reflected operational savings associated with the deployment of smart meters and operationalization of TOU rates and tried to mitigate the impacts on customers.¹⁰

⁹Board Staff Submission, Page 5

¹⁰Board Staff Submission, Page 4

NBHDL Reply Submission

NBHDL submits that costs post-2011 were no longer considered incremental as the transition to smart meters was, for the most part, complete with the exception of the installation of 3-phase meters for the GS <50kW class. Post 2011 costs are partially recovered through existing rates and are not being sought for recovery in this application. NBHDL acknowledges that some of the new costs related to smart meters and TOU billing displace meter reading, data entry and some other related operations, however, NBHDL has managed resources and financial needs accordingly within the framework of the IRM period with the expectation that the full cost of smart meters will be included in test year rates in the next cost of service application. NBHDL submits that any operational savings associated with the deployment of smart meters are inherently reflected in the approach that NBHDL took with the smart meter costs post 2011 and that by taking this approach, NBHDL was able to significantly mitigate the impacts on customers. NBHDL submits that the smart meter application and model, as revised, clearly demonstrates an effective and efficient implementation and transition of smart meters into its business. Costs were incurred prudently and only in direct relation to achieving the minimum functionality as required.

B. REPLY SUBMISSION - VECC:

1. Smart Meter Cost Recovery

a. *Unaudited Costs*

VECC made the following submission with respect to the level of unaudited costs within the application:

In response to VECC interrogatory #1a), NBHDL stated that approximately 87% of the costs included in its smart meter application are audited. VECC notes NBHDL's audited costs do not conform to the Board's Guidelines. However, VECC agrees with Board Staff that given the amount is slightly below the 90% threshold and the Board has approved smart meter recovery in some other applications with similar percentages of costs being audited, VECC submits NBHDL's percentage of audited costs is acceptable.¹¹

NBHDL Reply Submission

NBHDL submits that this issue has been addressed in NBHDL's reply submission to Board staff's submission above.

b. *Prudence Review of Smart Meter Costs*

VECC made the following submissions in respect of the prudence of costs incurred by NBHDL:

NBHDL has provided documentation that it has a history of purchasing materials as a consortium and sharing best practices and operating experiences on a diverse range of daily issues. With respect to its smart meter installation, NBHDL indicates it worked collaboratively with District 9 LDCs and other LDCs and has achieved economies of scale where possible and has acted prudently in obtaining best possible pricing. VECC agrees NBHDL has provided adequate explanation that its participation with District 9 Utilities to deploy smart meters resulted in a collaborative effort and a more cost effective approach in part due to cost sharing.¹²

NBHDL experienced reliability issues with its system and noted it had considerable trouble communicating with meters consistently throughout its service area given the challenges of the rough terrain of the Canadian Shield. NBHDL indicates it took almost three years to identify and solve performance issues. Sensus developed a customized solution for NBHDL; a more portable TGB Technology which became known as a Metro and the solution in rugged terrain. Some of the Metro locations were in remote areas and the electrical distribution grid had to be extended in some situations to provide service. In

¹¹VECC Submission, Page 3

¹²VECC Submission, Page 4

response to interrogatories NBHDL provided an explanation of the costs to extend the grid and the success rate i.e. the Read Interval Success level has been above 98% since the additional Metro units were fully deployed. VECC takes no issue with these costs.¹³

Appendix A of the Combined Proceeding Decision (EB-2007-0063, September 21, 2007) compares data for 9 out of 13 utilities and shows the total cost per meter ranged from \$123.59 to \$189.96, with Hydro One Networks Inc. being the main exception at \$479.47. On October 26, 2010 the Board followed up on a previous March 31, 2010 review of average costs and issued a letter to all distributors requiring them to provide information on their smart meter investments on a quarterly basis. The first distributors' quarterly update represented life-to-date investments in smart meter implementation as of September 30, 2010 and as of this date, the average total cost per meter is \$226.92. VECC observes that NBHDL's total average smart meter cost (CAPEX + OM&A) of \$160.62 is within the total cost per meter range in the combined proceeding and well below the recent provincial average of \$226.92.¹⁴

NBHDL also provided a budget to actual cost comparison for the years 2006 to 2014 including a detailed capital and operating & maintenance cost variance analysis which shows that NBHDL under spent its budget by \$851,065. VECC submits NBHDL's variance explanations are reasonable.¹⁵

In considering the above, VECC submits NBHDL has provided adequate documentation on its approach and the nature of its costs and on this basis VECC finds NBHDL's unit costs to be reasonable.¹⁶

NBHDL Reply Submission

NBHDL submits that it has provided more than adequate documentation on its approach to the smart meter transition and the nature of the costs incurred. NBHDL submits that its approach to the costs incurred in terms of collaboration, handling significant terrain difficulties, converting within the required timeline, reviewing cost for reasonableness and need and the treatment of post 2011 costs contributed significantly to a lower than average total cost per meter in comparison to provincial averages. NBHDL successfully converted to smart meters and transitioned its billing operations to TOU with the least amount of financial impact to the customer as possible. NBHDL submits that costs are reasonable and should be approved as submitted.

¹³VECC Submission, Page 4

¹⁴VECC Submission, Page 5

¹⁵VECC Submission, Page 5

¹⁶VECC Submission, Page 6

c. Costs beyond Minimum Functionality

VECC made the following submission in respect to the classification of costs beyond minimum functionality:

NBHDL indicated in its smart meter application that it did not incur OM&A costs beyond minimum functionality related to the MDM/R and TOU implementation. NBHDL only included costs deemed incremental and necessary for the smart meter implementation in the deferral accounts. In response to VECC interrogatory # 14(d) regarding why NBHDL did not allocate its costs for TOU rate implementation, CIS system upgrades, web presentation and integration with the MDM/R under 1.6.3 and 2.6.3 (costs beyond minimum functionality) in the smart meter model, NBHDL stated that it believes these costs support the minimum functionality requirement. VECC notes that in other smart meter applications, these costs are allocated to costs beyond minimum functionality and for consistency between distributors VECC submits that NBHDL should classify these costs in the same way. VECC acknowledges this change to the classification of costs will not affect the calculation of the SMDRs and SMIRRs requested by NBHDL.¹⁷

NBHDL Reply Submission

NBHDL submits that costs have been classified correctly within the smart meter model. As stated throughout NBHDL's smart meter application and interrogatory responses, costs incurred by NBHDL were a direct result of the smart meter implementation program to support minimum functionality requirements.

d. Cost Allocation & Calculation of Smart Meter Rate Riders

VECC submitted the following in respect to cost allocation and the associated calculations used to determine the Smart Meter Rate Riders in the application:

VECC interrogatory #13 sought a separate revenue requirement model by customer class based on full cost causality. In its response, NBHDL indicates it segregated capital and OM&A costs in 1555 and 1556 but did not track costs by installation or rate class as this was not practical. VECC accepts that NBHDL does not have the cost data by rate class and therefore accepts NBHDL's cost allocation methodology as a proxy for revenue requirement with one exception. VECC submits that as a matter of principle, the SMFA revenues collected from other customer classes should be returned to those customer

¹⁷VECC Submission, Page 6

classes instead of a 50:50 allocation between the residential and GS<50 kW customer classes.¹⁸

NBHDL Reply Submission

NBHDL submits the smart meter model as revised is correct in regards to the cost allocation methodology used and the application of SMFA revenues collected from other customer classes applied on 50:50 basis between the residential and GS <50kW customer classes. NBHDL respects VECC's submission that as a matter of principle the SMFA revenues collected from other customer classes should be returned to those customer classes, however, NBHDL submits that these amounts are immaterial, both in comparison to total costs (accounts for approximately \$32,608 or 2% of SMFA revenues) and at a total bill impact level per customer for the applicable classes (using \$1.47/customer this would result in a reduction in total bill of -.002% for GS >50kW class).

¹⁸VECC Submission, Page 8

C. REPLY SUBMISSION - D.D. RENNICK:

1. Shared Tax Saving Model

NBHDL respectfully directs Mr. Rennick to NBHDL's reply submission to Board Staff on this issue.

Mr. Rennick argues that "because of a similar error in 2011, 2012 and 2013 IRM applications" that \$17,000 per year be added to the current year's tax savings amount.¹⁹ NBHDL submits that the approach suggested by Mr. Rennick should be rejected on the basis that it would amount to retroactive rate making and is contrary to the Board's practice in this regard.

2. Smart Meter Cost Recovery

a. Costs

During the interrogatory process, Mr. Rennick requested that NBHDL provide the amount that was included in the smart meter application that did not represent an actual "cost". NBHDL disagreed with the characterization that there were costs within the application that did not represent an actual "cost" and referred Mr. Rennick to the Smart Meter Model, tab "5.SM_Rev_Reqt".²⁰ Mr. Rennick submitted that NBHDL was partially correct with NBHDL's interrogatory response as the PILs amount represents an amount that will be paid to the Province. However, Mr. Rennick takes issue that NBHDL has "chosen to add a return on equity figure to the current rate rider calculation" and went on to submit that "NBHDL's unique treatment of smart meter acquisition costs is not excused by their suggestion that they were only following orders."²¹

NBHDL Reply Submission

NBHDL submits that all costs within the application are actual "costs" and that NBHDL did not treat the smart meter acquisition costs uniquely; the application was handled in accordance with Ontario Energy Board Guidelines G-2011-0001 – *Smart Meter Funding and Cost Recovery – Final Disposition* in the same manner as all other utilities across the Province. NBHDL's treatment of the return on equity component as a cost is consistent with the *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities* dated December 11, 2009 (EB-2009-0084) and the fair return standard.

If Mr. Rennick takes issue with the fair return standard as articulated by the courts over the years or the Board's policy in respect of cost of capital for rate regulated utilities, NBHDL submits that its application is not the appropriate forum to address these broader issues of Board policy.

¹⁹D.D. Rennick Submission, Page 2 (Manager's Summary – 6) Tax Changes)

²⁰NorthBay_IRR_DRennick_20131029, Page 2

²¹D.D. Rennick Submission, Page 3 (Appendix J, # 1)

b. Amortization

Mr. Rennick submitted that amortization of other capital acquisitions are being handled differently than smart meter acquisition costs and that the Board's guideline, *G-2011-0001*, does not support the unique treatment but merely offers a guideline for recovery of costs and that NBHDL is free to submit its claim for cost recovery on any basis it wishes.²² Mr. Rennick further submitted 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 acquisition of smart meters.²³

NBHDL Reply Submission

In its EB-2012-0152 Decision and Order, the Board ordered NBHDL to file a stand-alone smart meter cost recovery application as soon as possible in 2013. As part of this application, NBHDL requested recovery of smart meter capital and OM&A costs in accordance with the Board's Guideline on *Smart Meter Funding and Cost Recovery – Final Disposition (G-2011-0001)* dated December 15, 2011 ("the Guideline"). NBHDL has provided detailed evidence to support its request for recovery of smart meter capital and OM&A costs in accordance with the Guidelines.

NBHDL disagrees with Mr. Rennick's suggestion that NBHDL was free to depart from the Board's established Guidelines at will. A departure from the Board's established Guidelines must be justified on both a policy and an evidentiary basis.

NBHDL submits that Mr. Rennick suggestion fails on both counts.

c. Return on Capital

Mr. Rennick submitted that cost of capital parameters are established by the Board for all LDC's each year and that the yearly calculation applies to all LDC's not only LDC's who are submitting COS applications. Mr. Rennick indicated that 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. Mr. Rennick surmised that this example leads to the conclusion that these return rates are meant to represent the Board-approved rates for the year in which the calculation is made. Mr. Rennick further submitted that the following approved capital parameters should be used within the smart meter model, specifically on tab "3.Cost_of_Service_Parameters"²⁴:

- 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%

²²D.D. Rennick Submission, Page 3 (Appendix J, # 2)

²³D.D. Rennick Submission, Page 4 (Appendix J, # 2)

²⁴D.D. Rennick Submission, Page 4 (Appendix J, # 3)

NBHDL Reply Submission

NBHDL submits that the revised smart meter model has the correct cost of capital parameters. NBHDL submits that it is the Board's policy and practice that rates for return on capital are based on the last approved COS application and continue until the next rebasing. NBHDL would point to Board staff's submission filed November 12th, 2013; Board staff has no concerns with the corrections NBHDL provided in the revised smart meter model submitted October 29th, 2013 in response to Board Staff interrogatory #13. Board staff had noted certain discrepancies in the smart meter model, as filed, related to the cost of capital parameters in this interrogatory.

3. Web Presentment

In order to support the ongoing expense of web presentment Mr. Rennick requested examples of why access to consumption within 24 hours of availability is critical and would provide any real benefit to the average residential customer. Mr. Rennick sought NBHDL's view as to how they would be, in any practical way, superior to the present situation without access to that information.²⁵ Mr. Rennick submitted that NBHDL provided a 'non-answer' to his interrogatory question and that subjective statements were provided 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.²⁶ Mr. Rennick further submitted 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 common sense. Mr. Rennick stated that this project is better initiated by the Province or by a LDC with a few more customers than that of NBHDL and went on to indicate that 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.²⁷

NBHDL Reply Submission

NBHDL respects Mr. Rennick's personal opinion on this issue and submits that while the opinion of an individual is acknowledged and respected the company has over 4,500 accounts registered with the online web presentment tool which is an excellent indication of customer interest. NBHDL customers have told the company that they want NBHDL to provide information on how customers can reduce electricity costs and obtaining daily information is just one of many tools that NBHDL can provide. At an initial cost of \$22,000, NBHDL was able to provide customers access to important information that they can use to reduce their energy consumption and this was provided at a cost of under \$5 / account using current registered accounts. This cost per account will continue to decrease as more users register with the tool and NBHDL believes the cost to be prudent. The uptake NBHDL has seen in less than 6 months shows NBHDL that a significant number of customers are interested in these types of

²⁵NorthBay_IRR_DRennick_20131029, Page 5

²⁶D.D. Rennick Submission, Page 4 (Manager's Summary – Item #10 Web Presentment)

²⁷D.D. Rennick Submission, Page 5 (Manager's Summary – Item #10 Web Presentment)

tools, however, it is important to note that it is up to the customer to take ownership of their consumption and the use of tools such as this to enable changes in usage.

Energy conservation and the technology to promote it are the future of the electricity industry. The web presentment tool enables further utilization of NBHDL's metering and communication assets and the information that they can provide. The online web presentment tool is also consistent with the policies of the Government of Ontario and has been used to launch the Ministry of Energy's "Green Button" initiative. The initiative is being led by the Ministry of Energy and its partner, the MaRS Discovery District, and the initial phase allows customers to download their electricity usage data into common formats with the eventual ability to connect the data to various 3rd party web and mobile applications.

The company did not seek recovery of this initial investment or the recovery of on-going expenses in relation to the investment in the smart meter application; NBHDL provided this service to customers within the framework of existing rates. NBHDL submits that it will continue to provide this service to interested customers and will continue to seek out ways to engage the customer and provide the tools that customers seek out in a cost effective manner.

All of which is respectfully submitted on this 26th day of November, 2013.