

INDEX

Exhibit	Contents	Page
1 – Administrative Documents		
	Application	3
	Management Discussion and Analysis	9
	Executive Summary	28
	RRFE Outcomes	52
	Customer Engagement and Customer Focus	52
	Operational Effectiveness	73
	Public Policy Responsiveness	86
	Financial Viability	91
	Financial Information	92
	Reconciliation Between Audited Financial Statements and Regulatory Accounting	92
	Statement of Accounting Standard Used	92
	Materiality Thresholds	95
	Administration	96
	Bill Impacts	101
	Applicant Overview	102
	Corporate Governance	104
	Responses to Letters of Comment	108
	Appendix 1-A NBHDL Customer Engagement Event Summary 2010-2014	
	Appendix 1-A.1 Business Customer Survey Summary (November 2013, 101 participants)	
	Appendix 1-A.2 Residential Customer Survey Summary (September 2013, 876 participants)	

Exhibit	Contents	Page
	Appendix 1-A.3 Joint Chamber of Commerce Business Customer Survey (May 2014, 74 participants)	
	Appendix 1-A.4 Business Engagement Session Summary (May 2014, 11 participants)	
	Appendix 1-A.5 Residential Engagement Session Summary (June 2014, 25 participants)	
	Appendix 1-A.6 UtilityPULSE Customer Satisfaction Survey	
	Appendix 1-A.7 INNOVATIVE Customer Engagement Report	
	Appendix 1-B 2011 Audited Financial Statements	
	Appendix 1-C 2012 Audited Financial Statements	
	Appendix 1-D 2013 Audited Financial Statements	
	Appendix 1-E 2011-2013 Reconciliated Audited Financial Statements and Regulatory Accounting	
	Appendix 1-F Map of Distribution Service Territory	
	Appendix 1-G Utility Organizational Chart	
	Appendix 1-H Corporate Entities Relationship Chart	
	Appendix 1-I OEB issued NBHDL scorecard	
	Appendix 1-J Service Agreement between NBHDL and North Bay Hydro Services Inc.	
	Appendix 1-K Board Approved Appendix 2-Y, Summary of Impacts to Revenue Requirement from Transition to MIFRS	

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20

1 **List of Specific Approvals Requested:**

2 In this proceeding, NBHDL is requesting the following approvals:

- 3 1. Approval to charge distribution rates effective May 1, 2015 to recover a service revenue
4 requirement of \$13,848,941 which includes a revenue deficiency of \$1,663,101 as
5 detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
- 6 2. Approval of the Distribution System Plan as outlined in Exhibit 2.
- 7 3. Approval of revised low voltage rates as proposed and described in Exhibit 8.
- 8 4. Approval to adjust the Retail Transmission Rates – Network and Connection as detailed
9 in Exhibit 8.
- 10 5. Approval to continue to charge Wholesale Market and Rural Rate Protection Charges
11 approved in the Board Decision and Order in the matter of NBHDL's 2014 Distribution
12 Rates (EB-2013-0157).
- 13 6. Approval to continue the Specific Service Charges and Transformer Allowance approved
14 in the Board Decision and Order in the matter of NBHDL's 2014 Distribution Rates (EB-
15 2013-0157).
- 16 7. Approval of the proposed loss factors as detailed in Exhibit 8.
- 17 8. Approval of the rate riders for a one year disposition of the Group 1 and Group 2 and
18 Other Deferral and Variance Accounts as detailed in Exhibit 9.
- 19 9. Approval of the rate riders for a one year period to dispose of the difference in 2014 Net
20 Book Value of Property, Plant and Equipment, as a result of NBHDL's changes to
21 depreciation rates and capitalization policy recorded in Account 1576, CGAAP
22 Accounting Changes as explained in Exhibit 9.
- 23 10. Approval of the rate riders for a one year disposition of the Lost Revenue Adjustment
24 Mechanism Variance Account ("LRAMVA") for lost revenue from 2011 to 2013 resulting
25 from 2011 to 2013 OPA programs as detailed in Exhibit 4.
- 26 11. Approval of the rate riders to address the recovery of stranded meters over a one year
27 period as outlined in Exhibit 2.

1 12. Approval to continue to charge Hydro One Networks Inc. ('HONI'), an Embedded
2 Distributor, the rates for the General Service > 50 to 2999 kW rate class. HONI has been
3 consulted and supports the continued classification of the relevant HONI connections in
4 this class. The evidence for this proposal is provided in Exhibit 7.

5 NBHDL may request such other approvals as counsel for NBHDL may submit and the Board may
6 allow.

7 **Proposed Effective Date of Rate Order:**

8 1. The Applicant requests that the OEB make its Rate Order effective May 1, 2015 in
9 accordance with the Filing Requirements.

10 2. In the event that the OEB is unable to provide a Decision and Order in this
11 application for implementation by the Applicant as of May 1, 2015, the Applicant
12 requests that the OEB declare its current rates interim, effective May 1, 2015,
13 pending the implementation of the OEB's Rate Order for the 2015 rate year.

14 **Form of Hearing:** The Applicant requests that this Application be disposed of by way of a written
15 hearing.

16 **Certification:**

17 I, Todd Wilcox, President and Chief Operating Officer of North Bay Hydro Distribution Limited, certify
18 that the evidence filed is accurate, consistent, and complete to the best of my knowledge.

19 Todd Wilcox

20

21 

22 Todd Wilcox

23 President and Chief Operating Officer

24

1 **Publication Information:**

2 Residents, businesses and institutions in the City of North Bay who receive electricity distribution
3 services from NBHDL will be affected by the Application.

4 NBHDL proposes to publish the Notice of Application in both the North Bay Nugget, a paid
5 publication with a circulation of approximately 15,000 homes, and in Community Voices, a free
6 publication with a circulation of approximately 38,000 homes. The Nugget offers the highest paid
7 circulation in the City of North Bay while Community Voices offers a widely distributed unpaid
8 circulation in the City of North Bay and surrounding area.

9 The Application and related materials will be posted on the NBHDL website, and will be available for
10 viewing at the following internet address: <http://www.northbayhydro.com/about-us/news/>

11 The Applicant does not currently use social media accounts to communicate with its customers.

12

1 **MANAGEMENT DISCUSSION AND ANALYSIS**

2 **NBHDL's Business Plan and Objectives**

3 Throughout the spring of 2014, management of NBHDL undertook a review of its business strategy
4 and objectives. The purpose of this review was to ensure a direct alignment between the OEB's
5 RRFE and NBHDL's business strategy. The following reflects the outcome of this review.

6 *Mission*

7 ***NBHDL is committed to distributing electricity to its customers in a safe, reliable and efficient***
8 ***manner that provides good value for money while being responsive to customer and***
9 ***community needs and contributing to provincial and local public policy objectives.***

10 *Core Objectives*

11 NBHDL works to achieve this mission with the following core objectives.

12 1. ***Community and customer focus*** - NBHDL carries on the business of distributing electricity
13 within the City of North Bay, it is wholly-owned through its parent company by the City of
14 North Bay, and its head office is in the City of North Bay. Firmly rooted in the local
15 community, NBHDL is well positioned to identify and respond to customer preferences
16 through its business planning processes. NBHDL is committed to maintaining the following
17 customer and community focus objectives.

18 1.1 Assisting customers in becoming better informed about safe, economical and efficient
19 uses of electricity.

20 Target: 6 billing inserts/year.

21 Target: Monthly messaging on the bill.

22 Target: Residential Benchmarking Program – 3000 customers.

23 Target: Home and Garden Expo and Downtown Christmas Walk Participation –
24 6000 customers.

25 Target: Business Customer Breakfast Meeting, Contractor (Ally) Meeting.

26 Target: Annual Chamber of Commerce Meeting.

1 Target: Business Customer Meetings – minimum largest 15.

2 1.2 Maintaining service quality and customer satisfaction rates at or above industry targets.

3 Target: 90% of scheduled appointments met on time.

4 Target: 65% telephone calls answered on time.

5 Target: 98% billing accuracy.

6 Target: “B+” rating on customer satisfaction survey results.

7 1.3 Facilitating local economic development by providing timely responses to new customer
8 connection or service expansion requests.

9 Target: 90% of new residential/small business services connected on time.

10 Target: 90% of low voltage customers (i.e. 750V or less) connected on time.

11 Target: 90% of high voltage customers (i.e. greater than 750V) connected on time.

12 1.4 Coordinating infrastructure replacement requirements to minimize costly duplicative civil
13 and construction work.

14 Targets: Under development.

15 1.5 Providing good value service for money while providing a fair rate of return to the City of
16 North Bay.

17 Target: OEB permitted regulatory return on equity.

18 2. **Community and worker safety** - Safety is of utmost importance for NBHDL’s workers and
19 the community. Every task, regardless of conditions, must be executed safely and without
20 harm to NBHDL’s workers or the public. NBHDL has an excellent workplace safety record
21 and remains committed to maintaining this with the following safety related objectives:

22 2.1 Minimize lost time due to accidents involving NBHDL employees or contractors.

23 Target: Zero (0) lost time due to accidents involving NBHDL employees or
24 contractors.

1 2.2 Minimize public safety incidents caused by factors within NBHDL's control, such as
2 equipment failure or work procedures.

3 Target: Zero (0) public safety incidents caused by factors within NBHDL's control,
4 such as equipment failure or work procedures.

5 2.3 Maintain compliance with all relevant Electrical Safety Authority ("ESA") standards and
6 guidelines.

7 Targets for Audit Results:

- 8 a) Zero (0) Non-Compliances in all sections; and
- 9 b) One (1) or less Needs Improvements overall.

10

11 Targets for Due Diligence Inspection Results:

- 12 a) Zero (0) Imminent Fire/Shock/Explosion Hazards on all projects reviewed;
- 13 b) Zero (0) Non-Compliances on all projects reviewed; and
- 14 c) One (1) or less Need Improvements on each project reviewed.

15

16 Targets regarding Public Safety Concerns:

- 17 a) Imminent danger – eliminate safety issue on the same day; and
- 18 b) Potential danger – eliminate safety issue within ten (10) business days.

19

20 NBHDL further understands that the ESA and the OEB are working to identify other
21 potential performance measures related to safety. NBHDL will revise the above
22 measures with a view to adopting those measures into its business strategy once
23 released by the ESA and/or the OEB.

24 3. **Maintaining distribution system reliability and quality** – NBHDL is committed to
25 maintaining distribution system reliability and quality to achieve or outperform the targets for
26 NBHDL established by the OEB through the following objectives:

27 3.1 Managing, maintaining and operating the distribution system in a manner that will, cost
28 effectively, minimize: (i) the average number of hours that power to NBHDL's customers
29 is interrupted; and (ii) the frequency of such interruptions.

30 Target: Within 1.56 – 2.87 average number of hours that power to a customer is
31 interrupted.

1 Target: Within 1.48 – 2.75 average number of times that power to customer is
2 interrupted.

3 3.2 Managing and maintaining the distribution system to meet power quality standards in
4 accordance with good utility practice, all applicable standards and guidelines and
5 NBHDL's Conditions of Service.

6 Target: Zero (0) voltage issues outside of the extreme conditions and less than five
7 (5) voltage issues outside of the normal conditions but within the extreme conditions
8 annually.

9 Target: One (1) or less power quality issues annually.

10 4. ***Continuously improve efficiency and productivity performance to provide better***
11 ***value-for-money*** – NBHDL is committed to continuously improving efficiency and
12 productivity performance to provide better value service for ratepayer money. Some
13 efficiency improvements may lead to direct cost savings. Other efficiency improvements may
14 lead to a more effective utilization of resources, allowing NBHDL to do more with less.
15 NBHDL will work towards the following objectives:

16 4.1 Continuously identifying and implementing measures that will lead to sustainable long-
17 term efficiencies that utilize resources more effectively.

18 Target: Maintain in Group 3 or in an improved group ranking as determined using
19 the PEG methodology.

20 4.2 Actively monitoring and managing NBHDL's productivity performance.

21 Target: Doing more (increased workload) with less by maintaining consistent staffing
22 levels and managing and, to the extent practical, minimizing overtime and sicktime
23 levels.

24 4.3 Maintain consistent staffing levels in accordance with succession plan.

25 Target: Fifty (50) full-time employees equivalent or less.

26 4.4 Manage and, to the extent practical, minimize overtime and sicktime levels.

27 Target for overtime: <10% of hours worked.

1 Target for sicktime: Five (5) sickdays per employee per year.

2 5. **Actively support provincial and local public policy objectives** – NBHDL is committed to
3 actively supporting provincial and local public policy objectives through the implementation of
4 smart meters and time-of-use pricing, meeting mandated conservation and demand
5 management targets, enabling renewable generation, transitioning to IFRS accounting
6 standards, the implementation of LEAP, and the implementation of the Ontario One Call
7 system, to name just a few.

8 Target: 100% of all mandatory objectives are met.

9 6. **Positioning the business for change** – NBHDL has served the City of North Bay for the
10 last 73 years. NBHDL must continue to evolve its business to meet current and future
11 demands from its customers, from the community and the broader sector. The distribution
12 sector in Ontario is poised for further change in the future. NBHDL will identify different
13 strategic business scenarios, critical success factors for each scenario and prepare itself for
14 eventual change.

15

1 **Overview of the Application**

2 To assist the Board in better understanding how the above noted NBHDL objectives and business
3 plan relates to what is sought in the Application, in both Exhibit 2 and Exhibit 4 of this Application,
4 NBHDL has indicated the relationship between each of the objectives noted above and the specific
5 operational and capital costs set out in those exhibits. NBHDL indicates these relationships by cross-
6 referencing the relevant numbered objective noted above.

7 **A Reflection of Customer Feedback and Preferences**

8 A comprehensive discussion of NBHDL's customer engagement efforts, the customer feedback and
9 preferences identified as a result of these efforts, and the steps NBHDL is taking to ensure that
10 customer preferences are being addressed as part of its business activities are included in a more
11 comprehensive discussion on the RRFE customer engagement outcome below.

12 **Performance Overview**

13 ***Past Performance Measures***

14 In this section, NBHDL provides a summary of available past performance measures organized in
15 accordance with each of NBHDL's core objectives.

16 *1.1 Assisting customers in becoming better informed about safe, economical and efficient uses of*
17 *electricity.*

18 NBHDL has increased public awareness in safe, economical and efficient uses of electricity through
19 multiple public outreach events as summarized in the table attached in Appendix 1-A. In order to
20 achieve its targets, NBHDL has held public events including the Home and Garden Expo and a
21 Downtown Christmas Walk thereby allowing customers to be better informed on programs such as
22 Energy Conservation, Smart Meters and Peaksaver PLUS.

23 Furthermore, NBHDL also meets its targets by undertaking the following activities, in order to assist
24 customers in becoming better informed about safe, economical and efficient uses of electricity:

- 25 - commencing in May 8, 2009, NBHDL began holding annual presentations for the North Bay
26 Chamber of Commerce Board of Directors covering topics on consumption patterns of local
27 businesses and conservation programs.

- 1 - conducting customer meetings and business customer breakfast meetings allowing
- 2 businesses to gain more knowledge regarding conservation programs along with certain
- 3 incentives and competitive advantages. For instance, NBHDL conducted a business
- 4 breakfast in 2010 where approximately 100 customers attended to learn about what
- 5 programs and incentives are available as well as learning more about time of use rates.
- 6 Similarly, NBHDL held a Retrofit Contractor Breakfast to engage with contractors to explain
- 7 the Retrofit program and to discuss current electricity price trends and the importance of
- 8 offsetting the costs of electricity.

- 9 - providing residential benchmarking program to 3000 customers since 2014; providing
- 10 monthly messaging on the bill and at least 6 billing inserts per year on energy saving and
- 11 conservation programs since 2012. 2014 is the first year that NBHDL has set measureable
- 12 targets on each of the foregoing activities.

13 *1.2 Maintaining service quality and customer satisfaction rates at or above industry targets.*

14 NBHDL's trends of performance relating to maintaining service quality and customer satisfaction are
 15 generally improving over time.

16 First, as is shown in Table 1-1 below, NBHDL has maintained its service quality in meeting
 17 scheduled appointments with customers on time, achieving percentage scores above the 90% target
 18 consistently since 2009.

19 **Table 1-1: Percentage of Scheduled Appointments Met on Time.**

Year	2009	2010	2011	2012	2013
Percentage of scheduled appointments met on time	100%	99.60%	100%	100%	100%
Target: 90%					

20 Second, with the exception of 2009, as shown in Table 1-2 below, the percentage of telephone calls
 21 that were answered on time were within the industry standard and within NBHDL's target. In 2009,
 22 there was a re-structuring and turnover in NBHDL's front office which temporarily resulted in calls
 23 answered on time falling below the threshold target. Since then, NBHDL has introduced changes
 24 which allowed improvements in performance in 2012 and 2013. Between 2010 and 2013 total call
 25 volume increased by 66% with no increase in staffing levels within the Customer Accounts group and

1 no decrease in service level. Efficiency improvements and process standardization has assisted in
 2 this improvement in service level despite the increased workload.

3 **Table 1-2: Percentage of Telephone Calls Answered on Time.**

Year	2009	2010	2011	2012	2013
Percentage of calls answered on time	53.20%	76.50%	71.60%	77.20%	78.20%
Target: 65%					

4 Third, NBHDL has maintained customer satisfaction rates above the applicable targets. For example,
 5 in 2013, NBHDL exceeded its billing accuracy target of 98% by achieving a score of 99.9% and
 6 NBHDL achieved customer satisfaction survey results of 99.3%. Prior to 2013, NBHDL's AMI service
 7 provider experienced communication issues in the more rugged parts of NBHDL's service area. As a
 8 result, reporting on billing accuracy prior to 2013 is not meaningful as it is more indicative of
 9 communications issues that have since been resolved.

10 Fourth, the UtilityPULSE Customer Satisfaction Survey for NBHDL attached in Appendix 1-A.6 of this
 11 Application further illustrates that NBHDL had achieved an "A" rating in customer satisfaction, better
 12 than its "B+" rating target. Among other criterion, the UtilityPULSE Customer Satisfaction Survey
 13 measured NBHDL's customer satisfaction level based on the customer care provided and NBHDL's
 14 company image and management operations.

15 *1.3 Facilitating local economic development by providing timely responses to new customer*
 16 *connection or service expansion requests.*

17 As indicated in Table 1-3 below, for the past 5 years NBHDL has facilitated local economic
 18 development by providing each of its new residential or small business services with on time
 19 connections. Similarly, as shown in Tables 1-4 and 1-5 below, NBHDL has met a 100% of its new
 20 customers requests for low or high voltage since 2008, exceeding its target each year.

21

22

23

24

1 **Table 1-3: Percentage of New Residential or Small Business Services Connected on Time.**

Year	2009	2010	2011	2012	2013
Percentage of new residential/small business services connected on time	100%	100%	100%	100%	100%
Target: 90%					

2 **Table 1-4: Percentage of New Customer Connection Requests for Low Voltage Connected on**
 3 **Time.**

	2008	2009	2010	2011	2012	2013
Percentage of new customer connection for low voltage connected on time	100%	100%	100%	100%	100%	100%
Quantity within 5 days	132	114	134	86	104	61
Target: 90%						

4 The row titled "Quantity within 5 days" indicates the total number of new customer connection
 5 requires for low voltage customers received within 5 days.

6 **Table 1-5: Percentage of New Customer Connection Requests for High Voltage (i.e. greater**
 7 **than 750V) Connected on Time.**

Year	2008	2009	2010	2011	2012	2013
Achievement of standard	100%	100%	100%	100%	100%	100%
Quantity within 5 days	10	8	8	3	4	9
Target: 90%						

8 The row titled "Quantity within 5 days" indicates the total number of new customer connection
 9 requires for high voltage customers received within 5 days.

1 *1.4 Coordinating infrastructure replacement requirements to minimize costly duplicative civil and*
 2 *construction work.*

3 NBHDL is a core member of the City of North Bay’s Development Application Resource Team which
 4 meets weekly or as required to coordinate servicing of new developments within the City of North
 5 Bay. Furthermore, NBHDL meets monthly or as required with Public Works staff to coordinate
 6 infrastructure changes as a result of City activity for roads, sewers, etc. Finally, NBHDL meets
 7 annually with senior staff at the City of North Bay and other major utility providers to review and
 8 coordinate respective capital plans.

9 NBHDL does not currently have quantitative measures to assess performance in respect of this
 10 objective. NBHDL has budgeted for an operational review in the Test Year (see Exhibit 4) which is
 11 intended, in part, to address this in the future.

12 *1.5 Providing good value service for money while providing a fair rate of return to the City of North*
 13 *Bay.*

14 NBHDL has strived to provide good value service for money to its customers in the City of North Bay,
 15 in providing its shareholder with a rate of return consistent with OEB’s allowed return on equity, as
 16 provided in Table 1-6 below.

17 **Table 1-6: NBHDL Profitability: Regulatory Return on Equity.**

Year	2011	2012	2013
Percentage of profitability	10.15%	9.08%	8.88%
Targets: OEB Permitted Return (for rates effective May 1, 2011): 9.58% OEB Permitted Return (for rates effective May 1, 2012): 9.12% OEB Permitted Return (for rates effective May 1, 2013): 8.98%			

18 *2.1. Minimize lost time due to accidents involving NBHDL employees or contractors.*

19 With the exception of 2011, as shown in Table 1-7 below, NBHDL has held a record of minimizing
 20 lost time due to accidents involving its employees or contracts to an amount of zero lost time due to
 21 accidents per year. In 2011, a powerline maintainer twisted an ankle while climbing off a piece of off-
 22 road equipment in deep snow. The employee returned to work and assumed other responsibilities.

23

1

Table 1-7: NBHDL Employee Safety Record 2010-2014YTD.

Year	NBHDL Lost Time Accidents
2010	0
2011	1
2012	0
2013	0
2014YTD	0
Target: Zero (0) lost time due to accidents.	

2 *2.2. Minimize public safety incidents caused by factors within NBHDL’s control, such as equipment*
 3 *failure or work procedures.*

4 NBHDL defines a public safety incident as a situation which causes the potential for or actual
 5 personal injury or property damage. NBHDL’s measures all public safety incidents, and it is very
 6 difficult to achieve zero public safety incidents in a given year due to the many factors beyond the
 7 control of NBHDL, for instance, weather, people, and wildlife. Nevertheless, NBHDL aims for its
 8 target for public safety incidents and undergoes a review of each and every incident that causes
 9 potential or actual personal injury or property damage.

10 The incidents indicated in Table 1-8 revolve around motorvehicle accidents in 2012 and 2014
 11 involving NBHDL’s drivers. As a result, NBHDL conducted a full investigation of each accident,
 12 reviewed findings with its staff, conducted driver training sessions and took appropriate disciplinary
 13 action. In 2011, a parked vehicle was damaged when a switch broke off and fell. NBHDL is now in
 14 the process of replacing this type of switch across its system.

15

Table 1-8: NBHDL Public Safety Record 2010-2014YTD.

Year	Public Safety Incidents in NBHDL’s Control
2010	0
2011	1
2012	2
2013	0
2014YTD	1
Target: Zero (0) public safety incidents caused by factors within NBHDL’s control.	

16 *2.3. Maintain compliance with all relevant Electrical Safety Authority (“ESA”) standards and*
 17 *guidelines.*

18 Compliance of Ontario Regulation 22-04 is assessed using the following four criteria: i) C –
 19 Complies; ii) NI – Needs Improvement; iii) NC – Non-Compliance; and iv) N/A – Not Applicable. As

1 shown from Table 1-9 below, with the exception of 2011, NBHDL has met the industry target of
 2 achieving zero “Non-Compliances” in all sections and one or less “Needs Improvements” overall.

3 In 2010, the ESA has updated and expanded the scope of the audit. When the audit was completed
 4 in 2011, 2 processes which were not previously audited were then identified as “Need Improvement”.
 5 NBHDL has since performed the necessary adjustments to ensure that these processes are in
 6 compliance.

7 A summary of NBHDL audit results over the past 4 years is shown in Table 1-9 below:

8 **Table 1-9: Ontario Regulation 22-04 Audit Results.**

Audit Year	Section 4	Section 5	Section 6	Section 7	Section 8
2010	C	C	C	NI	C
2011	C	C	C	NI x 2	NI
2012	C	C	NI	C	C
2013	C	C	C	C	C

Targets:

- Zero (0) Non-Compliance in all sections and
- One (1) or less Needs Improvements overall

9 As another way of confirming compliance to Ontario Regulation 22-04, the ESA conducts random
 10 Due Diligence Inspections on LDC construction projects. The inspection concentrates on ensuring
 11 that undue hazards do not exist to the public by confirming construction is in accordance with plans,
 12 work instructions, and/or standard designs. The report groups findings into 5 categories: i) Imminent
 13 Fire/Shock/Explosion Hazards; ii) Non-Compliance to Ontario Regulation 22-04; iii) Needs
 14 Improvements; iv) Safety Related Observations; and v) Miscellaneous Observations. Of the 5
 15 categories, only the first three require a response back to the ESA.

16 As shown in Table 1-10, NBHDL has met industry target in Imminent Fire/Shock/Explosion Hazards.
 17 In 2012, the “Non-Compliance” was the result of a secondary conductor not meeting the required
 18 ground clearance. The conductor was installed with the necessary ground clearance, but had
 19 sagged and settled at a clearance lower than acceptable. NBHDL sets a very high threshold for
 20 “Needs Improvements” targets. The actual due diligence inspection results are dependent a variety
 21 of factors including the diligence of the construction crews at following the design, as well as the
 22 experience and preferences of the auditor. Construction, especially on the Canadian Shield can
 23 result in minor deviations from the design.

1

Table 1-10: Due Diligence Inspection Results.

Inspection Year	# of Projects Inspected	Imminent Fire/ Shock/ Explosion Hazards	Non-Compliances	Needs Improvements	Safety	Miscellaneous Observations
2010	0	N/A	N/A	N/A	N/A	N/A
2011	5	0	0	0	0	1
2012	6	0	1	2	2	3
2013	0	N/A	N/A	N/A	N/A	N/A
2014	5	0	0	3	0	5

Targets:

- Zero (0) Imminent Fire/Shock/ Explosion Hazards on all projects reviewed;
- Zero (0) Non-Compliances on all projects reviewed; and
- One (1) or less Need Improvements on each project reviewed

2 Public Safety Concerns are notices provided by the ESA to LDC's informing LDC's of possible
 3 hazards that exist within their service territory that may lead to or are safety hazards to the public.
 4 Public Safety Concerns are typically reported by a third party (i.e. property owner, customer,
 5 company, etc.) to the ESA whereby the ESA will then forward on to the LDC. As shown in Table 1-
 6 11, NBHDL has resolved all potential dangers that may lead to or are safety hazards to the public
 7 within the industry target of 10 business days.

8

Table 1-11: Public Safety Concerns.

Year	# of Public Safety Concerns Received	Imminent Danger/ Potential Danger	Public Safety Concern ID Reference	Timeline to resolve concern (in business days)
2011	2	Potential	ID1400	1
		Potential	ID1567	3
2012	1	Potential	ID1584	3
2013	2	Potential	ID1765	7
		Potential	ID1851	6
2014	1	Potential	ID1865	Same day

Targets:

- Imminent Danger – eliminate safety issue same day
- Potential Danger – eliminate safety issue within 10 business days

1 3.1. *Managing, maintaining and operating the distribution system in a manner that will, cost*
 2 *effectively, minimize: (i) the average number of hours that power to NBHDL's customers is*
 3 *interrupted; and (ii) the frequency of such interruptions.*

4 As shown in Tables 1-12 and 1-13, NBHDL has managed, maintained and operated the distribution
 5 system in a cost efficient manner by maintaining the average number of hours and times that power
 6 to a customer is interrupted within the acceptable industry targets.

7 **Table 1-12: Average Number of Hours that Power to a Customer is Interrupted.**

Year	2009	2010	2011	2012	2013
Average number of hours that power is interrupted	1.56	2.72	2.87	1.60	2.32
Target: Within 1.56 – 2.87					

8 **Table 1-13: Average Number of Times that Power to a Customer is Interrupted.**

Year	2009	2010	2011	2012	2013
Average number of times that power is interrupted	1.48	2.75	2.16	2.29	1.89
Target: Within 1.48 – 2.75					

9 3.2. *Managing and maintaining the distribution system to meet power quality standards in*
 10 *accordance with good utility practice, all applicable standards and guidelines and NBHDL's*
 11 *Conditions of Service.*

12 As per the NBHDL Conditions of Service, NBHDL COS-230-05, NBHDL endeavours to supply a
 13 constant, stable supply voltage from its distribution system. NBHDL does so by supplying voltage at
 14 the consumer's service entrance within the guidelines of CSA Standard CAN3-C235-83 (latest
 15 edition) Table 3, which allows variations from nominal voltage of the following limits as set out in
 16 Table 1-14: Voltage Variation Limits:

17
 18
 19
 20

Table 1-14: Voltage Variation Limits.

Nominal Voltage	Voltage Variation Limits			
	Extreme Conditions			Extreme Conditions
		Normal Conditions	Normal Conditions	
<i>SINGLE PHASE</i>				
120/240	106/212	110/220	125/250	127/254
240	212	220	250	254
480	424	440	500	508
600	530	550	625	635
<i>THREE PHASE 4W</i>				
120/208	110/190	112/194	125/216	127/220
240/416	220/380	224/388	250/432	254/440
277/480	245/424	254/440	288/500	293/508
347/600	306/530	318/550	360/625	367/635
<i>THREE PHASE 3W</i>				
240	212	220	250	254
480	424	440	500	508
600	530	550	625	635

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4 NBHDL targets to have 0 voltage issues outside of the extreme conditions and less than 5 voltage
 5 issues outside of the normal conditions but within the extreme conditions annually. Note that a
 6 voltage complaint does not constitute a voltage issue until proven to be within one of the two limits
 7 indicated above.

8 Where supply voltages lie outside the indicated limits for normal operating conditions but within the
 9 indicated limits for extreme operating conditions, improvement or corrective action should be taken
 10 on a planned and programmed basis. Where supply voltages lie outside the indicated limits for
 11 extreme operating conditions, improvement or corrective action should be taken as soon as practical.
 12 The urgency for such action will depend on many factors such as the location and nature of load or
 13 circuit involved, the extent to which limits are exceeded with respect to supply voltage levels and
 14 duration, etc.

15 Although NBHDL has followed NBHDL Conditions of Service, NBHDL COS-230-05, since 2006 in
 16 maintaining voltage and addressing issues, a metric was not established and the issues were not
 17 tracked and therefore historical information does not exist. Going forward voltage issues will be
 18 recorded so they can be monitored and the metric reported. It can be noted that the amount of
 19 complaints over the past 5 years have been minimal, with the majority of the complaints falling within
 20 the "Normal" operating range and therefore not posing an actual issue.

1 As per the NBHDL Conditions of Service, NBHDL COS-230-02, NBHDL endeavours to supply
 2 continuous energy with no power quality problems. NBHDL COS-230-02 details the steps to be taken
 3 and the policies and processes with respect to power quality issues. The limit on individual harmonic
 4 distortion is 3% and the limit on total harmonic distortion is 5%. NBHDL targets to have one or less
 5 power quality issues annually.

6 Although NBHDL has followed the Conditions of Service section, NBHDL COS-230-02, since 2006 in
 7 relation to power quality issues, a metric was not established and the issues were not tracked and
 8 therefore historical information on the metric does not exist. Going forward, voltage issues will be
 9 recorded so they can be monitored and the metric reported. It can be noted that in the last 5 years,
 10 only one power quality issue has been reported (August 2014) and it is still under investigation.

11 *4.1. Continuously identifying and implementing measures that will lead to sustainable long-term*
 12 *efficiencies that utilize resources more effectively.*

13 As described in greater detail below, in respect of the operational effectiveness RRFE outcome,
 14 NBHDL actively identifies and implements measures that will lead to sustainable long-term
 15 efficiencies that utilize resources more effectively. While the specific measures are identified and
 16 managed at an operational level, it is also helpful to consider NBHDL's efficiency performance as
 17 shown in the PEG comparison of distributors' total cost to the PEG model's cost prediction. The
 18 resulting NBHDL efficiency grouping is shown in Table 1-15 below.

19 **Table 1-15: Efficiency Assessment.**

Year	2009	2010	2011	2012	2013
Efficiency assessment group	-	-	-	3	3
Target: Group 3 or better					

20 *4.2. Actively monitoring and managing NBHDL's productivity performance.*

21 NBHDL actively monitors its productivity performance and uses best efforts to manage costs in an
 22 attempt to maintain and improve its productivity performance. These efforts are more fully detailed in
 23 respect of the operational effectiveness RRFE outcome below. While the specific measures are
 24 monitored and managed at an operational level, it is also helpful to consider NBHDL's cost
 25 performance as shown on the OEB's scorecard, as attached in Appendix 1-I. NBHDL's total cost per
 26 customer and total cost per KM of line is shown in Table 1-16 below.

1 **Table 1-16: Total Cost per Customer and Total Cost per Km of Line.**

Year	2009	2010	2011	2012	2013
Total Cost per Customer	\$544.00	\$580.00	\$605.00	\$598.00	\$614.00
Total Cost per Km of Line	\$20,971.00	\$22,550.00	\$23,351.00	\$23,096.00	\$25,228.00
Target: Doing more (increased workload) with less by maintaining consistent staffing levels and managing and, to the extent practical, minimizing overtime and sicktime levels.					

2 *4.3. Maintain consistent staffing levels in accordance with succession plan.*

3 Despite numerous regulatory obligations driving increasing workload, NBHDL has consistently
 4 maintained a workforce of less than 50 full-time employees between 2011 and 2015, in accordance
 5 with succession plan and as shown in Table 1-17. NBHDL intends to maintain a consistent workforce
 6 in the test year. NBHDL has worked to implement efficiency measures to handle incremental
 7 workload as a result of customer demand and to respond to provincial policy initiatives as opposed to
 8 increasing its employee complement.

9 **Table 1-17: Number of Full-time Employees.**

Year	2011	2012	2013	2014	2015
Number of full-time employees	47	47	47	49	48
Target: Fifty (50) full-time employees or less					

10 *4.4. Manage and, to the extent practical, minimize overtime levels.*

11 NBHDL has maintained the staff overtime hours within the industry target as shown in Table 1-18.

12 **Table 1-18: Overtime Hours.**

Year	2010	2011	2012	2013
Percentage of overtime hours	6%	6%	5%	5%
Target: <10% of hours worked per year.				

13 NBHDL has on average, experienced sicktime hours that met NBHDL's business target and industry
 14 target, and the trend has decreased since 2010. The number of sick days, shown in Table 1-19, is
 15 attributed to a number of major illnesses experienced by employees at NBHDL.

1

Table 1-19: Sick Days.

Year	2010	2011	2012	2013
Sick days per employee per year	8.97	6.22	7.18	5.74
Target: Five (5) sick days per employee per year.				

2 *5. Actively support provincial and local public policy objectives*

3 NBHDL actively supports provincial and local public policy objectives through, for instance, its
 4 implementation of smart meters and time-of-use pricing, meeting mandated conservation and
 5 demand management targets, enabling renewable generation, transitioning to IFRS accounting
 6 standards, the implementation of LEAP, and the implementation of the Ontario One Call system, to
 7 name just a few. Table 1-20 indicates NBHDL's level of public policy responsiveness in recent years.
 8 More information is provided below in respect of the RRFE outcomes.

9

Table 1-20: Public Policy Responsiveness.

Year	2009	2010	2011	2012	2013
Net Annual Peak Demand Savings (Percent of target achieved)	-	-	20%	20%	-
Net Cumulative Energy Savings (Percent of target achieved)	-	-	35%	65%	-
Renewable Generation Connection Impact Assessments Completed On Time	-	-	100%	0%	-
New Micro-embedded Generation Facilities connected On Time	-	-	-	-	100%
Industry target: 100% of all mandatory objectives are met.					

10 *6. Positioning the business for change*

11 NBHDL has served the electricity customers in North Bay since 1941. NBHDL has been an effective
 12 service provider as a result of the business constantly evolving. Between 2008 and 2014, NBHDL
 13 experienced a 66% turnover in staff positions. Throughout this period, NBHDL was able to meet the
 14 increased demand for services from customers; handle new incremental work activities as a result of
 15 provincial policy initiatives; continue to replace its aging assets and operate its distribution system
 16 safely and reliably without a major safety incident.

17

18

1 ***Expected Performance Targets***

2 Provided the Board approves rates in the Test Year as forecasted in this Application, NBHDL
3 expects to continue to achieve all of its performance targets in the Test Year.

4 NBHDL expects this notwithstanding the fact that NBHDL is expecting a turnover of 25% in the next
5 5 years, which includes for the most part, the majority of the senior management team. NBHDL has
6 budgeted to proactively plan for these changes to ensure continued achievement of key performance
7 targets.

8

1 **EXECUTIVE SUMMARY**

2 **A. Revenue Requirement (Exhibit 6)**

3 NBHDL is requesting the approval of its proposed service revenue requirement of \$13,848,941, an
 4 increase of \$1,723,979 or 14.2% compared with the 2010 approved service revenue requirement as
 5 shown in Table 1-21: Service Revenue Requirement.

6 **Table 1-21: Service Revenue Requirement.**

Service Revenue Requirement	2010 Approved (A)	2015 Proposed (B)	Difference (C) = (B) - (A)
OM&A	5,665,408	7,004,844	1,339,436
LEAP	15,000	16,700	1,700
Property Tax	64,292	69,876	5,584
Capital Tax	21,829	0	(\$21,829)
Depreciation	2,694,912	2,569,662	(\$125,250)
Return on Rate Base	2,999,043	4,025,348	1,026,305
PILs	664,478	162,510	(\$501,968)
Total	12,124,962	13,848,941	1,723,979
Rate Base	44,105,306	64,061,442	19,956,136

7

8 There are two main contributors to the difference in revenue requirement between 2015 proposed
 9 and 2010 approved. The first contributor is the cost increases in OM&A of \$1,339,436 as
 10 detailed in Exhibit 4, Table 4-2 - 2015 Test Year OM&A Expenditures. The second contributor is
 11 the increase in return on rate base resulting from an almost \$20 million increase in rate base
 12 which is explained in Exhibit 2. However, the increases in OM&A and return on rate base are
 13 offset by decreases in depreciation and PILs resulting from changes in useful life of assets since
 14 2010. This change lowers depreciation and also lowers PILs since the tax adjustment for
 15 accounting depreciation, which increases PILs, is lower but the tax adjustment for capital cost
 16 allowance (i.e. depreciation for tax purposes), which reduces PILs, does not change with the
 17 change in useful life.

18 The primary customer concerns, based on NBHDL's customer engagement efforts, include:

- 19 1. Affordable electricity costs;
- 20 2. Reliability of service with rapid response to un-planned outages;

- 1 3. Information supporting the value of services provided;
- 2 4. Assistance to reduce consumption and thereby costs;
- 3 5. Professional interactions with highly skilled and experienced personnel;
- 4 6. Communications through a variety of media including phone, internet, social media,
5 in-person and email;
- 6 7. Proactive communications when there are un-planned outages;
- 7 8. Business to be customer centric including timely service that solves their problems;
8 and
- 9 9. Continued delivery of high quality services.

10 NBHDL is very aware of these concerns and has taken steps to address each of these concerns as
11 further described in this Exhibit 1.

12

1 **B. Budgeting and Accounting Assumptions**

2 Developing NBHDL's budget is a key process as it identifies past successes as well as future
3 initiatives and projections for capital and operating costs. Assumptions provided by the management
4 team for the capital and operating budgets are tested to ensure they support NBHDL's core business
5 objectives as well as being prudent and financially sustainable. Both the 2014 Bridge and 2015 Test
6 Years have been compiled using the MIFRS method of presentation. Impacts flowing from changes
7 to depreciation and non-material changes related to NBHDL's employee future benefits are required
8 upon transition to MIFRS. NBHDL reviewed and changed the overhead capitalization policy in fiscal
9 2009, therefore no other change affecting capitalization of overhead costs is required during the
10 transition to MIFRS. The 2014 Bridge Year forecast is based on six months of actuals and forecasted
11 for the balance of the year. NBHDL provides detailed explanations in the applicable sections of the
12 application for the major components of the budget; revenue, OM&A and capital. Assumptions and
13 methods of calculation from these exhibits for the 2015 Test Year are as follows:

14 **1) Revenue**

- 15 a) 2015 distribution revenue, at existing rates, is forecasted to decrease due to the local
16 economy. CDM results were calculated using the weather normalized load forecast model
17 multiplied by NBHDL's current approved distribution rates.
- 18 b) The total customer/connections are forecasted to slightly decrease based on the forecast by
19 rate class which was determined using a geometric mean analysis.
- 20 c) Other revenues were viewed on an item-by-item basis and were either based on a historical
21 indicator or on future strategic initiatives.

22
23 **2) Operating Maintenance and Administration Expense**

- 24 a) OM&A expenses have been developed based on the department manager's work plans
25 using a top-down approach in an effort to contain costs but still provide an acceptable level
26 of service and reliability.
- 27 b) Staffing levels are based on the estimated time required to complete the work plans. The
28 year end full time employee compliment is forecasted to remain at the 2014 Bridge level of
29 48.
- 30 c) Union wage increases are based on the union contract which was effective April 1, 2014 and
31 expires on March 31, 2018. The scheduled rate increase for April 1, 2015 is 2.5%.
- 32 d) Non-union management wage increases are based on a structured pay scale; the total
33 average increase is forecasted at 3.4%.
- 34 e) Regulatory costs for this application and other one-time costs have been normalized over
35 the five year life of the application.

1 f) NBHDL used an inflation rate of 2% where the expense increase could not be specifically
2 identified.

3

4 **3) Amortization**

5 a) Amortization has been calculated based on the revised useful lives and on a MIFRS basis.

6

7 **4) PILs**

8 a) Regulatory PILS have been calculated using the Board Approved model.

9 b) PILS are forecasted to decrease mainly due to the decrease in depreciation as a result of
10 the change in useful lives and an increase in capital cost allowance which is not affected by
11 the change in useful lives.

12

13 **5) Capital**

14 a) The capital budget was formulated on a project by project basis.

15 b) Distribution asset related projects were prioritized based on multiple factors as explained in
16 the Distribution System Plan and are further supported by a third party Asset Condition
17 Assessment Report (ACA Report).

18 c) General asset related projects were submitted by department Managers and supported by
19 third party reviews or necessity. Major projects were based on a building assessment, a fleet
20 replacement schedule, work equipment requirements, and an IT risk assessment.

21

1 **C. Load Forecast Summary (Exhibit 3)**

2 NBHDL's load forecast is weather normalized and considers factors such as historical power
3 purchased load, weather, calendar related factors and local economic conditions. As outlined in
4 Exhibit 3, NBHDL has used the same regression analysis methodology approved by the Board in its
5 2010 cost of service application (EB-2009-0270). The regression analysis was conducted on
6 historical electricity purchases to produce an equation that will predict weather normalized power
7 purchases in 2015. The weather normalized purchased energy forecast is adjusted by a historical
8 loss factor to produce a weather normalized billed energy forecast which is allocated to rate class
9 using historical billing data by rate class.

10 Based on the load forecast methodology, the total 2015 Test Year kWh forecast 516,645,305 which
11 is an 8.4% decrease over the 2010 Board Approved kWh forecast of 563,638,678. This decrease
12 reflects the impact of CDM savings as well as the slower economic condition of North Bay.

13 The forecast of customers by rate class was determined using a geometric mean analysis. Based
14 upon the geometric mean analysis, the expected number of customers/connections for the 2015 Test
15 Year is 29,849 which is an 1.2% decrease over the 2010 Board Approved customers/connections of
16 30,219.

17

1 **D. Rate Base and Capital Plan (Exhibit 2)**

2 **Distribution System Plan**

3 In creating the Distribution System Plan (the "DSP" as attached in Exhibit 2), NBHDL's applied its
 4 overarching corporate goals, which are to distribute electricity safely and reliably with highest
 5 operating efficiency to provide good value service and provide the shareholder the full regulated
 6 return on equity. To meet these goals, NBHDL developed protocols and strategies to ensure
 7 optimized and efficient planning. Optimal operation of the distribution system is achieved when "right
 8 sized" investments into renewal and replacement (capital investments) and into asset repair,
 9 rehabilitation and preventative maintenance are planned and implemented based on a "just-in-time"
 10 approach. Therefore, the DSP and NBHDL's Capital Expenditure Plan seeks to find the right balance
 11 between capital investments in new infrastructure and operating and maintenance costs so that the
 12 combined total cost over the life of the asset is minimized.

13 As will be demonstrated in the DSP as well as the remainder of this summary, NBHDL anticipates
 14 that capital spending is expected to remain reasonably stable for the 2015 to 2019 planning horizon.
 15 This is with the exception of distinct exceptions to spending that are anticipated in the 2015 Test
 16 Year. These capital expenditures are spread out over four categories (as seen in Table 1-22 below):
 17 System Renewal, System Access, System Service and General Plant.

18 **Table 1-22: Proposed Capital Investments.**

		2015	2016	2017	2018	2019	TOTAL	AVERAGE
SR	System Renewal	\$ 5,469,405	\$ 4,180,343	\$ 4,235,741	\$ 4,266,049	\$ 4,054,266	\$ 22,205,804	\$ 4,441,161
SS	System Service	\$ 373,245	\$ 214,743	\$ 127,302	\$ 89,044	\$ 135,918	\$ 940,251	\$ 188,050
SA	System Access	\$ 1,143,704	\$ 1,166,578	\$ 1,189,909	\$ 1,213,707	\$ 1,237,982	\$ 5,951,880	\$ 1,190,376
GP	General Plant	\$ 771,603	\$ 373,400	\$ 549,000	\$ 350,700	\$ 642,000	\$ 2,686,703	\$ 537,341
	Total Capital Spending	\$7,757,956	\$5,935,064	\$6,101,952	\$5,919,500	\$6,070,166	\$31,784,637	\$6,356,927

19
 20

1 **Capital Expenditures for the 2015 Test Year**

2 In the 2015 Test Year, there are three significant exceptions to the generally stable forecast in 2015
3 for capital spending. System Service includes a 6 year plan to upgrade non-interval capable meters
4 with Smart Meters able measuring hourly intervals. The project began in 2014 and meters are
5 prioritized based on seal expiration dates. The 2015 Test Year is higher due to the meter
6 replacement schedule as a result of seal expiry dates. Costs for this conversion are lower in
7 subsequent years as NBHDL has a higher number of installations required in 2015 which presents a
8 higher value in Table 1-22. System Renewal for 2015 includes the replacement of substation MS9
9 with MS22. This one-off project provides a significant increase in capital expenditure for NBHDL that
10 is not required beyond 2015. The MS9 replacement allows NBHDL to complete its SMART GRID
11 Initiative as well as meeting numerous other safety and reliability goals further discussed in the DSP.
12 Third, as part of General Plant, NBHDL has budgeted a larger than average expenditure on the
13 replacement of an end of life boom/bucket truck. These variations and other capital projects are
14 further discussed below.

15 **Capital Expenditures for the Forecast Period**

16 For the forecast period of 2016-2019, NBHDL does not have specific project listings. The capital
17 expenditures for this period are anticipated to remain flat. For System Renewal, the replacement of
18 MS9 in 2015 concludes the substation replacement requirements, thus lowering anticipated
19 expenditures. Further, the replacement of poles and underground assets has been leveled to
20 ensure System Renewal projects are consistent over the rate filing horizon.

21 NBHDL does not anticipate a significant amount of work for the System Service category. The
22 majority of forecast period spending in this area beyond the 2015 test year will be attributed to the
23 modernization of metering infrastructure. For System Access, the forecasted expenditures are based
24 strictly on historical averages adjusted by inflation. General Plant is anticipated to remain flat over
25 the forecast period as the bulk of expenditure requirements were completed over the historical
26 period.

27 **Comparison to Board Approved Capital Expenditures 2010**

28 As shown in Table 1-23, 2010 Board-Approved Capital Expenditures vs. 2015 Test Year Capital
29 Expenditures below, NBHDL's capital expenditures for the 2015 Test Year are \$1,416,686 lower
30 than the 2010 Board-Approved capital expenditures.

31

1 **Table 1-23: 2010 Board-Approved Capital Expenditures vs. 2015 Test Year Capital**
 2 **Expenditures.**

		2010 Board Approved	2015 Test Year	Variance
SR	System Renewal	\$ 6,776,173	\$ 5,469,405	\$ (1,306,768)
SS	System Service	\$ 344,216	\$ 373,245	\$ 29,029
SA	System Access	\$ 1,697,037	\$ 1,143,704	\$ (553,333)
GP	General Plant	\$ 357,216	\$ 771,603	\$ 414,387
	Total Capital Spending	\$9,174,642	\$7,757,956	\$ (1,416,686)

3
 4 The following factors contribute to the decrease in spending:

5 System Renewal

- 6 • The 2010 Board Approved capital expenditures included \$2,139,648 in civil work related to
 7 the voltage conversion of the Pinewood area and \$92,382 in estimated transformer
 8 purchases related to the project. NBHDL does not have similar civil costs or a specific
 9 project of that magnitude in the Test Year;
- 10 • Construction projects lined up for the 2015 Test Year and related estimated transformer
 11 costs are lower by \$541,011 due to the unique make-up of costs with the individual projects;
- 12 • 2010 capital expenditures included \$213,239 in relation to asset management related costs
 13 which are not required in the 2015 Test Year capital costs.

14
 15 System Access

- 16 • 2015 Test Year costs for demand related work in System Access are based on historical
 17 averages and are lower than 2010 Board Approved estimates by \$351,773;
- 18 • 2010 Board Approved costs included \$192,005 in a line extension and NBHDL does not
 19 have a similar requirement in the Test Year.

20 General Plant

- 21 • The 2015 Test Year includes the scheduled replacement of NBHDL's motor fleet, including
 22 the final costs related to the procurement of a large bucket truck, which represents an
 23 increase of \$464,000 over 2010 Board Approved costs;
- 24 • IT costs in the 2015 Test Year are lower than 2010 Board Approved costs by \$41,437.
 25 Increased server upgrades in 2015 are offset by a reduction in software as the 2010 budget
 26 included several large investments in software upgrades;

- 1 • Costs related to NBHDL's building and tool requirements remain flat with an immaterial
2 reduction of \$8,176.

3 Each of the four categories identified above in Table 1-22 is further described below.

4 ***System Renewal Investments***

5 The majority of System Renewal investments anticipated by NBHDL over the 2015 and 2016 portion
6 of forecast period (with potential spillover into 2017) are tied to NBHDL's plan to complete all line
7 construction work relating to the preparation to convert, or actual conversion of, NBHDL's existing
8 22kV subtransmission system to 44kV and the 4.16/2.4kV system to 12.47/7.2kV. The 22kV and
9 4.16kV systems are the oldest in the NBHDL asset portfolio and therefore most related plant is at the
10 end of its useful life thus requiring replacement. The completion of this conversion plan will lead to
11 the harmonization of the distribution system voltage and eliminate safety hazards to the public and
12 NBHDL employees. NBHDL also anticipates that the completion of the project will lower line losses,
13 and future maintenance costs.

14 In addition to the voltage conversion projects, NBHDL also plans investment in major and minor
15 betterment projects such as investment in the Turret Complex and Substation transformer
16 replacement. These projects are driven by the need to replace end of life assets, rising O&M costs
17 and safety, among other things.

18 The majority of System Renewal investments for the period of 2017 to 2019 will be informed by the
19 asset condition assessment created in 2013 and the prioritization protocol currently being developed
20 by METSCO Energy Solutions Inc.

21 Significant System Renewal capital projects for the 2015 Test Year include:

- 22 • Voltage conversion projects consisting of approximately \$1,746,280 in rebuilds at 12.47 kV
23 for assets that are currently at or near end of life and not harmonized with the balance of
24 NBHDL's distribution system;
- 25 • Major betterment projects of approximately \$1,259,399 including the rebuild of the Turret
26 Complex. These projects involve the design and construction of new underground high
27 voltage and low voltage infrastructure to replace existing backlot poles and underground
28 secondary infrastructure supplying large townhouse development and is currently at end of
29 life;

- 1 • The replacement of MS9 with a new substation MS22 for approximately \$1,781,297 due to
2 the age and condition of the substation;

- 3 • Transformer purchases for various jobs at approximately \$284,135 and the replacement of a
4 substation transformer at MS13 for approximately \$271,470;

- 5 • Minor betterment projects projected for approximately \$106,591; and

- 6 • Miscellaneous projects (less than \$65,000 on an individual project basis) for approximately
7 \$71,897. Several of these miscellaneous projects are related to the voltage conversion
8 process however, given that the costs fell below the materiality threshold, they were treated
9 as miscellaneous projects absent the requirement for capital justification.

10 ***System Access Investments***

11 System Access investments have not been a significant concern for NBHDL as NBHDL is currently
12 experiencing no constraints on capacity and customer connections are done on an as requested
13 basis. NBHDL has also experienced limited growth in its customer base and anticipates this to
14 continue for the forecast period. While NBHDL anticipates a relative limit on the capital expenditures
15 for System Access due to the above factors, it has still prepared System Access investment
16 requirements for the forecast period based on outputs of Customer Service Requests and Road
17 Relocation categories.

18 Customer Service Requests include projects under the subcategories: generators, primary services,
19 secondary services, minor betterments and subdivisions. NBHDL receives a modest number of such
20 requests yearly. Given that there is no concern for capacity and no backlog of customers requiring
21 new services, NBHDL anticipates this category of investment to remain consistent with the historical
22 levels.

23 Road relocations are required projects drive by statutory obligations to the City of North Bay or the
24 MTO. Legislative cost sharing formulas provide that the City or MTO contribute 50% of all labour,
25 labour saving devices, and equipment costs. These road relocation obligations are non-discretionary
26 and are anticipated to continue throughout the forecast period at a similar level of investment to that
27 which was experienced during the historical period.

28 Significant System Access capital projects for the 2015 Test Year include:

- 29 • The portion of transformer purchases under the System Access category is projected at
30 approximately \$95,113;

- 1 • Generator Connections are approximately \$38,112;
- 2 • Minor betterment System Access projects are anticipated to be valued at \$230,102;
- 3 • Primary Services projects anticipated at \$217,820;
- 4 • Secondary Services projects anticipated at \$249,365;
- 5 • Subdivision projects anticipated at \$100,973; and
- 6 • Road relocation projects anticipated at \$212,218.

7 ***System Service Investments***

8 System Service investments are typically driven by capacity constraints. NBHDL's System Service
9 investments have historically included projects aimed at improving system operations, reliability and
10 efficiencies through voltage upgrades, distribution automation, intelligent devices or equipment.
11 These projects are all aimed at enhancing customer value and operational effectiveness. As NBHDL
12 currently experiences no constraints on its capacity and anticipates this trend to continue during the
13 forecast period, the only remaining System Service projects relate to asset management projects
14 falling into this category. These projects include: metering and miscellaneous projects (such as
15 SCADA, feeder conversion and minor betterment.)

16 Significant System Service capital projects for the 2015 Test Year include:

- 17 • Capital Infrastructure Modernization for approximately \$199,213 which comprises the
18 continued implementation of metering technology; and
- 19 • Miscellaneous projects totaling approximately \$174,031 (including SCADA installation,
20 major/minor betterments and feeder conversion projects).

21 ***General Plant Investments***

22 In the category of General Plant, NBHDL anticipates the continued maintenance of historical levels
23 of investment with the exception of several key asset renewals in the 2015 Test Year. In 2015,
24 NBHDL will invest approximately \$515,000 as part of a continued investment into its motor fleet.
25 Specifically, NBHDL has gone through a procurement process to replace its current large
26 boom/bucket truck designated as Truck 30. The replacement of Truck 30 has costs that are split
27 between 2014 and 2015 as the cab/chassis were procured in 2014 and the boom/bucket represents

1 a capital investment for 2015. For the motor fleet, NBHDL has also scheduled the replacement of
 2 three pick-up trucks and two trailers based on the age and condition of these assets. These
 3 determinations were made by NBHDL through reliance on inherent knowledge of its assets in
 4 conjunction with external consultant reports and a fleet replacement schedule.

5 Aside from the motor fleet investments, NBHDL anticipates a fairly flat schedule of investment for IT,
 6 Tools and Building/Office requirements. The IT system investments will be driven by NBHDL's new
 7 IT strategy but will not involve significant variation in expenditures from the historical period. NBHDL
 8 also expects the majority of investment on its Building/Office will conclude at the end of 2014 and
 9 therefore is not anticipated to impact this Application. As for the tools category in General Plant, this
 10 is typically informed by on the ground information and direct feedback from employees. These
 11 requirements tend to fluctuate and have seen some increase in recent years compared to historical
 12 expectations however, NBHDL anticipates no major capital expenses for the forecast period due to
 13 varied requirements.

14 **Rate Base**

15 Table 1-24 shown below outlines the summary of rate base from 2010 OEB Approved to the 2015
 16 test year.

17 **Table 1-24: Summary of Rate Base.**

Description	2010 OEB Approved	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Bridge Year	2015 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Gross Fixed Assets, Opening Balance	80,070,446	80,599,232	86,605,519	93,235,866	96,935,958	102,314,173	108,443,789
Gross Fixed Assets, Closing Balance	89,171,054	86,605,519	93,235,866	96,935,958	102,314,173	108,443,789	115,827,344
Average Gross Fixed Assets	84,620,750	83,602,376	89,920,693	95,085,912	99,625,066	105,378,981	112,135,566
Accumulated Depreciation, Opening Balance	46,679,036	46,271,663	48,981,464	51,556,264	53,292,920	55,271,308	55,911,911
Accumulated Depreciation, Closing Balance	49,511,757	48,981,464	51,556,264	53,292,920	55,271,308	55,911,911	57,982,929

Average Accumulated Depreciation	48,095,396	47,626,564	50,268,864	52,424,592	54,282,114	55,591,610	56,947,420
Average Net Book Value	36,525,354	35,975,812	39,651,829	42,661,320	45,342,952	49,787,371	55,188,146
Working Capital	50,533,016	49,333,491	53,739,867	56,016,728	61,805,639	64,196,390	68,256,125
Working Capital Allowance (%)	15%	15%	15%	15%	15%	15%	13%
Working Capital Allowance	7,579,952	7,400,024	8,060,980	8,402,509	9,270,846	9,629,459	8,873,296
Rate Base	44,105,306	43,375,835	47,712,809	51,063,830	54,613,797	59,416,830	64,061,442

1 As shown in Table 1-24, the 2015 test year rate base is \$64,061,442. When this is compared to the
 2 2010 OEB Approved rate base of \$44,105,306, the 2015 test year rate base is almost \$20M or
 3 45.3% higher which is detailed in Exhibit 2.

4 **Smart Grid, Renewable Energy Connections and Regional Planning**

5 NBHDL uses a comprehensive approach to its distribution system planning which includes all
 6 categories of investments including system renewal and expansion, renewable generation
 7 connection, smart grid development initiatives, and regional planning as required. This
 8 comprehensive approach ensures the investments made by NBHDL are efficient and that they
 9 support the goals identified by the Board in the Filing Requirements.

10 **Smart Grid**

11 NBHDL will continue to integrate its distribution system (e.g. intelligent switching, remote monitoring
 12 and communications, etc.) with operating and information systems as part of its Smart Grid
 13 development initiative. This initiative has involved equipping all NBHDL distribution stations with
 14 SCADA. The final piece of this initiative will be the reconstruction of substation MS9 with a new
 15 substation MS22 scheduled for 2015. There are no further smart grid investments anticipated in the
 16 remainder of the forecast period.

17 **Renewable Energy Investments**

18 NBHDL's distribution system has been planned and proactively built and equipped to handle
 19 forecasted renewable generation. As part of the DSP, NBHDL prepared a Green Energy Plan and
 20 has submitted this plan to the OPA. Based on the evaluation of the distribution system to accept
 21 green energy generation connections, no constraints have been identified in the system, preventing

1 the connection of renewable energy generation installations. On this basis, NBHDL is not proposing
2 any material capital investments for capacity upgrades on its distribution system to accommodate the
3 applications for the connection of any REG plant over the forecast period of the DSP. NBHDL has
4 budgeted \$16,000 of capital investment for the installation of SCADA systems at the upgraded MS9
5 substation (to be MS22) in 2015 as well as funds to connect one or two FIT projects per year to the
6 distribution grid.

7 **Regional Planning**

8 In preparing its Distribution System Plan, NBHDL requested a letter from Hydro One confirming the
9 status of regional planning for the “North/East of Sudbury Region” regional planning areas in which
10 NBHDL is located. Hydro One provided an update on the status of Regional Planning on April 2,
11 2014 confirming that the Regional Planning Process (RPP) has not been initiated and a Regional
12 Infrastructure Plan (RIP) has not been developed within these regions. Hydro One expects that
13 Regional Planning will be initiated in fourth quarter of 2015. Upon the initiation of a RIP or RPP,
14 NBHDL anticipates it will incorporate such consultation processes in future capital expenditure
15 planning processes and future rate applications as necessary.

16

1 **E. Operations, Maintenance and Administration Expense (Exhibit 4)**

2 NBHDL is proposing recovery through distribution rates of \$7,004,844 in Operating, Maintenance
 3 and Administration (OM&A) costs for the 2015 Test Year.

4
 5 OM&A expenditures in the 2015 Test Year of \$7,004,844 represents an increase of \$1,339,435 or
 6 24% over the 2010 Board Approved OM&A expenditures of \$5,665,409 adjusted for \$15,000 of
 7 LEAP. The following Table 1-25 summarizes the changes.

8
 9 **Table 1-25: OM&A for 2010 Board Approved and 2015 Test Year.**

10

OM&A	2010 Board Approved	Primary Core Objectives
Opening Comparative OM&A	\$ 5,665,409	
Salaries, Wages & Benefits	747,263	All
Customer Engagement	82,000	1,2,5
Bad Debts	(78,921)	4
Real Time Operating Pilot	(85,000)	5
Business and Strategic Planning	100,000	6
Regulatory Applications and Assessments	68,192	5
IT Systems & Mtce	97,392	4
Smart Meters	106,753	5
Operational Review	41,600	
Substation Preventative Mtce Contractors	(171,607)	4,3,2
Vegetation Management	346,655	2,3,4
Other Miscellaneous programs	85,109	4
2015 Test Year OM&A	\$ 7,004,844	

11
 12
 13 The proposed OM&A expenditures for the 2015 Test Year have been derived through a detailed
 14 budgeting and business planning process aligned to meet NBHDL's core business objectives. These
 15 expenditures are required to allow NBHDL to maintain the distribution business service quality and
 16 reliability standards in compliance with the Distribution System Code and other regulatory bodies
 17 (IESO, OPA, Ministry of Energy, ESA, etc.). The OM&A costs in the 2015 Test Year reflect the
 18 resourcing mix and investments required to meet customer and broader public policy requirements
 19 for the duration of the 4th Generation IRM plan term. Without this resourcing and investments,
 20 NBHDL will struggle to meet the 2015 and future workloads.

1 NBHDL used an inflation rate of 2% where the expense increase could not be specifically identified
2 for non-wage related expenses, which is within the range of rates set out in TD's June 2014 quarterly
3 economic forecast. Inflationary impacts are not material enough to be identified separately.

4 NBHDL has experienced significant changes in its business environment since the last cost of
5 service application in 2010. Customers, or at least their expectations, have changed. Also, NBHDL
6 has had to adapt to respond to and/or implement multiple provincial policies. NBHDL's business has
7 changed as a result.

8

9 Customer demand for services has increased. Inbound and outbound call volumes have increased
10 by 66%, locates have increased 55% and collection work orders have increased by 60%. Demands
11 for direct access to staff have also increased from customers. As a result, customers' walk-in visits to
12 NBHDL's office are at an estimated 15,000 – 20,000 times each year to pay bills, set up an account
13 or to have their questions answered directly. Further, hundreds of customers want their questions
14 answered on electrical supply or capacity changes at their home or business. Many times this
15 requires a visit from NBHDL staff as customers expect a very rapid response.

16

17 NBHDL has been required to support a number of provincial policy initiatives, including, but not
18 limited to:

- 19 i) mandatory purchase and deployment of smart meters and conversion to time of use billing;
- 20 ii) mandatory framing of time of use billing data through the provincial meter data management
21 repository;
- 22 iii) mandatory cost prudence review of smart meter spending;
- 23 iv) implementation of the *Green Energy and Green Economy Act, 2009* including the increased
24 focus on renewable generation at homes and businesses and encouragement of smart grid
25 activities;
- 26 v) implementation of Low Income Energy Assistance Program;
- 27 vi) new options and assistance for low income customers;
- 28 vii) mandatory customer service rules including new collection obligations;
- 29 viii) mandatory, as a condition of maintaining a Distributor's Licence, achievement of demand
30 and energy conservation results 2011-2014;
- 31 ix) development of plans/targets for a new CDM framework for the 2015-20 period;
- 32 x) renewed Regulatory Framework with its incremental requirements around asset planning,
33 customer engagement, reporting, rate setting and maintaining a score card;
- 34 xi) new and incremental reporting requirements to the OPA, IESO, the Board and the ESA;

- 1 xii) master Agreement with the OPA on conservation program delivery including audits by OPA
2 or their representatives; and
- 3 xiii) Long Term Energy Plan which sets out a framework for nuclear power, renewable energy,
4 conservation, rate mitigation, regional planning and energy innovation. Each of the above
5 policies impose customer and resource requirements for them to be successfully
6 implemented and supported. Often, the extent of such resourcing and customer service
7 requirements were not known until the policies were implemented.

8

9 NBHDL has experienced significant turnover in staff positions. Between 2008 and 2011, NBHDL
10 experienced 50% turnover in staff positions. Between 2012 and 2014, there was an additional 16%
11 turnover. Another 25% turnover is expected over the next 5 years, the majority result from
12 retirements. As a result, in 10 years, over 90% of the positions in NBHDL will have experienced
13 turnover. Given the specialization of the industry, it can take several years for new staff to become
14 proficient in completing tasks safely.

15

16 NBHDL currently has a complement of 48 employees and will maintain this complement level to
17 deliver the 2015 Test Year programs. One of NBHDL's core business objectives is to maintain
18 consistent staffing levels in accordance with its succession plan. To achieve this objective, NBHDL is
19 managing to a target of maintaining 50 full-time employee equivalents or less.

20 In this context, the main drivers for increased OM&A costs include:

- 21 • Increased salaries, wages and benefit costs charged to OM&A. Wages for unionized staff
22 have been trending upwards at 2.8% per year. Benefit costs have increased in particular as
23 a result of significantly higher OMERS pension costs. In total, compensation charged to
24 OM&A has increased by \$747,263 or 29% from the 2010 Board Approved amount of
25 \$2,539,261.
- 26 • Increased customer engagement costs.
- 27 • A need to update and provide ongoing support for NBHDL's strategic and business planning
28 processes.
- 29 • Increased regulatory expenses with the demand for reporting in order to ensure compliance
30 in a complex environment and completion of annual incentive rate mechanism filings and
31 cost of service applications.
- 32 • Increased information system technology costs in light of the significant technological
33 changes in the electricity sector as well as the need for maintenance and improvement in
34 NBHDL's core systems. Also there is a requirement for increased security and security
35 audits to protect sensitive information.

- 1 • New smart meter costs to operate and maintain the AMI system and to settle through
2 provincially mandated systems.
- 3 • The need for an Operational Review in the Engineering and Operations Departments to
4 improve efficiency and continuously improve operations.
- 5 • Increased vegetation maintenance costs to establish proper rights of way to maintain system
6 reliability and customer safety.

7 These costs have been offset from savings in bad debt, real time operating pilot and substation
8 preventative maintenance activities.

9

1 **F. Cost of Capital (Exhibit 5)**

2 NBHDL has prepared its Application in accordance with the Board's guidelines provided in the
3 Report of the Board on Cost of Capital for Ontario's Regulated Utilities (the "2009 Report") issued on
4 December 11, 2009. For the purposes of preparing this Application, NBHDL has used the cost of
5 capital parameters issued by the Board on November 25, 2013 for 2014 cost of service rate
6 applications for rates with effective dates in 2014. NBHDL acknowledges that the Board issued cost
7 of capital parameters on November 20, 2014 for rates with effective dates in 2015, however because
8 the Application was largely complete at this time NBHDL did not proceed to update the cost of capital
9 parameters in the Application. NBHDL will update its cost of capital parameter to reflect the Board
10 issued cost of capital parameters on November 20, 2014 for rates with effective dates in 2015 prior
11 to the issuance of the Board's decision for its Application. NBHDL proposes no deviations from the
12 Board's cost of capital methodology.

13

1 **G. Cost Allocation and Rate Design (Exhibit 7)**

2 NBHDL has not deviated from the Board's cost allocation and rate design methodology. In addition,
 3 there are no significant changes proposed to revenue-to-cost ratios and fixed/variable splits.

4 **Cost Allocation**

5 The data used in the updated cost allocation study is consistent with NBHDL's cost data that
 6 supports the proposed 2015 revenue requirement outlined in this Application. The breakout of
 7 assets, capital contributions, depreciation, accumulated depreciation, customer data and load data
 8 by primary, line transformer and secondary categories were developed from the best data available
 9 to NBHDL, its engineering records, and its customer and financial information systems.

10 In accordance with the Report of the Board "Review of Electricity Distribution Cost Allocation Policy,
 11 dated March 31, 2011", whereby the Board stated that "default weighting factors should now be
 12 utilized only in exceptional circumstances, NBHDL has developed and utilized its own weighting
 13 factors for the purposes of preparing the Cost Allocation Model. The 2015 Cost Allocation Study has
 14 resulted in a change in the cost allocations by rate class resulting for NBHDL's weighting factors.

15 As shown in Table 1-26, the resulting 2015 cost allocation study indicates the revenue to cost ratios
 16 for Street Lighting and Unmetered Scattered Load are outside the Board's range. For 2015, it is
 17 proposed these ratios be brought within the Board's range and General Service 50 to 2999 kW be
 18 adjusted upward to maintain revenue neutrality.

19 **Table 1-26: Revenue to Cost Ratios.**

Rate Class	2015 Updated Cost Allocation Study	2015 Proposed Ratios	2016 to 2019 Proposed Ratios	Board Targets Min to Max	
Residential	100.3%	100.3%	100.3%	85.0%	115.0%
General Service < 50 kW	110.2%	110.2%	110.2%	80.0%	120.0%
General Service 50 to 2999 kW	85.1%	86.3%	86.3%	80.0%	120.0%
General Service 3000 to 4999 kW	99.5%	99.5%	99.5%	85.0%	115.0%
Street Lighting	127.0%	120.0%	120.0%	70.0%	120.0%
Sentinel Lighting	114.3%	114.3%	114.3%	80.0%	120.0%
Unmetered Scattered Load	180.0%	120.0%	120.0%	80.0%	120.0%

20

21

22

1 **Rate Design**

2 NBHDL is proposing that it is appropriate to maintain the same proportion of fixed and variable
 3 revenues reflected in the current 2014 distribution rates to design the proposed 2015 monthly service
 4 charges and distribution volumetric charge. Table 1-27 outlines a comparison of the 2014 current to
 5 the 2015 proposed distribution rates.

6 **Table 1-27: Distribution Charges.**

Rate Class	Monthly Service Charge			Unit of Measure	Distribution Volumetric Charge incl Transformer Allowance		
	2014 Current	2015 Proposed	% Difference		2014 Current	2015 Proposed	% Difference
Residential	14.64	\$16.85	15.1%	kWh	\$0.0131	\$0.0151	15.1%
General Service < 50 kW	21.69	\$24.96	15.1%	kWh	\$0.0167	\$0.0192	15.1%
General Service 50 to 2999 kW	293.97	\$343.63	16.9%	kW	\$2.0966	\$2.4213	15.5%
General Service 3000 to 4999 kW	5,844.10	\$6,725.12	15.1%	kW	\$1.1150	\$1.1926	7.0%
Street Lighting	4.88	\$5.28	8.2%	kW	\$26.1255	\$28.2589	8.2%
Sentinel Lighting	4.42	\$5.09	15.1%	kW	\$15.4370	\$17.7642	15.1%
Unmetered Scattered Load	7.03	\$5.24	(25.5%)	kWh	\$0.0162	\$0.0121	(25.5%)
Transformer Discount				kW	(\$0.60)	(\$0.60)	0.0%

7
 8 The percentage increases for General Service 50 to 2999 kW and General Service 3000 to 4999 kW
 9 are not the same for the monthly service charge and the distribution volumetric charge as it is in the
 10 other classes. This results from the distribution volumetric charges being impacted by the
 11 transformer allowance adjustment which has remained the same from current to propose rates.

12

1 **H. Deferral and Variance Accounts (Exhibit 9)**

2 As outlined in Exhibit 9, NBHDL is requesting approval for the disposition of Group 1, Group 2 and
3 Other Deferral and Variance Accounts in the amount of \$2,951,065 owing to customers. This
4 includes an RSVA – Global Adjustment amount of \$419,716 being owed to NBHDL by Non-RPP
5 customers only. The remaining amount of \$3,370,781 is owed to all customers. NBHDL is
6 proposing a one year disposition period for all Deferral and Variance Accounts and is not requesting
7 any New Deferral and Variance Accounts.

8

1 **I. Bill Impacts**

2 In preparing this application, NBHDL has considered the impacts on its customers, with a goal of
 3 minimizing those impacts. Based upon the customer bill impacts, as summarized in Table 1-28
 4 below under Bill Impacts, NBHDL is not proposing rate mitigation.

Table 1-28: Bill Impacts.

Rate Class	kWh	kW	2014 Dist Bill \$	2015 Dist Bill \$	\$ Difference	Bill Impact %	2014 Total Bill \$	2015 Total Bill \$	Bill Impact \$	Bill Impact %
Residential -TOU	100		\$18.63	\$18.52	(\$0.11)	(0.61%)	\$32.38	\$32.39	\$0.01	0.02%
	250		\$20.57	\$19.71	(\$0.85)	(4.16%)	\$52.92	\$52.36	(\$0.57)	(1.07%)
	500		\$23.79	\$21.70	(\$2.09)	(8.78%)	\$87.16	\$85.63	(\$1.53)	(1.75%)
	800		\$27.66	\$24.23	(\$3.43)	(12.41%)	\$128.23	\$125.71	(\$2.52)	(1.96%)
	1,000		\$30.24	\$25.86	(\$4.38)	(14.48%)	\$155.62	\$152.38	(\$3.24)	(2.08%)
	1,500		\$36.69	\$29.94	(\$6.75)	(18.40%)	\$224.08	\$219.03	(\$5.04)	(2.25%)
	2,000		\$43.14	\$34.02	(\$9.12)	(21.14%)	\$292.55	\$285.70	(\$6.85)	(2.34%)
GS < 50 kW - TOU	1,000		\$49.24	\$39.82	(\$9.42)	(19.13%)	\$173.98	\$166.62	(\$7.36)	(4.23%)
	2,000		\$65.74	\$52.77	(\$12.97)	(19.72%)	\$313.60	\$304.85	(\$8.75)	(2.79%)
	5,000		\$115.24	\$91.63	(\$23.61)	(20.49%)	\$732.48	\$719.54	(\$12.95)	(1.77%)
	10,000		\$197.74	\$156.39	(\$41.35)	(20.91%)	\$1,430.62	\$1,410.70	(\$19.92)	(1.39%)
	15,000		\$280.24	\$221.15	(\$59.09)	(21.09%)	\$2,128.75	\$2,101.85	(\$26.90)	(1.26%)
GS 50-2,999 kW	20,000	60	\$418.31	\$320.50	(\$97.81)	(23.38%)	\$2,711.72	\$2,722.89	\$11.17	0.41%
	40,000	100	\$501.21	\$305.08	(\$196.13)	(39.13%)	\$4,993.12	\$4,977.58	(\$15.54)	(0.31%)
GS 3,000-4,999 kW	900,000	3,000	\$9,133.00	(\$858.69)	(\$9,991.69)	(109.40%)	\$110,442.28	\$108,436.01	(\$2,006.28)	(1.82%)
	1,800,000	5,000	\$11,325.60	(\$5,914.57)	(\$17,240.17)	(152.22%)	\$208,847.70	\$204,880.83	(\$3,966.87)	(1.90%)
Unmetered Scattered Load	150		\$9.43	\$5.98	(\$3.45)	(36.57%)	\$26.66	\$23.17	(\$3.49)	(13.09%)
Street Lighting	150	1	\$30.55	\$44.02	\$13.47	44.09%	\$50.00	\$50.14	\$0.14	0.29%
Sentinel Lighting	150	1	\$19.98	\$17.09	(\$2.89)	(14.47%)	\$38.90	\$36.04	(\$2.85)	(7.34%)

5

6

7

1 Incorporated in the overall monthly bill impact is the effect of the following major components of the
2 electricity bill:

- 3 • Distribution rates (monthly service charge and volumetric rates);
- 4 • Disposition of deferral and variance accounts;
- 5 • Revised Retail Transmission rates;
- 6 • Wholesale Market Service rates; and
- 7 • Loss Factors.

8

1 **RRFE OUTCOMES**

2

3 This Section details the steps NBHDL has taken in respect of each of the Board's four RRFE
4 outcomes. In connection with the RRFE outcomes, the Board issued a scorecard to NBHDL on
5 September 24, 2014, which is attached as Appendix 1-I.

6

7 **Customer Engagement and Customer Focus:**

8 Customer engagement has always been important to the success of NBHDL. Engagement
9 processes have focused on addressing issues of concern raised directly by customers. These issues
10 are addressed according to how NBHDL's customers prefer to be served and engaged. For
11 example, in 2013:

12 • 27,446 inbound phone calls were answered by NBHDL customer service staff on 22 different
13 topics of concern to customers including account information, services such as eBilling, TOU
14 rates, outages, conservation programs, payment, bill components, etc.;

15 • 12,359 outbound calls were made on various issues with the majority on collection issues;

16 • 3,678 locates were completed to allow customers to safely build on their property without
17 danger of electrical contact;

18 • Many customers have requested paperless electricity bills and in 2013, 4,562 customers had
19 signed up for eBilling;

20 • Many customers have expressed an interest in reviewing their electricity consumption and
21 5,395 have signed up to use a web portal to look at TOU data;

22 • Customers are very interested in conservation and over 950 small businesses out of a
23 population of approximately 2,600 have participated, and over 137 projects have been
24 completed with larger businesses out of a population of over 250;

25 • Bill inserts and on-bill messaging is included monthly in/on the bill according to topics of
26 interest and relevance to customers. For example, a recent insert included the
27 saveONenergy Peaksaver Plus and the Coupon Booklet promoting consumer conservation
28 programs;

29 • Thousands of customers are contacted each year to discuss vegetation management
30 activities that will be performed on their property; and

- 1 • Customers are contacted and engaged on pole-line rebuilds or major construction projects
2 (for example, in the recent re-build of a neighborhood, approximately 500 customers signed
3 off and agreed to construction activities planned on their property - customers want, expect
4 and deserve to be engaged in construction projects as this is the most visual impact of the
5 electricity business for most customers).

6 NBHDL has also made significant efforts to engage the largest energy consumers in the City of
7 North Bay to work on issues of importance to them. These engagement issues include electricity
8 rates and pricing, billing inquiries, electrical supply concerns, demand response, energy
9 conservation, metering and sub-metering, monitoring and changing electricity demands. NBHDL's
10 experience with this approach is that larger electricity consumers are very busy with their core
11 responsibilities and they have a tolerance for the right amount of engagement that benefits their
12 business.

13 In particular there are two customer engagement processes with larger customers that have
14 emphasized the importance of working together. Over a three year period, NBHDL has worked
15 closely with the local hospital to develop a cogeneration project. NBHDL provided technical
16 assistance to develop the best concept, financial assistance to understand cost/benefit and working
17 with the Ministries of Energy and Health to obtain the necessary approvals to allow this project to
18 proceed. NBHDL worked with several different Ministers of Energy, Ministry of Energy staff and the
19 Ontario Power Authority Board and staff to have cogeneration deemed an energy efficiency
20 technology that was eligible for funding under provincial conservation programs. Despite the Minister
21 of Energy identifying cogeneration as a qualifying energy conservation technology back in 2004, it
22 took until late 2013 for the OPA to provide confirmation of eligibility. NBHDL was persistent though in
23 the customer's cause as the project was required to provide more back up power during extended
24 grid outages so the hospital could continue with critical care, meet energy efficiency targets, provide
25 more robust thermal supply and hedge costs against volatility.

26 NBHDL worked with a local large industrial customer on an engagement process to address their
27 concerns about Global Adjustment costs. With larger electricity consumers, Global Adjustment costs
28 are one of the most significant components of the bill and have been increasing at a significant rate.
29 Without changes this customer, a significant driver in the local economy, would eventually go out of
30 business. NBHDL worked closely with the customer to understand their operation and electrical load
31 profile. NBHDL had new metering and sub-metering installed so the customer could manage loads
32 on a real time basis. NBHDL worked with the customer, the Ministry of Energy, Ministry of Northern
33 Development and the IESO to have Global Adjustment costs more fairly allocated to this class of
34 customer. The IESO implemented new rules on Global Adjustment allocation earlier this year.

1 NBHDL is working closely with the customer to understand the new rules and the importance of load
2 profile management.

3 **i. Formal Customer Engagement Surveys**

4 As NBHDL was working through development of its Application in the fall of 2013 both residential
5 and business customers were surveyed to further understand their issues and concerns. Overall
6 customers indicated a high level of satisfaction with reliability and service.

7 The reports on the surveys and results can be found in Appendices 1-A to 1-A.7.

8 ***UtilityPULSE Customer Satisfaction Survey***

9 The UtilityPULSE Survey reviewed responses from 412 households and small businesses who pay
10 or look after the electivity bills from NBHDL. A copy of the UtilityPULSE Customer Satisfaction
11 Survey is included at Appendix 1-A.6. Overall NBHDL was at or above Ontario industry results on
12 customer service metrics. NBHDL received an overall "A" rating for customer care, company image
13 and management operations. Notably, 85% of the respondents agreed that NBHDL is a trusted and
14 trustworthy company, with 89% of the surveyed customers reporting that NBHDL quickly handled
15 outages and restored power; 84% reporting that NBHDL conducts accurate billings; 82% reporting
16 that NBHDL dealt professionally with customers' problems; and 80% reporting that NBHDL quickly
17 dealt with issues that affect customers.

18 NBHDL customers reported that NBHDL's priority investments should include the following items as
19 "high priority":

- 20 • 79% maintaining and upgrading equipment;
21 • 77% reducing the time needed to restore power;
22 • 75% educating customers about energy conservation; and
23 • 68% investing more in the grid to reduce the number of outages.

24 ***Residential Customer Survey Summary***

25 Between August and September 2013, 876 residential customers (4%) participated in a 14 question
26 survey on reliability, electricity costs, customer service levels, service preferences (underground
27 versus overhead), green electricity, bill format and how NBHDL might better serve these customers.
28 A copy of this report is attached in Appendix 1-A.2.

1 To get customers to participate in the survey, NBHDL included a bill insert in customer bills, added a
2 link to the NBHDL website, advertised in the local paper (the Nugget) and on the local radio stations
3 (the Moose FM and Rogers Radio), and made direct calls to customers. A \$500 bill credit was used
4 as an incentive to get customers to fill out the survey.

5 Lower costs continued to be a key concern of residential customers. Overall the feedback on
6 reliability was positive with 93.3% of participants having no complaints about reliability and 97%
7 believing that responding to outages within 30 minutes was a reasonable service level. The survey
8 also indicated that nearly 66% of customers were not aware that 75% of the bill was from sources
9 other than NBHDL.

10 ***Business Customer Survey Summary***

11 In November 2013, NBHDL completed a survey of 101 business customers to further assist with
12 development of the DSP in a manner that is inclusive of customer issues. A copy of this report is also
13 attached in Appendix 1-A.1. Customers had a high opinion of NBHDL and 77% had no complaints
14 about reliability and system performance.

15 As with the residential survey, 68% of participants were not aware that the majority of their bill was
16 from sources other than NBHDL.

17 In summary business customers most important issues were:

- | | | |
|----|--|-------|
| 18 | • Better prices/lower rates | 77.2% |
| 19 | • Educate customers on how to reduce costs | 41.6% |
| 20 | • Make consumption data available on a real time basis | 40.6% |

21 There is a high degree of satisfaction with reliability and service from residential customers (93.3%),
22 and slightly less with business customers (77%).

23 ***Joint Chamber of Commerce Business Customer Survey***

24 NBHDL worked on a joint survey with the local Chamber of Commerce to further explore business
25 customer issues. This is an on-line survey with questions on forecasted changes in electricity use by
26 customers, conservation opportunities and programs, customer satisfaction, communication
27 preferences and reliability. A total of 74 business customers responded to the online survey as of

1 May 22, 2014. A summary of this Joint Chamber of Commerce Business Customer Survey is
2 included at Appendix 1-A.3.

3 ***Further Engagement Based on Survey Results***

4 In response to these surveys, NBHDL engaged a local marketing and communications firm to
5 implement a multi-media program to begin to address issues raised by customers.

6 **1. *Business Engagement Session Summary*** – On May 8, 2014, NBHDL held a customer
7 engagement session with business and institutional customers at the Hampton Inn in North
8 Bay, Ontario. Eleven (11) business owners and managers were randomly assembled. There
9 were no incentives offered, other than light beverages and snacks. The session was hosted
10 by NBHDL's communications consultant. No representatives from NBHDL were present in
11 the room for the session. The purpose of the business engagement session was to generate
12 feedback from local businesses and learn what NBHDL can do to improve its services and
13 communications. A summary of this business engagement session is included at Appendix
14 1-A.4.

15 **2. *Residential Engagement Session Summary*** – On June 10, 2014, NBHDL held a customer
16 engagement session with residential customers. Twenty five (25) participants attended. The
17 session was hosted by NBHDL's communications consultant and its purpose was to
18 generate feedback from residential ratepayers and learn how NBHDL can improve its
19 services and communications. Customers were asked to review the results of the customer
20 surveys and were asked for their comments on each question/response. Customers were
21 also asked to respond to 3 question: (1) "How can we serve you better?"; (2) "What do you
22 want to know about North Bay Hydro?"; and (3) "What is the best way to communicate with
23 you?". A summary of this residential engagement session is included at Appendix 1-A.5.

24 **3. *Engagement Sessions on Vegetation Maintenance Program*** – In late spring of 2014,
25 NBHDL began to receive more inquiries from customers than normal regarding its vegetation
26 management program. NBHDL arranged to speak with community environmental leaders
27 and customers on whether changes and improvements were warranted. In response NBHDL
28 changed its program to include stump removal in the urban part of the City of North Bay.
29 NBHDL also engaged a local environmental group to assist with a series of formal customer
30 engagement sessions which were held in September 2014. The purpose of these meetings
31 which were held on 4 different dates across the City was to identify how the program could
32 be improved. Customers have offered ideas on how customer service could be improved,
33 how customers could become better educated and how efficiency could be improved. The

1 local environmental group is working on summarizing proposed changes which will be
2 further reviewed with customers later this fall. Longer term changes will be introduced with
3 the 2015 planned program.

4 Please refer below for a discussion of the additional customer engagement activities which have
5 been undertaken by NBHDL which are specific to the proposals set out in this Application.

6 ***Future Activities***

7 Many steps have been taken throughout 2013 and 2014 to create the foundation for more customer
8 engagement particularly on the role of NBHDL and how customers and the broader community are
9 served. On-bill messaging, bill inserts, television advertising, re-formatting the bill and general radio
10 and newspaper advertising has been utilized to assist with the education process and to address top
11 customer priorities.

12 One of the first actions taken was to implement a web based tool for customers to look at system
13 status during outages which includes a social media link so NBHDL can make real time comments
14 on system condition.

15 Also in 2014, NBHDL implemented a specific customer engagement initiative to work with customers
16 on how the vegetation maintenance program can be improved. Some early changes have already
17 been implemented and NBHDL will make longer term changes once this initial consultation process
18 concludes later this fall.

19 In 2015, NBHDL has committed to continue implementing a more formal customer engagement
20 program that commenced in 2014. This will include a multi-media approach with more focus on
21 campaigns that are relatively short in duration, between 30-60 days and cover a variety of topics of
22 interest to customers. NBHDL is also committed to continued use of formal surveys to measure
23 customer service and satisfaction levels. North Bay is a relatively small City and NBHDL enjoys
24 significant interaction with its customers. Lessons learned from 2014 will be applied to make
25 customer engagement even more effective in the future.

26 Future annual customer surveys and quality assurance programs will act as a compass to guide the
27 business and support continuous improvement.

28 **ii. Municipal Government Consultations**

29 NBHDL interacts with the City in a number of different ways and each interaction helps in the
30 coordination of infrastructure planning and the connection of customers in a timely fashion.

1 The first form of consultation is the annual utilities meeting held by the City's engineering department
2 in late January/early February. All utilities that provide service in the City are invited to the meeting
3 where the City reviews their updated 10 year capital plan with emphasis on what projects are
4 scheduled for the current year. The utilities that participate are also invited to share their capital
5 plans again with emphasis on the current year, an opportunity NBHDL takes advantage of.

6 Although specific details about the City projects are rarely available at the time of the annual meeting
7 and therefore scheduling and/or budgeting the projects is not a feasible deliverable from the meeting,
8 the awareness of what projects are on the horizon provides the opportunity to familiarize with and
9 prepare for the projects. It also provides the NBHDL engineering department with a list of projects to
10 keep an eye on, and allows for coordination of any infrastructure plans NBHDL has to be integrated
11 into the City plans. The meeting does not have a direct effect on the DSP investment level as a
12 historical average is used to calculate the spend for system access which is where road relocations
13 and city required infrastructure investments are quantified, but it aids in the coordination of NBHDL's
14 infrastructure planning.

15 The second consultation process is the involvement of NBHDL on the City Development and Review
16 Team (DART) where representatives from all utilities, City departments (public works, parks and rec,
17 economic development, fire, etc.) and local agencies (MTO, North Bay and Mattawa Conservation
18 Authority, etc.) review applications put forth to the City that involve new development/servicing,
19 zoning changes, and site plan and control. NBHDL was invited by the City back in 2006 to join the
20 process. The main goal of the team is to identify and communicate to potential developers, property
21 owners, local design firms, any show stoppers that may be present with what is being proposed
22 before substantial time and money is invested. This is an extremely helpful process as it provides the
23 end user with issues that must be addressed upfront and at the same time provides NBHDL with
24 advanced notice of upcoming developments and proposals allowing for the better planning of work
25 and the timely connection of new customers. This interaction does not affect the DSP investment
26 level, but contributes to successfully meeting the required Distribution System Code (DSC)
27 connection timelines and enhances customer communications and interactions.

28 The last form of consultation is with the City economic development office. This interaction is not
29 formal, but is very important. A strong relationship exists between NBHDL and the economic
30 development office and provides the City with the ability to easily obtain information that helps in
31 attracting new development into the NBHDL service territory. The communication is typically initiated
32 by the City and does not have an impact on the DSP investment levels, but represents a
33 communication path that promotes the connection of customers and provides valuable insight into

1 projects that may be on the horizon, which all leads to better planning and execution of system
2 access related projects for NBHDL.

3 **iii. Consultations with CDM Program Partners**

4 NBHDL has been offering OPA prescribed save-ON-energy CDM programs from 2011-2014, that
5 have extended partly into 2015 as LDC's in the province prepare to transition to a new 6 year
6 framework. As per the Minister of Energy's directive on Conservation and Demand Management
7 dated March 31, 2014, NBHDL will work together with its regional LDCs to develop a refined delivery
8 model that best suits regional needs.

9 Stakeholder consultation will be a key component to the new conservation delivery model and the
10 first stage of this will include consultation with the OPA alongside member LDC's to identify
11 programs best suited to be delivered at a provincial scale versus programs that are specific to
12 meeting regional needs.

13 Member LDC's will evaluate their conservation delivery experience, impact of anticipated load
14 growth, benefits of collaboration with regional LDCs, and carry out market research with all customer
15 classes. A higher emphasis on residential conservation programs will be placed in the new delivery
16 model as the previous framework provided limited opportunity to provide services to the residential
17 customer class.

18 **iv. Consultations with the Transmitter (Hydro One)**

19 NBHDL belongs to the "North/East of Sudbury Region", for which Hydro One Networks Inc. (HONI) is
20 the lead transmitter. HONI is primarily responsible for steering the regional planning in this region
21 and NBHDL has requested HONI for the regional planning status. A letter from HONI was received
22 confirming that the regional planning process has not been initiated nor has a Regional Infrastructure
23 Plan (RIP) been developed for the sub-region within the North/East of Sudbury Region affecting
24 NBHDL. HONI also stated in the letter that the Regional Planning process for the North/East of
25 Sudbury Region is expected to be initiated in fourth quarter of 2015. The letter from HONI is attached
26 in Exhibit 2, in Appendix J of the DSP.

27 Since there are no transmission capacity constraints to deter new connection, including micro-FIT
28 and FIT connections, there are no adverse impacts of the regional planning process being put off
29 until 2015 on NBHDL's distribution system operations.

30

1 **v. Consultations with the Embedded Distributor (Hydro One)**

2 NBHDL has consulted with Hydro One Networks Inc. with respect to their capacity and renewable
3 generation requirements. Hydro One Networks Inc. has confirmed they have been consulted with on
4 this issue, requires no information from NBHDL at this time and there are no significant new load
5 requirements on their embedded supply points. Hydro One Networks Inc. has further indicated there
6 are no active or pending renewable generation requests at this time on their embedded points.

7 **Consultations specific to the Application:**

8 In response to the Board's Filing Requirements to engage customers on the specific proposals
9 contained in this Application, in the summer of 2014 NBHDL retained Innovative Research Group,
10 Inc. ("**INNOVATIVE**") to design, collect feedback and document its customer engagement and
11 consultation process as part of the development of this Application. NBHDL asked that customers be
12 engaged on both NBHDL's capital infrastructure and operational plans.

13 A complete copy of the INNOVATIVE Customer Engagement Report is attached as Appendix 1-A.7.

14 In general, the consultation encompassed two core elements of customer engagement.

15 1. *General Service and Residential Consultation Groups:* This qualitative phase of the
16 consultation was designed to educate customers, assess their preferences and priorities,
17 gauge reaction to proposed rate changes, and ultimately inform the quantitative phases of
18 the consultation. The groups were randomly recruited and held in North Bay. A workbook
19 was used to provide the participants with core information customers about both the
20 provincial and local electricity system, NBHDL's proposed capital investment and operating
21 spend to maintain system reliability, as well as the rate impact for each respective rate
22 classes. Participants were provided incentives in recognition of their time commitment.

23 2. *Random Telephone Surveys:* INNOVATIVE conducted telephone surveys with residential
24 and general service (GS < 50kWh) customers to provide a quantitative assessment of key
25 aspects of the system plan. Customer lists for both respondent groups were provided by
26 NBHDL and the sample was randomly-selected by INNOVATIVE.

27 The outcome of the consultations resulted in findings on the needs and the preferences of NBHDL's
28 general service and residential customer base. The overview includes feedback from 18 customers
29 who participated in the qualitative stage of the consultation where INNOVATIVE explored the range
30 of issues related to NBHDL's rate application, as well as feedback from another 605 customers who

1 contributed to the quantitative stage where INNOVATIVE documented the incidence of needs and
2 preferences across the customer population.

3 *1. Affordable electricity costs*

4 It is true that many customers are feeling a “financial pinch” when it comes to their electricity bills.
5 However, just as many customers are able and willing to pay more if that means maintaining system
6 reliability.

7 When it comes to the impact on household finances and the bottom line, a number of customers
8 indicate that their electricity bill has a significant impact:

- 9 • 57% of residential customers agree that *“The cost of my electricity bill has a major impact on*
10 *my finances and requires I do without some other important priorities”*;
- 11 • While 63% of GS customers agree that *“The cost of my electricity bill has a major impact on*
12 *the bottom line of my organization and results in some important spending priorities and*
13 *investments being put off.”*

14 Yet, at the same time, when considering the cost of reliable electric service, a majority of customers
15 say they are willing to pay a bit more if that means better service reliability.

- 16 • 57% of residential and 52% of GS customers agree that *“I’m [my organization would be]*
17 *willing to pay a bit more for my electricity if it means better service reliability.”*

18 Furthermore, most claim to be able to pay more for electricity but have concerns about the impact a
19 rate increase will have on others.

- 20 • 56% of residential and 63% of GS customers agree that *“I [my organization] can personally*
21 *afford to pay more for electricity, but I am worried about the impact this will have on others*
22 *[some of my suppliers and customers]”*.

23 Finally, when it comes to legacy issues, a large majority support spending more to maintain the local
24 distribution system for future generations.

- 25 • 77% of residential and 84% of GS customers agree that *“Nobody likes to pay more for*
26 *electricity, but I think we have an obligation to maintain the reliability of our local electrical*
27 *system for future generations.”*

28

1 2. *Reliability of service*

2 The qualitative consultation activities spent additional time exploring the impacts of outages on
3 customers, acceptable frequencies, and durations of outages. Those findings are detailed in the
4 following section, in the qualitative phase of the customer consultation.

5 The telephone surveys built on the qualitative feedback and asked questions about customer
6 preferences on the trade-off between cost and reliability.

7 While 85% of residential respondents and 78% of GS respondents experienced at least one power
8 outage in the past 12 months, the overall impact on households and businesses was relatively
9 insignificant. Asking respondents to think back to their most recent power outage:

10 • 68% of residential respondents said the outage caused a minor inconvenience, while 23%
11 said it caused no inconvenience at all.

12 • 31% of GS respondents said the outage caused a minor cost to their business, while 54%
13 said it had barely any costs at all to their business.

14 When it comes to system reliability, a majority of residential and GS customers want to see
15 continued spending on upgrades and maintenance.

16 Regarding frequency of outages:

17 • Almost one-in-four (23%) residential respondents think NBHDL should spend what is needed
18 to reduce the number of power outages and half (53%) think they should spend what is
19 needed to maintain the current level. Only 14% state that NBHDL should accept more power
20 outages in order to keep customer costs from rising.

21 • General Service customers respond similarly on how to address the number of outages:
22 29% think that NBHDL should spend what is needed to reduce the number of power outages
23 and 45% say they should spend what is needed to maintain the current level.

24 Regarding duration of outages:

25 • Three-quarters (78%) of residential respondents think NBHDL should spend what is needed
26 to either reduce (26%) or maintain (52%) the duration of power outages. Only one-in-six
27 (16%) think that NBHDL should accept longer power outages to keep costs down.

1 • Similar proportions of General Service respondents think that NBHDL should spend what is
2 needed to reduce (33%) or maintain (46%) the length of power outages. No significant
3 differences arise within region or consumption.

4 Survey respondents were informed of NBHDL's proposed capital investment required to maintain
5 system reliability and then asked to think about reliability in terms of bill impact.

6 • Six-in-ten (59%) residential customers and 37% General Service customers believe that
7 NBHDL should invest in aging infrastructure to maintain system reliability, even if it means
8 their bills may increase.

9 When informed that an estimation of up to 25% of all power outages among NBHDL customers are
10 caused by wire contact with trees, the policy of establishing a 15 foot tree clearance from either side
11 of overhead power lines is supported by a large majority of both residential (82%) and GS (81%)
12 respondents.

13 However, when it comes to NBHDL's impact on the city's tree canopy, opinions are mixed between
14 residential and GS customers:

15 • 56% of residential customers and 37% of GS customers disagree with the following
16 statement: *"while North Bay Hydro's policy of tree trimming and tree removal is designed to*
17 *lower the number of customer power outages, they're going too far in removing the City's*
18 *tree canopy".*

19 3. Assistance to reduce consumption and thereby costs

20 It's very clear that customers want to see NBHDL help reduce electricity consumption and costs, as
21 revealed by the quantitative component of the customer consultation:

22 • 83% of residential and 73% of GS customers agree with the statement: *"I think North Bay*
23 *Hydro should do more to help customers find ways to reduce their electricity consumption*
24 *and costs".*

25 4. Professional interactions with highly skilled and experienced personnel

26 As noted in the qualitative phase of the consultations, a number of customers expressed a general
27 concern over a perceived trend in the loss of skilled labour from North Bay to southern Ontario and
28 other jurisdictions and questioned if this was having an impact NBHDL and its ability to maintain the
29 local distribution system.

1 Elements of this sentiment were subsequently tested in the quantitative phase of the consultation:

- 2 • Six-in-ten (59%) residential respondents and nearly half (49%) of GS respondents believe
3 that it is important for NBHDL to retain and attract experienced and qualified workers to
4 operate the system by paying a wage that is competitive but within industry benchmarks.
- 5 • Furthermore, 55% of residential customers and 56% of GS customers agree with the
6 following statement: *“Skilled hydro workers are sought out throughout North America and
7 Ontario. If North Bay Hydro does not pay the people who maintain our local distribution
8 system a competitive salary, we risk losing the most qualified and experienced hydro
9 workers to southern Ontario”.*

10 It’s clear that, in most cases, customers expect the utility to pay a competitive wage to ensure that
11 the system is operated by skilled and experienced personnel.

12 *5. Communications through a variety of media including phone, internet, social media, in-person and*
13 *email*

14 While not tested in the quantitative phase of the customer consultation, a number of customers in the
15 qualitative phase of the consultation suggested that NBHDL invest more in communication and the
16 channels they use to reach customers. This was a particularly salient point when it came to
17 communicating during power outages and letting customers know when power would be restored.

18 Aside from communicating around power outages, there were mixed opinions among customers
19 when it came to levels of customer service and the perceived associated costs. Some customers
20 suggested that NBHDL’s call centre should be staffed “24-7”, while others argued that they would be
21 unwilling to pay for that level of service.

22 Ultimately, when it comes to communications with NBHDL, customers placed a lot of value on their
23 time and having the ability to communicate through their preferred channel.

24 *6. Proactive communications when there are unplanned outages*

25 While the majority of participants are generally satisfied with the service they receive and find the
26 number of outages to be acceptable – when probed for areas of improvement – many said they
27 would like to see NBHDL provide better communications around power restoration. This is a
28 particularly salient point among GS customers, whose business operations can be seriously affected
29 by power service interruptions. In the event of an outage GS customer need to make decisions
30 based on the information provided by NBHDL to minimize the impact to their bottom-line: i.e. do they

1 send staff home, cancel a shift of workers, or wait until power is restored? GS participants suggested
2 that more reliable estimations of when power would be restored, and more communication channels
3 in which to access this information would be helpful.

4 While improved communications from NBHDL on power restorations was also mentioned by
5 residential customers, the urgency or importance of such process enhancements did not appear as
6 strong when compared to the GS group.

7 *7. Business to be customer centric including timely service that solves their problems*

8 While not tested specifically in the quantitative consultation phase, there was certainly an observed
9 directional desire for improved planning, timely service, and communications in the qualitative phase
10 of the customer consultation.

11 For additional information on the consultations conducted on the Application, refer to Appendix 1-
12 A.7.

13 ***NBHDL's Response to Customer Preferences***

14 Through its comprehensive customer engagement activities which are summarized above, NBHDL
15 has identified nine key customer preferences. Below NBHDL has summarized how it takes each of
16 those preferences into account in the operation of its business.

17 ***1. Affordable electricity costs***

18 Every day NBHDL hears from its customers about the importance of affordable electricity. At the
19 same time customers also ask for services and have an expectation that when they touch a switch
20 the lights will come on.

21 NBHDL is proposing a cost of service application that balances the needs for customer focus,
22 operational effectiveness (safety and reliability), public policy responsiveness and solid financial
23 performance.

24 Over the timeframe covered by this Application and the subsequent 4GIRM period the average
25 residential customer would see the following changes to NBHDL's component of delivery costs on
26 their monthly bill. The following estimated bill impacts were reviewed in the focus groups held by
27 Innovative Solutions as part of their research. It should be noted that these bill impacts were shared
28 prior to Application finalization, and as a result there are minor differences between the bill impacts
29 shared during the consultation and the actual bill impacts resulting from this Application.

1 In addition, the detailed bill impacts can be reviewed at two different distribution levels. Level one
 2 provides the % change in distribution excluding pass through charges such as Deferral/Variance
 3 Account Disposition Rate Rider, Low Voltage Service Charge, Line Losses on Cost of Power and
 4 Smart Meter Entity Charge. Level two provides the % change in distribution including pass through
 5 charges. In Table 1-29, the distribution proportion of the bill reflects level two as it shows the full
 6 distribution impact. However, in accordance with the filing requirements, level one will be used for
 7 the notice of application for a typical residential customer using 800 kWh per month and for a
 8 General Service <50kW customer using 2000 kWh per month. As a result, the distribution proportion
 9 of the bill shown in Table 1-28 is at level one since the information in Table 1-28 could be used in the
 10 notice of application.

11 **Table 1-29: Bill Impacts Used for Customer Consultations - Residential.**

Year	Average Residential Bill	Distribution Proportion of bill	Incremental Rate Change	% Change
2015	\$125.88	\$28.29	(\$2.30)	-1.8%
2016	\$131.62	\$33.93	\$5.64	4.5%
2017	\$132.04	\$34.34	\$0.41	0.3%
2018	\$132.46	\$34.76	\$0.42	0.3%
2019	\$132.89	\$35.19	\$0.43	0.3%

20 **Table 1-30: Bill Impacts Used for Customer Consultations - GS<50KW.**

Year	Average General Service Bill	Distribution Proportion of Bill	Incremental Rate Change	% Change
2015	\$305.07	\$63.63	(\$8.25)	-2.7%
2016	\$316.23	\$74.61	\$10.98	3.6%
2017	\$317.16	\$75.52	\$0.91	0.2%
2018	\$318.10	\$76.44	\$0.92	0.3%
2019	\$319.04	\$77.37	\$0.93	0.3%

29 The above dollar (\$) amounts also apply to delivery but the impact percentage (%) will be different.

31 NBHDL is proposing to disposite the balance owing customers in account 1576 over a 1 year period.
 32 This action results in a significant and tangible decrease in customer's bills. For the average
 33 residential customer the decrease is \$5.68/month in 2015.

34

1 Although there are changes year over year, the average monthly impact is an increase of \$.57 on a
2 total bill of \$130 (.5%). At the end of the 5 year term an average bill would increase \$2.86 or 2.2% of
3 the current total monthly bill.

4
5 NBHDL is also proposing to not increase its staffing levels. Incremental workload will be handled
6 through efficiency improvements.

7
8 NBHDL is proposing consistent capital expenditures over the 5 year period covered by this
9 application. This helps to smooth rates and avoid significant year over year changes.

10
11 **2. *Reliability of service with rapid response to un-planned outages***

12 NBHDL will maintain reliability within historic performance levels. These performance levels include
13 the average number of hours and times that power to a customer is interrupted. Over the past 5
14 years the average number of hours that power to a customer is interrupted was between 1.56-2.87
15 hours. The average number of times interrupted in a year ranged from 1.48 to 3.77.

16
17 A survey of NBHDL's business customers indicated that 95% believe responding within 30 minutes
18 of an outage is acceptable. NBHDL will target to achieve this response rate.

19 **3. *Assistance to reduce consumption and thereby costs.***

20 NBHDL has actively supported and delivered conservation programs to its customers during third
21 tranche programs and subsequently through provincial programs between 2011 and 2014. Some of
22 the highlights of accomplishments between 2011 and 2014 include:

- 23
24 770 small business lighting retrofits
25 115 larger business retrofits
26 1186 home energy audits
27 540 appliance retirements
28 500 residential demand response projects
29 10 large businesses received free energy management services and tools

30
31 The results show a high level of participation from both residential and non-residential customer
32 segments. Much of the success attained was due to actively promoting programs and engaging the
33 channel partner network. By working closely with contractors and suppliers; NBHDL has been able to
34 identify projects and engage key decision makers in order to help them evaluate opportunities and

1 ultimately select more efficient technology. This approach has allowed customers to “buy” into
2 provincial conservation programs.

3
4 NBHDL is on track to meet or exceed its 2011-2014 energy conservation target of 26.1M kwh. Based
5 on 2013 AQEW, this represents decreased electricity consumption of 4.6% or \$3.12M remaining in
6 the local economy.

7
8 Business Community:

9 NBHDL has learned that customers do not necessarily think of participating in conservation
10 programs without significant support and guidance. Small business customers lack resources and
11 energy management expertise. NBHDL has therefore turn keyed the small business lighting program
12 so that customers just basically agree to participate, all other activities are taken care of.

13
14 Small businesses also get guidance, information, and advice on other opportunities within their
15 facilities by NBHDL’s field representative who go over possible heating/cooling control optimization
16 opportunities, outdoor lights, and process involved replacing inefficient equipment.

17
18 Larger customers require a higher level of support and engagement. The support varies based on
19 the type of business, functions, and the customer’s willingness to participate. NBHDL uses the
20 following guiding principles when working with larger business customers:

- 21 1) Streamlined incentive application process management by NBHDL
- 22 2) Contractor involvement prior to engagement.
- 23 3) Data mining activities to identify cost saving opportunities.
- 24 4) Providing walk through energy audits and technical guidance to identify and develop
25 opportunities
- 26 5) Utilizing roving energy managers to support large capital intensive retrofit projects.
- 27 6) Presenting findings and solutions to senior executives, board of directors, and other key
28 decision makers.
- 29 7) Offering measurement equipment like power, light, flow meters and blower door tests.
- 30 8) Recognizing local businesses for their conservation efforts through public relation
31 campaigns.
- 32 9) Conducting on-going educational and awareness campaigns through marketing and public
33 presentations.

34
35
36

1 Residential Consumers:

2 Residential customers are also actively interested in reducing costs and require information on
3 provincial programs and how to manage costs around time-of-use rates. More programs are needed
4 to effectively engage this customer segment but NBHDL has been active in delivering two key
5 initiatives including the Home Assistance Program and Residential Demand Response Program.
6

7 The Home Assistance program has targeted over 1150 homes in 2013/2014 and offers free energy
8 audits and energy efficient measures to income qualified tenants. Measures installed include light
9 bulbs, power bars, programmable thermostats, low flow shower heads, sink aerators, hot water tank
10 insulation, fridge/freezer replacement, attic insulation, wall insulation, and basement insulation.
11 NBHDL developed strong partnerships with community organizations such as Nipissing District
12 Housing; Ontario Disability Support Program; Low Income People Involvement; Turret Realities;
13 Bradwick Properties; Mckay Homes; Birchwood Village; Corpus Christ; Harmony Haven Co-op; Le
14 Seigneurie Co-op; and Native Housing. This program has been extremely effective in helping
15 vulnerable customers reduce costs and especially seniors who are on fixed income and concerned
16 about rising costs.
17

18 The Residential Demand Response Program was deployed in NBHDL's service territory in
19 2013/2014 primarily designed to provide energy monitoring solutions to home-owners who have the
20 ability to participate in provincial demand response events. Home-owners who either have a central
21 air conditioner, electric hot water tank, or a combination of both would qualify for the program.
22 NBHDL had to overcome significant technical issues and limitations of the local ally network to
23 deliver this program. Overall, the program has been successful and deployment will continue.
24

25 Consumer awareness and education is also a critical piece to the conservation puzzle and it starts
26 with youth. NBHDL has engaged in educational initiatives from 2011-2014 through various
27 campaigns that cover topics such as energy conservation, smart grid, and electrical safety. Over
28 3000 students from junior kindergarten to grade eight from 26 local schools were taught smart grid,
29 electrical safety, green energy and conservation.
30

31 NBHDL will continue with its conservation efforts and helping customers reduce costs. NBHDL will
32 continue with its marketing efforts by having a higher public presence in the community.
33 Furthermore, support on energy management functions such as business case development, project
34 identification, execution, and on-going support will continue. NBHDL will maintain its reputation for
35 being a dependable organization that be called upon for honest advice whenever electricity costs are
36 of concern.

1 **4. Professional interactions with highly skilled and experienced personnel**

2 During the recruitment process all potential employees that have significant interactions with
3 customers are screened to determine their experience and passion for excellent customer service.
4 Often these skills are tested during role playing and subject to confirmation through the reference
5 check process.

6 NBHDL also provides training programs to develop and enhance skills. These sessions are
7 supplemented with regular briefings of all staff on industry issues.

8 NBHDL has committed to developing a web based customer feedback survey so customers can
9 advise NBHDL on their experience.

10 NBHDL will also conduct the UtilityPULSE or equivalent type customer service survey to confirm
11 progress on service delivery every 2 years.

12 **5. Communications through a variety of media including phone, internet, social media, in-**
13 **person and email**

14 NBHDL has taken steps to make more effective use of all these channels. Based on the feedback
15 received, NBHDL updated its website including new content and making the site easier to navigate.
16 NBHDL also updated its bill format in a response to requests to make the bill easier to read and to
17 allow quicker retrieval of key information. In the late spring of 2014, NBHDL used a direct mail piece
18 and television advertising to provide background and rationale for the vegetation management
19 program.

20 In 2015, NBHDL will ensure its communications plan builds on using conventional channels
21 supplemented with new channels including social media and television.

22 **6. Proactive communications when there are un-planned outages**

23 NBHDL has developed a web based tool to provide updates on system status across different parts
24 of the service area. This tool is updated during outages to provide customers with as close to real
25 time information as possible so customers can make better decisions on actions to take at home or
26 at work. NBHDL also has started using social media to broadcast information on system status.
27 NBHDL will continue to develop and refine these communication tools.

28 In addition NBHDL will continue to use existing channels to advise customers on system status
29 including phone, radio and newspaper (print and electronic).

1 7. *Business to be customer centric including timely service that solves their problems*

2 NBHDL will continue to maintain and build on its “A” customer service rating in the customer care
3 category of its recent customer satisfaction survey. NBHDL will implement some simple and cost
4 effective measures to ensure timely service that solves customer problems. When customers contact
5 NBHDL they want acknowledgement that their problem is understood, they want empathy on the
6 importance of their issue and they want a knowledgeable person to take action. NBHDL will be
7 making changes to its customer experience processes to make sure these steps occur. Customers
8 will be asked before calls or interactions are concluded whether their problem has been solved and
9 whether anything further is required. NBHDL will also put a survey on its website and solicit feedback
10 on the service quality experience.

11 In addition to the customer preferences identified in consultations on the Application, NBHDL has
12 also identified additional preferences as follows:

13 1. *Information supporting the value of services provided*

14 In 2014, NBHDL began a campaign to increase awareness about the business and benefits it
15 provides to the broader community.

16
17 NBHDL will work with its marketing service provider to ensure the 2015 program includes a
18 campaign on informing customers about the services provided and the value they represent to
19 customers. NBHDL is proposing to spend \$122,000 on customer engagement and communications
20 in 2015. The website will be updated to ensure appropriate content is available on a long term basis.

21
22 2. *Continued delivery of high quality services*

23 NBHDL works hard every day to provide high quality services that ensure the safe, reliable and
24 affordable provision of electricity distribution services. NBHDL benchmarks very well against Ontario
25 averages on key customer service quality metrics:

	NBHDL Ontario	
26		
27 Deals professionally with customer problems	82%	78%
28 Pro-active in communicating changes and issues	79%	73%
29 affecting customers		
30 Quickly deals with issues that affect customers	80%	74%
31 Customer-focused and treats customers as if they are valued	77%	72%
32 Is NBHDL a company that is easy to do business with	82%	75%

1 Delivers on its service commitments to customers 85% 82%

2

3 Source: UtilityPULSE Survey, June 2014

4

5 NBHDL will continue with its store front operation so customers have the convenience and ability to
6 speak directly with staff on any service issue whether it is a bill payment issue or arranging for new
7 service or upgrades. Customers will also continue to have access to local experienced staff should
8 they wish contact through another channel. NBHDL will continue with its customer engagement
9 processes around the vegetation maintenance program where every customer/property owner is
10 contacted and permission obtained for heavier tree trimming and removals. NBHDL will also
11 continue with its annual customer engagement plan which involves working with customers through
12 a variety of channels. NBHDL would like to maintain and improve on the performance indices noted
13 above.

14

1 **Operational Effectiveness:**

2 NBHDL is committed to continuously improving efficiency and productivity performance to provide
 3 better value service for ratepayer money. The following is a description of the operational
 4 effectiveness initiatives that NBHDL has undertaken since its last cost of service decision, prior to
 5 the test year.

6 NBHDL's operational effectiveness initiatives include projects and activities undertaken based on,
 7 among other factors, customers' preference, technology based opportunities and other innovative
 8 process, services, business models or technologies.

9 Table 1-31 below illustrates total annual capital expenditures NBHDL has planned for the forecast
 10 period:

11 **Table 1-31: Total annual capital expenditures.**

	2015	2016	2017	2018	2019	TOTAL	AVERAGE
System Renewal	\$5,469,405	\$ 3,786,904	\$ 3,774,073	\$3,832,668	\$ 3,569,523	\$ 20,432,572	\$ 4,086,514
System Service	\$ 373,245	\$ 214,687	\$ 127,188	\$ 88,870	\$ 135,682	\$ 939,672	\$ 187,934
System Access	\$1,143,704	\$ 1,163,147	\$ 1,182,920	\$1,203,030	\$ 1,223,481	\$ 5,916,281	\$ 1,183,256
General Plant	\$ 771,603	\$ 373,400	\$ 549,000	\$ 350,700	\$ 642,000	\$ 2,686,703	\$ 537,341
Total Capital Spending	\$7,757,956	\$ 5,538,138	\$ 5,633,181	\$5,475,268	\$ 5,570,686	\$ 29,975,228	\$ 5,995,046

12
 13 The System Renewal projects are directly linked with the asset management and capital expenditure
 14 planning processes and the allocation of budget is dependent on the outcomes derived from them.
 15 The ACA report provided NBHDL with a model output for capital investments in the System Renewal
 16 categories of: substations, wood poles and underground cable replacements. These outputs are
 17 relied upon to justify the capital expenditure and inform the asset management process.

18 Projects in the System Service category are driven by capacity constraints. These projects can
 19 include capital investments aimed at improving system operations, reliability and efficiencies through
 20 voltage upgrades, distribution automation, intelligent devices or equipment, all aimed at enhancing
 21 customer value and operational effectiveness. NBHDL has not identified any anticipated capacity
 22 constraints for the duration of the forecast period but does perform other asset management projects
 23 under this category. These projects have been categorized as: metering, SCADA, feeder conversion
 24 and minor betterment projects.

25 With respect to System Access projects, NBHDL is currently experiencing no constraints on capacity
 26 and customer connections are done on an as requested basis. With the limited growth in customer

1 base that NBHDL has experienced and expects to experience in upcoming years, limited capital
2 expenditures are anticipated for the forecast period. Further, capital contributions relating to road
3 relocates and other municipally driven projects are expected to remain stable for the forecast period.
4 As these asset projects are expected to remain stable and be reactive, the output of NBHDL's asset
5 management and capital planning processes is expected to have a minimal effect on System Access
6 investments. That being said, NBHDL (with the assistance of METSCO) tabulated anticipated
7 System Access investment requirements for 2015 that was inclusive of outputs from Customer
8 Service Requests and Road Relocations for the forecast period. To reach an informed start point for
9 the forecast period, NBHDL used the 5 year historical averages of customer service requests and
10 road relocations and formulated the 2015 capital expenditure estimate. Customer Service Requests
11 was based on the following subcategories: generators, primary services, secondary services and
12 subdivisions.

13

14 With respect to General Plant, NBHDL retained several third party consultants to prepare
15 assessments of the individual asset categories of General Plant that NBHDL considered for capital
16 investment. These categories were motor fleet; office/building/furniture; tools; and IT.

17 Operational excellence is a philosophy of NBHDL where problem-solving, teamwork and leadership
18 results in the ongoing improvement in the business. Operational excellence involves improving
19 current activities in the workplace, focusing on customer's needs, and keeping employees positive
20 and empowered. Operational excellence is a well-functioning team that rises to every challenge and
21 completes tasks safely, efficiently and with pride.

22 NBHDL achieves continuous improvement by implementing measures that directly reduce costs,
23 improve productivity and improve levels of service to customers.

24 ***Past efforts to achieve cost reductions and productivity improvements***

25 Prior to the test year, NBHDL has implemented the following cost reduction and productivity
26 improvement measures:

- 27 1. NBHDL has been able to reduce its inventory of stores materials and moved to a more just-in-
28 time delivery of hardware and equipment. Vendors are relied on to provide warehousing and
29 material availability. This initiative has reduced inventory from \$786,111 in 2010 to \$448,742 in
30 2013. These savings are now fully incorporated into rates, and flow directly to the benefit of
31 ratepayers.

- 1 2. NBHDL purchases its materials through a joint Northern LDC Buying Group to obtain
2 economies of scale. Based on product purchases of \$997,520 in 2013, NBHDL estimates
3 \$69,826 in product savings alone and an additional \$45,230 savings in freight. NBHDL is
4 constantly investigating whether there are additional economies for other products and
5 services that should be procured through Buying Group. These savings are now fully
6 incorporated into rates, and flow directly to the benefit of ratepayers.
- 7 3. NBHDL previously used external contractors to perform substation maintenance activities. In
8 2011, NBHDL started performing this function with existing in-house staff. External contractors
9 charged \$30,000-\$35,000 per station and normally 4-5 stations were maintained each year.
10 These savings are now fully incorporated into rates, and flow directly to the benefit of
11 ratepayers.
- 12 4. NBHDL is purchasing 3 large power transformers in 2014. NBHDL went through a competitive
13 purchase process and then worked with other LDC's to make a bulk purchase that reduced
14 costs even further. NBHDL saved 5% or \$25,724 as a result of this action. These savings are
15 now fully incorporated into rates, and flow directly to the benefit of ratepayers.
- 16 5. NBHDL has a single aerial device with reach of 75 feet. This truck is due for replacement in
17 spring 2015 but earlier this year inspections confirmed the truck required over \$65,000 in
18 repairs to make sure the aerial device could operate safely. Rather than pay for the repairs
19 NBHDL made arrangements to borrow a vehicle with similar capabilities from a neighbouring
20 LDC on a temporary basis. These savings are now fully incorporated into rates, and flow
21 directly to the benefit of ratepayers.
- 22 6. NBHDL began offering eBilling to customers in 2012. Today approximately 5000 customers
23 use this option saving \$4,450 per month or \$53,300 per year in postage, paper and printing
24 costs. NBHDL continues to promote this program with customers today. These savings are
25 now fully incorporated into rates, and flow directly to the benefit of ratepayers.
- 26 7. NBHDL also brought bill production and printing in-house reducing external purchases by
27 \$52,000 per year. NBHDL re-allocated workload with its existing staff to make this move
28 possible. These savings are now fully incorporated into rates, and flow directly to the benefit
29 of ratepayers.
- 30 8. NBHDL continues to participate in the District #9 Smart Metering collaborative. NBHDL will be
31 procuring AMI and customer data security audits through D9 in 2014 and 2015. The cost to the
32 collaborative is \$250,000 and NBHDL's share is \$40,000. This service would be much more

1 expensive if NBHDL were to procure on its own. These savings are now fully incorporated into
2 rates, and flow directly to the benefit of ratepayers.

3 9. Like many LDC's NBHDL uses an Operational Data Store (ODS) to archive smart meter data,
4 backfill missing interval data and to provide load profile analysis to customers. NBHDL has
5 chosen an ODS provider that services approximately half of the Ontario LDCs, and is based
6 out of North Bay. NBHDL has established a close working relationship with its service provider
7 and has been able to negotiate a preferential rate saving \$13,500 per year in purchased
8 services. These savings are now fully incorporated into rates, and flow directly to the benefit of
9 ratepayers.

10 10. NBHDL eliminated the provision of printed past due notices. This has saved on paper, printing
11 and mailing costs totaling savings of \$10,000 per year. NBHDL utilized efficiency
12 improvements with its Customer Accounts staff to make outbound calls to provide 48 hour
13 notice to allow payment prior to disconnection for non-payment.

14 11. Effective April 1, 2014, NBHDL eliminated the practice of paying staff that work outdoors for
15 the majority of their day a winter meal allowance. This will save \$12,140 in benefit costs in
16 2014. These savings are now fully incorporated into rates, and flow directly to the benefit of
17 ratepayers.

18 12. NBHDL changed its benefit package to pay for generic drugs unless prescribed differently by a
19 physician. This change saves the business \$21,445 per year in 2014 and 2015 through
20 reduced benefit costs. These savings are now fully incorporated into rates, and flow directly to
21 the benefit of ratepayers.

22 13. With vendors NBHDL is moving to EFT transactions. This will save just under \$4 per
23 transaction on hundreds of transactions over the course of a year.

24 14. NBHDL carefully manages overtime to keep hours less than 10% of total hours worked.
25 NBHDL has achieved this target and consistently reduced the number of overtime hours
26 worked from 5148 hours in 2010 to 4548 in 2013. This diligence has saved \$43,430 in labour
27 costs comparing 2010 with 2013. These savings are now fully incorporated into rates, and flow
28 directly to the benefit of ratepayers.

29 15. In 2013, NBHDL transitioned underground locate requests over to Ontario One Call for
30 reporting purposes, in which all requests go through Ontario One Call prior to being sent to
31 NBHDL for completion of the actual locate. Just before this transition, NBHDL had automated

1 the locate process including the development of a specialized computer application and
2 equipping locate vehicles with computers, printers and mobile devices. Locates are drawn in
3 the field, stored for integration with the GIS and a copy printed and handed to customers on-
4 site. Staff involved in the locate process have been trained in how to use the application. In
5 2010, NBHDL handled 2,367 locates and in 2013 this had increased to 3,678. Automation
6 allowed NBHDL to handle this 55% increase in number of locates completed within required
7 timelines without hiring additional resources for locates. These productivity improvements are
8 now fully incorporated into rates, and flow directly to the benefit of ratepayers.

9 16. In 2013, NBHDL automated the disconnect/reconnect work order process including the
10 development of a mobile application to link with the CIS to provide real time information on
11 account payment status. This means staff in the office are linked directly with those in the field
12 so both parties are aware of payment status. This avoids unnecessary customer contact and
13 has reduced phone calls from field staff to the office on payment status. This application has
14 helped NBHDL manage the 60% increase in disconnect/reconnect work orders handled
15 between 2010 and 2013 without hiring additional full time resources. These productivity
16 improvements are now fully incorporated into rates, and flow directly to the benefit of
17 ratepayers.

18 17. In 2011, NBHDL introduced a customer application process to meet the requirement of
19 obtaining customer consent to receive charges for services provided. This process also helps
20 to prevent fraudulent activity and provides information should collection activities be required.
21 This application is now available on-line for convenience.

22 18. Every year, NBHDL receives over 300 requests from customers for connection to its system or
23 upgrades/changes to existing connections (service spots). Most of these requests are received
24 during a very condensed time frame, usually when the snow melts and frost is out of the
25 ground and there is always a push before freeze up in the fall. In 2011 and 2012, NBHDL
26 made changes to the service spot process to improve quality and consistency of approach.
27 NBHDL now has a formal queue process managed on a first come, first serve basis. A
28 schedule is developed for each service spot and timelines are adhered to help manage
29 customer expectations and to ensure coordination with NBHDL's crews and contractors. Every
30 service spot is field checked by NBHDL staff to confirm work requirements and to look at other
31 potential deficiencies or safety hazards that can be eliminated at the time of construction. This
32 process has reduced customer complaints and has contributed time for engineering and
33 operations to concentrate on asset management and other work demands.

- 1 19. NBHDL now scans vendor invoices into a searchable data base. This saves on the need for
2 physical storage space and allows efficient retrieval by staff and auditors.
- 3 20. NBHDL has six different communication companies that want access to poles to allow for
4 attachment of their infrastructure to provide service to business and residential customers. The
5 demands from these companies at times can take away from NBHDL's core focus of
6 distribution service. In late 2011, NBHDL developed a standardized process for handling third
7 party attachments which has been adopted by LDCs. The process allows proper engineering
8 design and review and ensures no cross-subsidization of costs. In 2012, NBHDL completed 18
9 attachment applications and maturing of the new processes has allowed 40 as of the end of
10 August 2014 without incremental resourcing. These productivity improvements are now fully
11 incorporated into rates, and flow directly to the benefit of ratepayers.
- 12 21. Over the past 3 years, NBHDL has made greater use of a vacuum or sucker truck for civil work
13 and repairs. In the winter months it is typical to have 6-8 feet of frost in the ground which
14 makes the installation of poles very difficult. Use of the vacuum truck has allowed moving to
15 year round construction activities as the hot water from the truck melts the frost. In the City of
16 North Bay, utilizing construction resources year round instead of seasonally will allow for more
17 work being accomplished with the same resources. The holes made for poles are also
18 customized to pole diameter allowing for minimal backfill costs and straighter poles/circuits.
19 There is less visual impact because less area is disturbed around the pole.
- 20 22. NBHDL has invested and continues to invest in remotely operable SCADA switches to restore
21 power more quickly and also eliminates the costs of sending a crew to manually operate the
22 switch. Customers benefit from lower outage and faster restoration times as a result.
- 23 23. NBHDL's Engineering and Operations departments are closely integrated to increase
24 efficiency and productivity. Every capital project designed by Engineering is reviewed or co-
25 designed with Operations to make sure the required work can be completed quickly and
26 safely. Often real-time adjustments are made to designs as crews send in pictures via mobile
27 communications for review by Engineering. In 2015, NBHDL is planning to review these
28 functions, how they design, hand-off, execute and report on projects with the objective of
29 formalizing processes, implementing measures to manage to, and increasing efficiency where
30 possible. NBHDL believes this should be a priority investment as 66% of total resources are
31 engaged in these functions. Technology is evolving and there could be opportunities for
32 greater application on the front line. These potential efficiency improvements will be

1 incorporated into rates over time as part of future rate applications, as the efficiencies are
2 achieved.

3 24. NBHDL's Customer Accounts staff plays a critical role operating the store-front customer
4 service function. NBHDL re-organized its Customer Accounts operation including consolidating
5 three different job functions into one, introducing standardized work processes and training
6 staff on customer service skills. The work day was re-organized to allow for even coverage
7 and opportunities for staff to catch up on administrative tasks. In 2010, NBHDL handled a total
8 of 23,967 telephone calls and in 2013 this had increased to 39,805. This incremental workload
9 is managed with the same staffing level and also fewer temporary hours. These productivity
10 improvements are now fully incorporated into rates, and flow directly to the benefit of
11 ratepayers.

12 25. In early 2013, NBHDL utilized third party expertise to review meter-to-cash processes. The
13 audit focused on all processes from obtaining meter reads to generating the bill and collecting
14 payment. The audit flagged the following areas for improvement:

- 15 1. Implementation of enhanced CIS processing for MDM/R related tasks
 - 16 a. Sync file processing
 - 17 b. Bill quantity processing
- 18 2. Improved training on MDM/R related processes (and associated improvements to
19 business processes) and implementation of redundancy
- 20 3. Cross-training on Advanced Metering Infrastructure (AMI) related processes
- 21 4. Implementation of an automated work force management system as a possible
22 alternative to improved synchronization processing

23 To address these findings, NBHDL updated its CIS version to incorporate more efficient bill
24 quantity generation and processing thereby reducing the volume and complexity of the process.
25 NBHDL contracted with a service provider to provide AMI and MDM/R synchronization services.
26 Outsourcing the sync function has allowed NBHDL to take advantage of the service provider's
27 automation capability and ability to proactively interact with the MDM/R on sync issues.
28 Outsourcing has also allowed NBHDL staff to focus more on customer oriented tasks and
29 interactions. Cross training of staff was undertaken along with the integration of the contractor
30 resources to provide redundancy and continuity for succession planning.

1 ***Efforts to achieve cost reductions and productivity improvements in the Test Year***

2 In the 2015 Test Year, NBHDL will continue to make cost reduction and productivity improvement
3 measures a priority.

4 1. NBHDL will continue to utilize just in time delivery to manage stores and material levels below
5 historic levels.

6 2. NBHDL will continue to purchase materials through the Northern LDC Buying Consortium
7 which is forecasted to save \$115,000 in 2015 versus buying outside the Consortium. These
8 savings are already built into costs forecasted for this Application.

9 3. NBHDL will continue to offer and promote eBilling to maintain and potentially increase the
10 number of customers using this billing option.

11 4. NBHDL will continue with in-house monthly bill production and printing. NBHDL notes that the
12 Board is currently researching how all distributors can convert to monthly billing. NBHDL is
13 already billing all customers on a calendar month basis.

14 5. NBHDL will continue to utilize an Operational Data Store to provide time of use data to all
15 customers. NBHDL will look to expand the number of meters interrogated through the AMI
16 system.

17 6. As part of its new collective agreement NBHDL will save \$42,000 as a result of no longer
18 paying for winter meals for staff working the majority of their day outside in winter. These
19 savings are already built into costs forecasted for this Application.

20 7. With regards to bad debt management, NBHDL will use the 2014 year to date trend to project
21 2015 bad debt. Bad debt is a function of total bill amounts and the LTEP is projecting
22 residential bills will increase by 5.7% in 2015. NBHDL will attempt to manage bad debt at 2014
23 levels even with this increase in total bill amounts.

24 8. NBHDL's Engineering and Operations departments are closely integrated to increase
25 efficiency and productivity. Every capital project designed by Engineering is reviewed or co-
26 designed with Operations to make sure the required work can be completed quickly and
27 safely. Often real-time adjustments are made to designs as crews send in pictures via mobile
28 communications for review by Engineering. In 2015, NBHDL is planning to review these
29 functions, how they design, hand-off, execute and report on projects with the objective of
30 formalizing processes, implementing measures to manage to, and increasing efficiency where

1 possible. NBHDL believes this should be a priority investment as 66% of total resources are
2 engaged in these functions. Technology is evolving and there could be opportunities for
3 greater application on the front line. These potential efficiency improvements will be
4 incorporated into rates over time as part of future rate applications, as the efficiencies are
5 achieved.

6 9. In 2015, NBHDL will integrate the Billing and Customer Accounts functions. This is an
7 efficiency improvement targeted at helping NBHDL manage increased demand for services
8 from customers and to help sustain the new workload from various provincial policy initiatives.
9 This should also help to improve the quality of customer service offered as these staff will have
10 more intimate knowledge on every bill determinant. NBHDL staff will be responsible for all
11 customer relationship issues within an established billing cycle. This will allow NBHDL staff to
12 become more familiar with the wants and expectations of assigned customers. This will also
13 assist with achieving the target of less than 50 complement.

14 10. In 2015, NBHDL will work with each individual customer or property owner within the cycle
15 requiring vegetation maintenance activities to confirm and obtain permission for the scope of
16 work that might be required to obtain adequate clearance from conductors. This effort will
17 reduce costs as contractors know exactly the amount of work required in terms of tree
18 trimming and removals to be performed. This was also reduce off-cycle work and ensure
19 customer engagement on what can be a very controversial issue. These potential efficiency
20 improvements will be incorporated into rates over time as part of future rate applications, as
21 the efficiencies are achieved.

22 11. In 2015 NBHDL will continue to re-build its 4 kV system resulting in a more efficient electrical
23 distribution system with the higher 12.47kV operating voltage and the removal of older less
24 efficient distribution transformers. These potential efficiency improvements will be incorporated
25 into rates over time as part of future rate applications, as the efficiencies are achieved.

26 12. NBHDL is working with its AMI and CIS service providers to make changes such that meters
27 for FIT and microFIT customers can be interrogated remotely with generation amounts
28 uploaded automatically to the billing system. These potential efficiency improvements will be
29 incorporated into rates over time as part of future rate applications, as the efficiencies are
30 achieved.

31 13. As an efficiency measure NBHDL will be implementing new CIS modules to automate time
32 reporting and allow payroll functions. These potential efficiency improvements will be

1 incorporated into rates over time as part of future rate applications, as the efficiencies are
2 achieved.

3 14. NBHDL will be moving to automated payment processes for majority of vendors reducing the
4 need for manual payment by cheque. These potential efficiency improvements will be
5 incorporated into rates over time as part of future rate applications, as the efficiencies are
6 achieved.

7 15. In 2015, NBHDL will manage overtime to less than 10% of hours worked and sick time to 5
8 days per employee. These savings are already incorporated into costs forecasted in this
9 Application.

10 16. NBHDL will continue to complete substation maintenance work with current resources avoiding
11 approximately \$150,000 per year in external contractor costs. These savings are already
12 incorporated into costs forecasted in this Application.

13 17. NBHDL carries out thermographic infrared inspection every year on the overhead system. The
14 entire subtransmission system is scanned, all substations are covered, and at least one third
15 of the distribution system is covered, including overhead transformers and switches. The
16 oldest operating padmount transformers are also scanned when time permits. A report is
17 provided by the contractor upon completion of the work, identifying all the areas that require
18 attention. The issues are categorized into the following categories, minor (addressed within 3
19 months), intermediate (addressed within 1 month), major (addressed within 1 week), and
20 critical (addressed immediately). NBHDL corrects all issues within the recommended timelines.
21 This program reduces un-planned outages, helps to manage overtime and improves efficiency
22 and the safe performance of the distribution system.

23 18. NBHDL has made improvements in its control room including computer upgrades and a new
24 integrated mapping/distribution system layout. These improvements allow a faster, safer and
25 more efficient response to trouble shooting, development of critical switching orders and
26 implementation of work protection code requirements. The new terminals also allow operators
27 to work on different problems at the same time.

28 19. In 2015, NBHDL is planning on the continued integration of the engineering and operations
29 functions. This will allow capital and operating projects to be completed more efficiently
30 through better coordination of work activities including job planning. This means locates are
31 completed in advance and the necessary materials are available on more of a just in time

1 basis. Projects can be scheduled and re-scheduled efficiently depending on weather, priorities
2 and customer demand work.

3 20. In 2014, NBHDL added a Junior Accountant to its complement. This position will assist with
4 future efficiency improvements as accounting functions have been downloaded from the
5 Regulatory Manager allowing more time to be available to develop regulatory applications and
6 comply with incremental reporting requirements.

7 **Customer Service Improvements**

8 In addition to the above noted cost savings and productivity improvements, often efficiency efforts
9 will result in customer service improvements, including:

10 1. During July 2013, NBHDL began offering a web-based Customer Portal to enable customers
11 to view their hourly electricity usage to help them better understand time of use consumption
12 profiles and to quantify savings from conservation initiatives.

13 2. NBHDL received many requests for paperless billing so consequently began offering an
14 eBilling option in 2012. This has proven to be a popular and convenient service for customers
15 to store information and review past consumption and costs at their leisure. Paperless billing
16 together with the Customer Portal is leveraging existing technology on the website to make
17 doing business easier for the customer.

18 3. Every year, NBHDL estimates that between 15,000 -20,000 customers come to the office for
19 service in-person. NBHDL retrofitted the customer reception area to make the experience
20 more comfortable and practical for customers. A computer terminal was added for customers
21 to use to pay bills and look up information. A large screen was also added to provide
22 customers information on conservation and new technologies.

23 4. NBHDL received feedback from customers about its website being dated. A new website
24 design and content was launched with many built-in enhancements including easy to use
25 online forms, focus on conservation information and information on system status. When major
26 un-planned outages occur, a map on the website is updated and customers are informed that
27 NBHDL is responding. NBHDL also uses social media to advise customers on system status.
28 More content is being added to the website, particularly on local testimonials on conservation
29 initiatives.

30 5. NBHDL is working with local environmental groups to understand whether the current
31 approach to the vegetation management program can be enhanced to improve customer

1 education on the need for tree trimming and removals and how we can work cooperatively to
2 maintain the green canopy of North Bay. A series of open houses will be held during the fall of
3 2014. A local group will be making recommendations to a steering committee on
4 improvements for implementation with the 2015 program.

5 6. Finally, based on feedback received from 2013 customer engagement processes, NBHDL
6 developed and implemented a more formal customer communication and education program
7 for 2014. In addition to changes to the website, NBHDL has utilized on-bill messaging, billing
8 inserts, radio and television ads to provide information on the structure of Ontario's electricity
9 system, cost reduction tips and simple and non-expensive conservation tips. Based on
10 feedback received from 2014 customer surveys, changes will be made to the 2015 campaign.

11 **Building a Culture of Continuous Improvement**

12 NBHDL works hard to build a culture of continuous improvement, where employees feel valued,
13 trusted, empowered and are a respected team member. These employees will then, in turn, look out
14 for the needs of the business through a culture of continuous improvement.

15 Having great and empowered employees has allowed NBHDL to implement and achieve the
16 improvements in performance and customer satisfaction described above. Having empowered
17 employees is why NBHDL has an industry leading employee safety record and why sick time and
18 overtime rates have steadily decreased. Positive and empowered employees mean fewer grievances
19 and better problem solving. During a recent unplanned outage involving the replacement of broken
20 poles, crews took the opportunity on their own initiative to replace some problematic fuses that
21 NBHDL is gradually phasing out. This avoided a potential planned outage that would have had to be
22 undertaken during overtime hours on the weekend because of customer requirements.

23 Having open communications is one of the key ways of keeping employees positive and empowered.
24 NBHDL constantly works on improving communications and utilizes a variety of approaches
25 including department meetings, group meetings, and entire organization meetings or just through
26 one on one contact. NBHDL's open door approach ensures staff has access to senior managers,
27 which facilitates problem solving at all levels of the organization. There is an expectation that
28 employees will address problems first with their supervisor at any time.

29 NBHDL's employees are committed, loyal, and conscientious and are eager to share ideas and
30 serve as strong representatives of the business. NBHDL's storekeeper feels empowered to
31 continually seek the cheapest source for product that meets NBHDL's requirements. For example,
32 the storekeeper was able to save \$1408 in a single order of stringing blocks, \$457 in conductor

1 cover-up and \$4,380 in grips by negotiating with suppliers. These actions occur because employees
2 have pride in what they do and care about customers and the business. Employees are NBHDL's
3 most valuable resource.

4 The universal trend in business is for each employee to do more and to be available at any time to
5 respond to problems. NBHDL has been able to handle this with very little impact to the business and
6 its employees. Having empowered employees to question, challenge, and offer new ideas and
7 solutions ensures their professional growth and the ability of the business evolve and handle change.

8

1 **Public Policy Responsiveness:**

2 There have been a number of incremental obligations mandated through provincial policy or local
3 policy objectives since NBHDL's last cost of service decision in 2010, including but not limited to:

- 4 • The implementation of smart meters and time-of-use pricing;
- 5 • The obligation to achieve the policy outcomes set out in the RRFE;
- 6 • The obligation to meet mandatory conservation and demand management targets;
- 7 • Ongoing obligations under the *Green Energy and Green Economy Act, 2009* in respect of
8 facilitating new renewable generation, meeting the obligation to connect to settle LDC
9 connected FIT Contracts in accordance with the *Retail Settlement Code*;
- 10 • Incremental transition of accounting standards towards IFRS, including the implementation
11 of revised capitalization and depreciation policies, including estimated useful lives for
12 depreciation;
- 13 • The implementation of the Low-income Energy Assistance Program (LEAP) and associated
14 reporting requirements;
- 15 • The implementation of the Ontario Clean Energy Benefit (OCEB) and associated
16 adjustments;
- 17 • The implementation of Class "A" and Class "B" Global Adjustment changes pursuant to
18 O.Reg. 429/04;
- 19 • The implementation of Ontario One Call pursuant to the *Ontario Underground Infrastructure*
20 *Notification System Act, 2012*;
- 21 • Meeting revised Electricity Reporting and Recordkeeping Requirements;
- 22 • Participating in new regional infrastructure planning initiatives;
- 23 • Meeting new accessibility standards in accordance with the *Accessibility for Ontarians with*
24 *Disabilities Act, 2005*;
- 25 • Implementation of consumer protection provisions in the *Energy Consumer Protection Act,*
26 *2010*;

- 1 • Compliance with Canada's new anti-spam and online fraud act (CASL);
- 2 • Compliance with Measurement Canada Bulletins GEN-25-E and GEN-31-E requiring that
- 3 Ontario Regulation 275/04, Section 7 apply to TOU bills, including register reads.

4 NBHDL has actively supported and met all of these public policy obligations. Specifically:

5 *Smart meters and time-of-use pricing* – NBHDL deployed smart meters in 2009 and 2010 and
6 converted customers over to time of use billing in September 2011. NBHDL was one of the few
7 LDC's that did not request an extension to their Board approved cutover date to time of use billing.
8 NBHDL worked with its AMI service provider to fine tune their collection system which was unable to
9 function effectively in rugged and remote terrain. It took until 2013 to solve technical issues and at
10 that time NBHDL sought disposition of \$3,840,888 as costs to deploy and operationalize smart
11 meters. The 2015 Test Year includes incremental costs of \$106,753 in OM&A versus 2010 Board
12 approved levels.

13 *RRFE outcomes* – Exhibit 1 walks through each of the four RRFE outcomes and discusses in
14 respect of each, what NBHDL has done to achieve these outcomes.

15 *Conservation and demand management targets* – NBHDL expects to exceed its 2011-2014 energy
16 reduction target of 26.1M kwh but because of changes to provincial programs will most likely achieve
17 80% of its demand reduction target. After creating the targets in 2010 the province decided to cancel
18 one of its most effective demand reduction programs Demand Response 3. NBHDL had many
19 customers signed up to qualify for this program when the province announced it was no longer
20 accepting new applications. NBHDL expects to spend at least 80% of its Program Administration
21 Budget of \$1,324,306 which is funded through Global Adjustment charges.

22 *Facilitating new renewable generation* - NBHDL's distribution system has been planned and
23 proactively built and equipped to handle forecasted renewable generation. NBHDL has worked with
24 many customers to develop renewable generation projects. NBHDL provides monthly settlement
25 services to 35 FIT and mFIT projects. Currently settlement takes Metering and Billing staff 3.5
26 days/month or 42 days per year to complete. Once NBHDL's service provider completes upgrades to
27 the AMI system this task will be completed in 1.5 days per month or 18 days per year. This is
28 incremental workload completed by existing staff.

29 *Transition to IFRS* – The Accounting Standard Board ("AcSB") deferred mandatory adoption of IFRS
30 for qualifying rate-regulated entities to January 1, 2015. However, per the Board's letter of July 17,
31 2012, electricity distributors electing to remain on CGAAP were required to implement regulatory

1 accounting changes for depreciation expenses and capitalization policies by January 1, 2013.
2 NBHDL confirms it implemented the regulatory accounting changes for depreciation in 2012 and
3 overhead capitalization in fiscal 2009. NBHDL enlisted the services of BDO to help co-ordinate the
4 project and to ensure all changes were in compliance. The conversion required significant
5 incremental effort to retrieve historic data and perform the necessary analysis specifically related to
6 the change in useful lives and componentization of PP&E. NBHDL's IT system was also modified to
7 address the complexities related to PP&E with the implementation of a fixed asset module. NBHDL
8 projects the IFRS conversion to cost \$143,053 as detailed in Board Approved Appendix 2-U.

9 *Low-income Energy Assistance Program (LEAP)* – NBHDL makes annual contributions in the
10 amount of 0.12% of the approved distribution revenue in compliance with the Report of the Board:
11 Low Income Energy Assistance Program (“LEAP”), issued in March 2009. NBHDL adheres to and
12 complies with the LEAP Emergency Financial Assistance Program dated February 17, 2012 and
13 works closely with the designated social service agency.

14 *Ontario Clean Energy Benefit (OCEB)* – NBHDL began implementation and notification of the OCEB
15 in January 2011, with on bill messaging, and has had continuous on bill messaging since. To
16 implement NBHDL had to modify the billing system, and bill presentment system at a cost of
17 approximately \$2,500 excluding internal staff time. NBHDL completed training sessions with
18 customer account staff, and billing staff on the incorporation of the changes so they could ensure the
19 accuracy of the bills and handle customer inquiries.

20 *Global Adjustment changes* – NBHDL may have one customer that may be eligible for class A
21 customer treatment. Should that customer meet the definitions, NBHDL does not foresee any
22 settlement issues.

23 *Ontario One Call* – NBHDL transitioned to the Ontario One Call for locates on March 1, 2013. It is
24 forecasted that this transition has increased locate costs by approximately \$12,000 per year at
25 current One Call rates.

26 *Electricity Reporting and Recordkeeping Requirements* – NBHDL has met and will continue to meet
27 all Electricity Reporting and Recordkeeping Requirements.

28 *Regional infrastructure planning* – In preparing its Distribution System Plan, NBHDL requested a
29 letter from Hydro One confirming the status of regional planning for the Regional Planning areas of
30 which NBHDL is a member. Hydro One provided an update on the status of Regional Planning on
31 April 2, 2014 confirming that the Regional Planning Process has not been initiated and a Regional
32 Infrastructure Plan has not been developed within these regions. Hydro One expects that Regional

1 Planning will be initiated in the 4th quarter of 2015. NBHDL actively participates with regional
2 distributors, the IESO and Hydro One at an operational level and looks forward to participating at the
3 regional planning level as well.

4 *Accessibility for Ontarians with Disabilities Act, 2005* - NBHDL is committed to treating all people in a
5 way that allows them to maintain their dignity and independence. NBHDL is committed to meeting
6 the needs of people with disabilities and accomplishes this by preventing and removing barriers to
7 accessibility and meeting accessibility requirement under the *Accessibility for Ontarians with*
8 *Disabilities Act 2002 (AODA)* and Ontario Regulation 429/07 (*Accessibility Standards for Customer*
9 *Service*). Accessibility reports were submitted to the province in 2013 and 2014. The cost
10 associated with training for the AODA was \$1150 in 2012.

11 *Energy Consumer Protection Act, 2010* – NBHDL in compliance with the *Energy Consumer*
12 *Protection Act, 2010*, that came into force on January 1, 2011 has done customer information
13 sessions, on-bill messaging, bill inserts, and website messaging. On-bill messaging began in April
14 2010 and proceeded to be rotated at various times approximately quarterly, with the cost for on-bill
15 messaging being negligible. On the bills, NBHDL also reminds the customer who their retailer is, for
16 instance, “Your current electricity supplier is Planet Energy (Ontario) Corp. 1-866-360-8569”.
17 NBHDL distributed the inserts provided by the OEB and also created and distributed internal inserts
18 at an approximate production cost of \$1,250 per insert. NBHDL has included these initiatives in the
19 2015 Test Year. Staff training and familiarization sessions were conducted 2010 through 2012, with
20 refreshers as required.

21 *Canada’s new anti-spam and online fraud act (CASL)* – NBHDL collects email addresses for direct
22 communication through two methods. Method one is via the application process and forms, where
23 the permission to use the email as a communication point is included in the process. The other
24 method is for the customer portal where the email is required for e-billing and portal access. In both
25 cases the customer gives explicit permission to contact them via their email. NBHDL does not collect
26 or maintain a general interest/non-customer e-mail list, and therefore is not required to maintain opt-
27 in or opt-out functionality. Since all email addresses in our CIS and e-billing have explicit permission
28 to contact, NBHDL is in full compliance with current anti-spam (CASL) legislation.

29
30 *Measurement Canada Bulletins GEN-25-E and GEN-31-E* – This bulletin requires that Ontario
31 Regulation 275/04, Section 7 apply to TOU bills. This includes the presentation of meter register
32 reads on monthly electricity bills. The deployment of smart meters made register read presentment
33 on the bill difficult to achieve. NBHDL’s AMI and CIS providers had to make several changes to their
34 systems before register reads could be presented on the bill. This involved considerable testing to

1 make sure information presented was accurate and presented properly. NBHDL is in compliance
2 with these requirements. Compliance with these Bulletins cost NBHDL \$4,000.
3

1 **Financial Viability:**

2 Financial viability is one of the performance measurements defined in the Board's RRFE for
 3 electricity distributors. The four financial metrics included are liquidity, leverage, deemed return on
 4 equity and achieved return on equity. NBHDL's metrics for historical years 2011 to 2013, the 2014
 5 Bridge Year and the 2015 Test Year projection based on current rates is shown in Table 1-32 below.

6
 7

Table 1-32: NBHDL Profitability: Liquidity, Leverage and Return on Equity.

Performance Metric	2011	2012	2013	2014 Bridge Year	2015 Test Year Prior to rate Increase
Liquidity Ratio	1.88	1.98	1.65	1.94	1.83
Leverage Debt to Equity Ratio	0.88	0.91	0.72	0.81	0.92
Deemed Rate of Return on Equity	9.85%	9.85%	9.85%	9.85%	9.36%
Achieved/Projected Rate of Return on Equity	10.15%	9.08%	8.88%	10.27%	4.26%

8

9 NBHDL's profitability based on the achieved rate of return on equity for historical years 2011 to 2013
 10 and the 2014 Bridge Year projection are within the allowed dead band of ± 300 basis points. The
 11 2015 Test Year prior to the requested rate increases is 5.10% below the allowed dead band.

12

1 **FINANCIAL INFORMATION**

2 **Audited Financial Statements:**

3 Copies of NBHDL's 2011, 2012 and 2013 Audited Financial Statements are provided in Appendices
4 1-C, 1-D and 1-E.

5 **Reconciliation Between Audited Financial Statements and Regulatory Accounting:**

6 Reconciliations of NBHDL's Audited Financial Statements to the annual RRR Trial Balance for 2011,
7 2012 and 2013 are provided as Appendix 1-E. The reconciliations separate non-utility business
8 balances on the Balance Sheet and Statement of Operations.

9 **Statement of Accounting Standard Used:**

10 ***Existing/Proposed Accounting Orders***

11 The Accounting Standard Board ("AcSB") deferred mandatory adoption of IFRS for qualifying rate-
12 regulated entities to January 1, 2015. However, per the Board's letter of July 17, 2012, electricity
13 distributors electing to remain on CGAAP were required to implement regulatory accounting changes
14 for depreciation expenses and capitalization policies by January 1, 2013. NBHDL confirms it
15 implemented the regulatory accounting changes for depreciation in 2012 and overhead capitalization
16 during its 2009 fiscal year end. The 2015 Cost of Service Application is to be filed on a MIFRS
17 accounting basis, as such, NBHDL has prepared its application on an MIFRS basis.

18 ***Accounting Standard used in application***

19 In accordance with the Filing Requirements, NBHDL has provided information for the historic years
20 using the CGAAP method of presentation. As directed by the Board, NBHDL has provided the 2014
21 Bridge Year on both a CGAAP basis and a MIFRS basis. The 2015 Test Year is presented on
22 MIFRS basis only.

23 NBHDL has made the required changes to the capitalization policy, including overhead costs, details
24 with respect to these changes are provided in Exhibit 2. Details with respect to the new useful lives
25 applied to capital assets and the resulting impact on depreciation, are provided in Exhibit 4.

26 NBHDL is also required to make changes related to employee future benefits upon adoption of IFRS
27 since under IAS 19, the deferral and amortization of actuarial gains/losses has been eliminated.
28 Please refer to the Compensation section of Exhibit 4 for more information.

- 1 NBHDL presents the impact on the 2015 revenue requirement related to these changes in Board
- 2 Approved Appendix 2-Y attached as Appendix 1-K to this Exhibit 1.
- 3

1 ***Compliance with the Uniform System of Accounts***

2 NBHDL has followed the accounting principles and main categories of accounts as stated in the
3 Board's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts
4 ("USoA") in the preparation of this Application.

5 ***Accounting Treatment of Non-Utility Businesses***

6 NBHDL was engaged in renewable generation activities during the historic years 2011, 2012 and
7 2013. NBHDL confirms that accounting for these activities were segregated from NBHDL's rate
8 regulated activities in accordance with the Board's Guidelines: Regulation and Accounting
9 Treatments for Distributor-Owned Generation Facilities G-2009-0300 dated September 15, 2009.

10 NBHDL is engaged in the delivery of the Ontario Power Authority's conservation and demand
11 management programs. The accounting for these activities is segregated from NBHDL's rate
12 regulated activities in accordance with the Board's Accounting Procedures Handbook For Electricity
13 Distributors.

14 **Annual Report and MD&A for Parent Company:**

15 North Bay Hydro Holdings Limited does not publish an annual report or an MD&A. As a result, this
16 requirement is not applicable.

17 **Rating Agency Reports:**

18 Not applicable.

19 **Prospectus or Information Circulars:**

20 Not applicable.

21 **Changes in Tax Status:**

22 NBHDL is a corporation incorporated pursuant to the Ontario Business Corporations Act and has not
23 had a change in tax status since its last Cost of Service Application.

24

25

1 **MATERIALITY THRESHOLDS**

2 Chapter 2 of the Filing Requirements for Transmission and Distribution Applications issued by the
3 Board on July 18, 2014 sets out the materiality levels based on the magnitude of the revenue
4 requirement. NBHDS's revenue requirement is greater than \$10 million and less than \$200 million,
5 therefore its materiality level is 0.5% of distribution revenue requirement. NBHDL's materiality
6 threshold for the 2015 Test Year is \$69,245 as provided in Table 1-33 below. NBHDL has used a
7 lower threshold of \$65,000 for assessing materiality for the purposes of this Application.

8 **Table 1-33: NBHDL's Materiality threshold for 2015 Test Year.**

Description	2015 Test Year
Distribution Revenue Requirement	13,848,941
Materiality Threshold	0.50%
Materiality Calculated	69,245
Materiality Used	65,000

9
10

1 **ADMINISTRATION**

2 **Statement of Deviations:**

3 NBHDL has not, to the best of its knowledge, deviated from the final Board's Filing Requirements for
4 Electricity Distribution Rate Applications, issued July 18, 2014.

5 **Statement of Changes to Methodologies:**

6 The pro-forma projections for the 2015 Test Year have been prepared in accordance with NBHDL's
7 usual process, with the following exceptions:

- 8 1. Rates for distribution and sales of electricity are assumed to be constant for the entire 2015
9 Test Year.
- 10 2. Regulatory costs have been normalized over the five year application period.
- 11 3. The Operational Review and Implementation costs have been normalized over the five year
12 application period.
- 13 4. Accounting changes for depreciation, capitalized overheads and employee future benefits
14 related to the transition to MIFRS have been recorded for rate making purposes.

15 **Identification of Board Directives from Previous Board Decisions:**

16 **2010 COS – EB-2009-0270 – Settlement Agreement**

17 1) The Board agrees in principle that a separate rate rider should apply to non-RPP customers to
18 dispose of the global adjustment sub-account balance. The Board however accepts that NBHDL
19 does not currently have the billing capability to implement such a change. Given NBHDL's
20 current billing constraints, the Board will approve at this time the disposition of the allocated
21 global adjustment sub-account balance from all customers in each affected rate class. The
22 Board however directs NBHDL to report to the Board no later than the next rebasing proceeding,
23 its estimate of the costs that NBHDL would incur in order to accommodate the establishment of a
24 separate rate rider applicable to non-RPP customers for disposition of the global adjustment
25 sub-account in the future.

26

27 **NBHDL accommodated this requirement for May 1, 2012 rates.**

28

29 2) The Board approves the agreement regarding NBHDL's pilot program. The Board will consider
30 the prudence of NBHDL's expenditures in the pilot program at the time that NBHDL applies to
31 dispose of the deferral account balances.

1
2 **NBHDL is seeking disposition of the applicable Smart Grid deferral accounts in this**
3 **application and has provided a report on the program NBHDL executed, along with the**
4 **proposed cost allocation of the disposition by rate class. This information can be found in**
5 **Exhibit 9.**

- 6
7 3) The Board believes that NBHDL should identify the microFit Generator service classification on
8 its Tariff of Rates and Charges and should include the monthly service charge of \$5.25.

9
10 **NBHDL's May 2010 Tariff of Rates and Charges included the microFit class and**
11 **associated \$5.25 monthly service charge.**

12
13 **2011 IRM – 2010-0102**

- 14 1) Shared Tax Savings – Using the Board's rate model, NBHDL's tax sharing amount is a refund of
15 \$16,285. The Board notes this amount is not material and orders NBHDL to record the tax
16 sharing refund amount of \$16,285 in variance account 1595 by June 30, 2011.

17
18 **NBHDL recorded this amount in Account 1595 in June 2011.**

- 19
20 2) Global Adjustment Rate Rider – The Board expects that NBHDL will be in a position to dispose
21 of the global adjustment sub-account by means of a separate rate rider applied only to Non-RPP
22 customers as soon as possible, and no later than at the time of its next rebasing application.

23
24 **NBHDL advised the OEB that it was still not in a position to dispose of the balance**
25 **separately to non-RPP customers, but did accommodate this requirement for May 1, 2012**
26 **rates.**

27
28 **2012 IRM – 2011-0187**

- 29 1) Group 1 disposition – For accounting and reporting purposes, the respective balance of each
30 Group 1 account approved for disposition shall be transferred to the applicable principal and
31 interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in
32 Article 220, Account Descriptions, of the Accounting Procedures Handbook for Ontario Energy
33 Board Electricity Distributors. The date of the journal entry to transfer the approved account
34 balances to the sub-accounts of Account 1595 is the date on which disposition of the balances
35 are effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should

1 be completed on a timely basis to ensure that these adjustments are included in the June 30,
2 2012 (3rd Quarter) RRR data reported.

3
4 **NBHDL recorded this disposition in May 2012.**

- 5
6 2) SPC – The Board approves, on a final basis, NBHDL’s request for the disposition of the principal
7 and interest balances in Account 1521 totaling \$6,177.50 over a two year period, May 1, 2012 to
8 April 30, 2014. The Board directs NBHDL to close Account 1521 as of May 1, 2012. For
9 accounting and reporting purposes, the balance of Account 1521 shall be transferred to the
10 applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the
11 requirements specified in Article 220, Account Descriptions, of the Accounting Procedures
12 Handbook for Electricity Distributors. The date of the journal entry to transfer the approved
13 account balances to the sub-accounts of Account 1595 is the date on which disposition of the
14 balances are effective in rates, which generally is the start of the rate year (e.g. May 1). This
15 entry should be completed on a timely basis to ensure that these adjustments are included in the
16 June 30, 2012 (3rd Quarter) RRR data reported.

17
18 **NBHDL recorded the disposition of Account 1521 to Account 1595 in May 2012, however,**
19 **an immaterial residual value \$1,681 was written off in 2014. This variance was a result of**
20 **the difference between the amount proposed for disposition and the actual amount**
21 **remaining in the account upon actual disposition as a result of accrual timing differences**
22 **and various customer billing adjustments.**

- 23
24 3) PILs 1562 – For accounting and reporting purposes, the balance of Account 1562 shall be
25 transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595
26 pursuant to the requirements specified in Article 220, Account Descriptions, of the Accounting
27 Procedures Handbook for Electricity Distributors. The date of the journal entry to transfer the
28 approved account balances to the sub-accounts of Account 1595 is the date on which
29 disposition of the balances are effective in rates, which generally is the start of the rate year (e.g.
30 May 1), and this entry should be completed on a timely basis to ensure that these adjustments
31 are included in the June 30, 2012 (Quarter 3) RRR data reported.

32
33 **NBHDL recorded this journal entry in May 2012.**
34
35
36

1 **2013 IRM**

- 2 1) SME – On March 28, 2013, the Board issued a Decision and Order (EB-2012-0100/EB-2012-
3 0211) establishing a Smart Metering Entity charge of \$0.79 per month for Residential and
4 General Service < 50kW customers for those distributors identified in the Board's annual
5 Yearbook of Electricity Distributors. This charge will be in effect from May 1, 2013 to October 31,
6 2018. The draft Tariff of Rates and Charges flowing from this Decision and Order reflects this
7 Smart Metering Entity charge.

8
9 **NBHDL complied with this as reflected in the May 2013 Tariff or Rates and Charges.**

- 10
11 2) MFIT – On September 20, 2012, the Board issued a letter advising that the default province wide
12 fixed monthly charge for all electricity distributors related to the microFIT Generator Service
13 Classification was to be updated to \$5.40 per month effective with the implementation of
14 electricity distributors' 2013 rates applications. The draft Tariff of Rates and Charges flowing
15 from this Decision and Order reflects the new default microFIT service charge.

16
17 **NBHDL complied with this as reflected in the May 2013 Tariff or Rates and Charges.**

- 18
19 3) Shared Tax Savings – NBHDL requested that the Board authorize that this amount be recorded
20 in Account 1595 for disposition in a future application given that the associated rate riders are
21 negligible. The Board agrees with NBHDL's request and directs NBHDL to record the tax sharing
22 refund of \$36,506 in variance Account 1595 by June 30, 2013 for disposition at a future date.

23
24 **In the preparation of the 2014 Bridge Year forecast, NBHDL determined an oversight had**
25 **occurred in 2013 with regards to this accounting order. NBHDL has recorded the amount**
26 **in Account 1595 in 2014 and is seeking to refund the amount to customers through the**
27 **Group 1 disposition request in this application, which can be found in Exhibit 9.**

- 28
29 4) Smart Meter Disposition and Recovery – The Board orders NBHDL to file a stand-alone smart
30 meter cost recovery application as soon as possible in 2013. As argued by NBHDL, it may be to
31 the customers' benefit to delay collection of these costs until 2014, however the costs should be
32 reviewed as soon as possible, with a Board determination as to the appropriateness of cost
33 recovery and the implementation date.

34
35 **NBHDL submitted its request for disposition and recovery of smart meter costs in its**
36 **2014 IRM application. Disposition and recovery was granted in February 2014.**

1 **2014 IRM**

- 2 1) Group 1 disposition – The balance of each Group 1 account approved for disposition shall be
3 transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595
4 pursuant to the requirements specified in Article 220, Account Descriptions, of the Accounting
5 Procedures Handbook for Electricity Distributors. The date of the transfer must be the same as
6 the effective date for the associated rates, generally, the start of the rate year. NBHDL should
7 ensure these adjustments are included in the reporting period ending June 30, 2014 (Quarter 2).
8

9 **NBHDL recorded this journal entry in May 2014.**

- 10
11 2) Smart Meter disposition – In granting its approval for the historically incurred costs and the costs
12 projected for 2014, the Board considers NBHDL to have completed its smart meter deployment.
13 Going forward, no capital and operating costs for new smart meters and the operations of smart
14 meters shall be tracked in Accounts 1555 and 1556. Instead, costs shall be recorded in regular
15 capital and operating expense accounts (e.g. Account 1860 for meter capital costs) as is the
16 case with other regular distribution assets and costs. NBHDL is authorized to continue to use the
17 established sub-account Stranded Meter Costs of Account 1555 to record and track remaining
18 costs of the stranded conventional meters replaced by smart meters. The balance of this sub-
19 account should be brought forward for disposition in NBHDL's next cost of service application.
20

21 **NBDHL recorded the disposition of the historical smart meter costs in May 2014 and**
22 **utilized Account 1555 to track the costs of stranded convention meters. NBHDL is**
23 **seeking approval for the disposition of the balance in Account 1555 in this application. No**
24 **further costs were tracked in Account 1555 or 1556 after disposition April 2014.**
25

26 **Statement regarding Conditions of Service:**

27 The current version of NBHDL's Condition of Service is publically available for on-line viewing,
28 printing and downloading from NBHDL's website www.northbayhydro.com. Appendix Q – Tariff of
29 Rate and Charges of the document will require changes as a result of approval of this Application.

30

1 **Bill Impacts:**

2 Please refer to "Bill Impacts" in the Executive Summary section of Exhibit 1 of this Application.

3

1 **APPLICANT OVERVIEW**

2 The Applicant is North Bay Hydro Distribution Limited and is a corporation incorporated pursuant to
3 the *Business Corporations Act* (Ontario) with its head office in the City of North Bay. The Applicant
4 carries on the business of distributing electricity within the City of North Bay.

5

6 **Service Area:**

7

Description of the Applicant:

8 COMMUNITY SERVED:	City of North Bay
9 TOTAL SERVICE AREA:	319.05 sq. km
10 RURAL SERVICE AREA:	270 sq. km
11 DISTRIBUTION TYPE:	Electricity Distribution
12 SERVICE AREA POPULATION:	53,651
13 MUNICIPAL POPULATION:	53,651

14

15 A map of NBHDL's distribution service territory is provided in Appendix 1-F.

16 **List of Neighbouring Utilities:**

17 NBHDL is bounded by Hydro One Networks Inc. on all service territory boundaries.

18

1 **Identification of Embedded or Host Utilities:**

2 NBHDL is embedded in Hydro One's 44 kV sub transmission system at the City of North Bay's water
3 treatment plant located at 248 Lakeside Dr. and at substation #17, which is located in North Bay's
4 rural area at 20 Peninsula Road.

5 Hydro One is embedded in NBHDL's 44kV sub transmission system at Bond St., also known as
6 Wood's junction. This system is in the process of being converted to 44kV. Hydro One is also
7 embedded in NBHDL's 12 kV distribution system at the northern city limits of North Bay on Highway
8 11 North.

9 **Statement regarding Distribution Assets:**

10 NBHDL does not have any transmission or high voltage asset (>50kV) deemed previously by the
11 Board as distribution assets and does not have any such assets for which NBHDL is seeking Board
12 approval to be deemed as distribution assets in this application.

13

1 **CORPORATE GOVERNANCE**

2

3 **Utility Organizational Structure:**

4 A copy of NBHDL's utility organizational chart is provided in Appendix 1-G, together with a
5 description of each of the NBHDL operational units.

6 **Utility Corporate Entities Organizational Structure:**

7 NBHDL is a wholly-owned subsidiary of North Bay Hydro Holdings Limited which is 100% owned by
8 the City of North Bay. A chart illustrating NBHDL's corporate family is provided in Appendix 1-H. A
9 Service Agreement between NBHDL and North Bay Hydro Services Inc. is provided in Appendix 1-J.

10 **Planned Changes in Corporate and Operational Structure:**

11 NBHDL is not planning on any changes to its corporate or operational structure.

12 **Board of Directors:**

13 NBHDL has 5 members of the NBHDL board of directors (the "NBHDL Board"). All NBHDL Board
14 members are independent. NBHDL has a policy that all NBHDL Board members must be
15 independent. Because of this policy, there are no issues of independence and the NBHDL Board will
16 always exercise independent judgment when carrying out its responsibilities.

17 **Board Mandate:**

18 The Board's mandate, as set out in NBHDL's Shareholder Declaration is detailed below.

19 "a) The Business is integral to the well-being and the infrastructure of the City of North
20 Bay. It is in the best interests of the community of customers and the residents of North Bay
21 whom the Business affects, that the Company conducts its affairs:

22 A) On a commercially prudent and sustaining profit basis

23 B) In a manner consistent with the policies established by the Shareholder from
24 time to time

25 C) In accordance with the financial performance objectives of the Shareholder

26 b) The Company will provide a reliable, safe and efficient electricity distribution system

1 c) Distribution rates will be set by the Board and according to the rules of the Ontario
2 Energy Board

3 d) The Business is at all times subject to such licences, codes, policies, rules, orders,
4 interim orders, approvals, consents and other actions of any regulator.

5 e) The Company will provide its services regarding customer satisfaction, energy
6 conservation and environmental responsibility

7 f) The Board is responsible for Causing the Company to conduct its affairs in
8 accordance with the same”

9 **Board Meetings:**

10 The following meetings of the NBHDL Board are scheduled for 2014:

- 11 • Thursday, March 27, 2014 at 5:00pm
- 12 • Thursday, May 15, 2014 at 5:00pm
- 13 • Thursday, June 26, 2014 at 5:00pm
- 14 • Thursday, September 18, 2014 at 5:00pm
- 15 • Thursday, December 4, 2014 at 5:00pm

16 **Orientation and Continuing Education:**

17 The NBHDL Board receives continuous education through Board Reports, Board Meetings and
18 briefing sessions provided during informal meetings usually held at least twice per year. From time-
19 to-time, external subject matter experts are utilized to assist with the education process. NBHDL
20 Board members, through their professional careers are also active in industry related issues and
21 receive continuous education through this experience.

22 **Code of Conduct:**

23 The NBHDL Board, management and staff have adopted the following Ethical Business Code of
24 Conduct:

25 “Our Code of Conduct is comprised of our Core Values and specific Standards of Conduct,
26 designed to govern our business decisions and actions. The Code is an expression of

1 fundamental values and represents a framework for decision-making. The integrity,
2 reputation, and profitability of North Bay Hydro Distribution Limited ultimately depends on the
3 individual actions of our employees. Each employee is personally responsible and
4 accountable for compliance with our Code.

5 These Standards of Conduct serve to assist in defining our ethical principles and are not all
6 encompassing. The Standards must be interpreted within the context of North Bay Hydro
7 Distribution Limited policies and good common sense. All employees must be mindful of
8 avoiding at all times, on and off the job, circumstances and actions that give the slightest
9 appearance of an impropriety of wrong doing which could discredit the corporation. These
10 Standards of Conduct will be enforced equitably at all organizational levels.

11 **Purpose**

12 The purpose of this document is to inform employees of the Code of Conduct.

13 **Scope**

14 This policy applies to all employees (including all members of the Board of Directors) of
15 North Bay Hydro Distribution Limited.

16 **Core Values**

17 The corporation has established four core values that all employees should strive to emulate
18 each working day. To be effective, these values must be understood, communicated,
19 reinforced, and integrated into all our daily activities. North Bay Hydro's four core values
20 include the following:

21 1. **Respect for People:** Treat others, as you would have others treat you. Honesty,
22 integrity, and ethics are never compromised. We expect you to show a positive and helpful
23 attitude, to be honest, trustworthy, reliable, dependable and punctual in all of your workplace
24 activities.

25 2. **Safety and the Environment:** Demonstrate a personal, unrelenting commitment to
26 health and safety excellence. Protect yourself, your fellow employees, the public, and the
27 environment.

28 3. **Financial Success:** Each employee can do their job to the best of their ability. This
29 will help to produce solid earnings, with dividends that meet the expectations of our
30 shareholders.

31 4. **Customer Service:** Determine your customers' needs by listening. When you can
32 meet those needs, do so; when you cannot, tell them you cannot – or tell them who can.
33 When serving customers be pleasant, courteous, smile, and act professionally at all times.”

34 NBHDL's Board reviews compliance with its Code of Conduct at Board meetings; through direct
35 engagement of staff, customers and stakeholders; by their own experience as customers; through
36 external audits, informal meetings and briefings; and by asking questions on any issue they feel
37 relevant.

38

1 **Nomination of Directors:**

2 The NBHDL Board and the NBHDL shareholder identifies and selects new members of the NBHDL
3 Board by advertising vacancies in the local newspaper and interviewing appropriate candidates for
4 nomination. All NBHDL Board members act on a voluntary basis without remuneration.

5 **Board Committees:**

6 There are no regular committees of the NBHDL Board.

7

1 **RESPONSES TO LETTERS OF COMMENT**

- 2 NBHDL will file all responses to matters raised in letters of comment filed with the OEB during the
3 course of the proceeding in this Exhibit 1, in accordance with Section 2.4.9 of the Filing
4 Requirements.

Appendix 1-A NBHDL Customer Engagement Event Summary 2010-2014

1 **Appendix 1-A NBHDL Customer Engagement Event Summary 2010 – 2014**

2 **Board Appendix 2-AC – Customer Engagement Activities Summary**

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
15,000-20,000 customer walk ins per year to office for service	Pay a bill, arrange payment terms, account set up, general inquiries, new service	Maintain this service option including an ability to make payment in-person. Trained all front office staff to handle majority of issues
25,000 - 27,000 phone calls per year	Need to explain the bill, need to make payment arrangements, account balances, billing inquiries	Trained all front office staff to handle inquiries
Annual vegetation control program, 4000-6000 customers/year	Need to confirm scope of work on each property to safely establish right of way	Sign off from each property owner for medium to heavy trimming and removals
Locating electrical infrastructure, 2,300-4,000 requests per year	Need to build new infrastructure requires electrical plant to be safely located so construction can proceed	Automated the locate process to handle call volume.
Keeping customers informed on system performance	Customer request for information on power outages	Web-based Power Outage Map with social media updates
Business Customer Engagement	Need to control electricity consumption, need to understand the bill, need to reduce electricity costs	Business customer breakfast sessions, meetings through Chamber of Commerce, individual customer meetings, provide expert advise on metering, supply and power quality issues
Grade 6 Environmental Program	Need for future electricity consumers to understand Ontario's electrical system	Smart Grid Smart Kids interactive program offered to all Boards of Education across the City
Electrical Safety Awareness training	Need for elementary students to understand and respect electrical system hazards	Offer an in-classroom program for all JK through Grade 8 classes in the City of North Bay
Working with customers on economic development activities	Need for coordinated, multi utility infrastructure development according to customer schedule and budgets	Core membership in City of North Bay's Development Application Review Team, annual utility coordination meeting to minimize adverse customer impact

Customer Demand Work	Customer require new services, service upgrades, increased transformation, service new developments including subdivisions	Requets are managed through a customer que with appropriate prioritization
Trouble call response	Customer need for power restoration	24/7 coverage with ability to call in necessary resources to respond to most contingency situations
Participation in conservation programs	Customers need to replace building systems and infrastructure and reduce electriccity costs	Provide all OPA programs in demand with local resources
Annual Christmas Walk	Need to support Downtown Improvement Association (local merchants), our City and to raise awareness about seasonal conservation tips	Deploy staff and equipment to offer bucket truck rides and one-on-one interaction on the value NBHDL
Roving Energy Managers	Need for technical expertise to identify and implement complex industrial conservation projects	NBHDL obtained special approval from the OPA to engage 2 Energy Managers
North Bay Regional Health Centre Cogeneration Project	Need for customer to have more back up power, hedge against commodity price volatility and increase thermal supply	NBHDL worked with 3 Energy Ministers, the OPA, OEB, IESO for 4 years to have cogeneration included as a conservation technology as originally intended by the Minister
Business Customer Engagement Survey Fall 2013	Customers confirmed they are satisfied with level of reliability of the local system, are unclear what is driving electricity pricing, are unclear how to read their bill and do not use NBHDL's website	The bill format has been updated to make it easier to read and the website has been re-vamped with updated information. Findings will be integrated into future communication initiatives
Joint Chamber of Commerce Business Customer Survey	Customers identified expected changes in electricity consumption, knowledge and awareness of conservation programs, communication preferences and impressions on reliability	Used the information to validate utility load profile and determine that all media channels must be used for communication purposes as there are no preferences
Business Customer Focus Group	Customers need confidence in the entire electricity system to deliver value and to convince them they are not victims, rather they do have control	Developing a targeted communication plan for 2015
Residential Customer Focus Group	Customers need confidence in the entire electricity system to deliver value and to convince them they are not victims, rather they do have control	Developing a targeted communication plan for 2015, bill format was revamped and website content improved.
UtilityPulse	Customers want low price and high value,	Working on a communication

Customer Satisfaction Survey	customer service, company leadership, the business to be a good corporate steward, operational effectiveness and power quality/reliability. Customers require various communication channels to be kept informed	plan in 2015 that provides information on cost control, electricity cost drivers and value the industry provides consumers
Innovative Research - Customer Consultation Fall 2014	Customers want continued delivery of high quality services, reliability of service, affordable electricity costs, assistance to reduce consumption, thereby costs, communication through a variety of channels, Business to be customer centric including timely service that solves their problems and professional interactions with highly skilled and experienced personnel.	Refer to Exhibit 1 - NBHDL's Response to Customer Preferences

1 Further NBHDL Customer Engagement Event Summary 2010 – 2014

Event	Date	Attendance	Summarize	Benefit	Outcome	Media
North Bay Home Builders Show	April 2010	N/A	<ul style="list-style-type: none"> This event was an opportunity for NBHDL to interact with patrons who attending the home show. NBHDL staff was able to demonstrate and fully explain the conservation programs. 	Since conservation is such an innovative and new concept, this home show allowed NBHDL to introduce some of the ideas and technology to the community of North Bay	Public awareness	N/A
Business Breakfast	June 9, 2010	+/- 100	<ul style="list-style-type: none"> Terry Young, IESO Director of External Relations gave a presentation on Managing Electrical Costs Todd Wilcox, COO at NBHDL gave a presentation on TOU rates and the new incentive programs available. Motion sensors and LED lights were discussed. 	This breakfast allowed NBHDL to reach out to the businesses in North Bay and inform them about what programs are available with incentives. This event also allowed businesses in the community to learn more about time of use rates.	Businesses gained more knowledge regarding conservation programs and what could be in it for them in terms of incentives and competitive advantages.	Invitation created for event available.
Small Business Retailer Information Event	July 2010	+/-70 Small Businesses	<ul style="list-style-type: none"> NBHDL discussed information on electricity retailers and electricity pricing in partnership with the downtown improvement area (DIA) organization. 	Small businesses were able to ask questions about electricity rates and attained more knowledge when dealing with retailers.	Small businesses in the community appreciated NBHDL's outreach effort and attempts to clarify information.	N/A

Christmas Walk	December 2010		<ul style="list-style-type: none"> This was used as an opportunity to get out into the community to promote Energy Conservation and the OPA programs. 	By participating in community events, NBHDL is able to get a clearer picture of what the public awareness is regarding energy conservation	Keeps conservation in the forefront of the community's mind	N/A
Watts Up With This	October 2011	+/- 500	<ul style="list-style-type: none"> Students were taught about phantom load, shown an experiment to demonstrate it. Students were given a diary where they were to track the phantom loads at their homes. They were provided with devices called "Kill-a-Watt in order to properly measure the phantom load. Students were taught to turn their power bars off when they were done using the device. 	<p>Many people are unaware of just how much electricity is used for phantom load. This presentation educated the students and their families on what PL is and what tools they could use to reduce it.</p> <p>A contest to win an iPad made the kids participants willingly and it showed them that conservation can be rewarding.</p>	Taught students and their families how to be more responsible in terms of phantom load and steps they could take to reduce it. Media coverage of the event allowed the community to learn about PL as well.	<p>Pictures drawn by the students available.</p> <p>Summary of the event available (Sofa Communications)</p>
North Bay Hydro Energy Workshop	Nov 2, 2011	+/- 36	<ul style="list-style-type: none"> Introduced CDM programs and services offered by NBHDL to customers and their contractors. Offered options for maximizing savings and minimizing electricity usage. <p>New energy</p>	Helped contractors and business owners understand that energy conservation is the way of the future and in order to combat the rising electricity trends, sustainable measures must be	Contractors and businesses were more comfortable enrolling in the CDM programs and NBHDL saw an increase in applications.	Invitation created for event available.

			conservation technologies.	put in place.		
Retrofit Contractor Breakfast	July 25, 2012	+/- 30	<ul style="list-style-type: none"> Engaged with contractors to explain the Retrofit program. Discussed current electricity price trends and the importance of offsetting the costs of electricity. Detailed out the application process and answered questions. 	It allowed us to explain the program, clear up any of the misconceptions, and to find out what would motivate the contractors to encourage their customers to participate.	More applications were submitted using the manual application process.	Invitation created for event available.
True North Recognition Event	Sept 20, 2012	N/A	<ul style="list-style-type: none"> Chamber of Commerce Business After Hours Event Recognition of True North's efforts in going green. Allowed other members of the public to ask questions and learn about energy sustainability. 	Public awareness Business recognition encourages other businesses to take part in going green	N/A	Media Release Available Invitation available
Nipissing District Housing Corporation Tenant Information Session	Nov 2012	+/-200	<ul style="list-style-type: none"> Tenants of Golden Age and Edge Water apartment units received information on the saveONenergy Home Assistance Program. NBHDL representatives provided information 	Get tenants interested and excited to participate in the program and alleviate any possible mis-communication by directly providing program information. Continue to improve and build relationships with key	217 tenants out of 244 in the golden age and edge water apartment buildings participated in the program.	Recognition at various housing provider events.

			<p>on the program, registration process, and answered general questions about energy use.</p> <ul style="list-style-type: none"> • Light bulbs and power bars were given away as prizes 	<p>community organizations such as Nipissing District Housing Corp in order to let good news travel to other housing providers.</p>		
CDM Business Breakfast	Dec 13, 2012	50+	<ul style="list-style-type: none"> • GS>50 customers were invited • Explained changes in the electricity industry. • HVAC and Chiller consumption and how minor adjustments could have a big impact. • DR 	<p>Those who attended the event were given insight into the energy sustainability and, since this a fairly new concept, many of them had no previous knowledge.</p>	<p>Many GS>50 customers have participated in the Save on Energy programs NBHDL offers.</p>	<p>Digital Pictures available.</p>
Home and Garden Expo	April 2013	N/A	<ul style="list-style-type: none"> • The H&G Expo allowed NBHDL to join other businesses in the community in showcasing new/improved goods or services to the community. • Smart Meters • Peaksaver PLUS • Provided insight to patrons who stopped by the booth into electricity rates and how to offset them. 	<p>Smart meters were a relatively new technology and many customers had questions they were able to get answer. Peaksaver PLUS was a new program and the expo allowed an opportunity to get customers signed up to participate and answer any questions that had.</p>	<p>50 participants were signed up to participate in the Peaksaver PLUS program.</p>	<p>News article available.</p>
Canadore College Energy Conservation Symposium	April 2013	+/-500	<ul style="list-style-type: none"> • Canadore college energy conservation symposium invited over 50 exhibitors to 	<p>Provide students information on emerging in-home monitoring</p>	<p>Over 50 students qualified and registered for the Home Assistance</p>	<p>N/A</p>

			<p>showcase their environmental management efforts.</p> <ul style="list-style-type: none"> • NBHDL provided information on its Peaksaver Plus and home assistance program. 	<p>technologies and register qualifying participants.</p> <p>Provide students information on the home assistance program that offers free energy efficient measures to students which in turn will help them reduce their utility bill.</p>	Program.	
Electrical Safety Week	June 2013	+/- 1750	<ul style="list-style-type: none"> • Electrical Safety and Conservation gave presentations on behalf of NBHDL • The main purpose of this event was electrical safety in schools, home, and outdoors for children in grades SK-8. The importance of conservation was also discussed with the students. 	<p>Students learned the importance of being around electricity and just how dangerous it can be.</p> <p>They were also taught ways in which they could help conserve and be more responsible with their energy consumption.</p>	Students learned a great deal of information about electricity and they would go home and teach their families as well.	Pictures available.
Nipissing District Housing Presentation	July 2013	+/-100	<ul style="list-style-type: none"> • Presentation to golden age and edge water apartment building tenants was conducted to provide information on NBHDL's Home Assistance Program. 	Showcase benefits of the home assistance program and the outreach strategy adopted by NBHDL.	Participation into the program.	N/A
HAP Breakfast Presentations (2)	Aug 12, 2013	+/- 50	<ul style="list-style-type: none"> • Participants who qualified for the program were brought together to 	It prepared participants for the audits that were going to take place.	200 participants were completed in the pilot run of this program	<p>Invitation created for event available.</p> <p>News releases</p>

			<p>learn about what HAP could offer them</p> <ul style="list-style-type: none"> • Presentation involved a power point going over the program and there were prizes and giveaways. • 2 locations 	<p>After the presentation they would be expecting someone to knock on their door. It also provided them with knowledge so they knew the value of the program.</p>		<p>regarding HAP program available.</p>
<p>Presentation to HOST (Hospitality Organization Strengthening Tourism)</p>	<p>Sept 2013</p>	<p>+/-30</p>	<ul style="list-style-type: none"> • Presentation to HOST, which is an organization that works with the City of North Bay, the North Bay and District Chamber of Commerce and local groups to develop and promote events that will increase tourism . • The contents of the presentation were regarding electricity rates, history of the industry, trends in the market, and opportunities for energy conservation including promotion of key programs. 	<p>Increased participation into NBHDL saveONenergy retrofit program was immediately noticed and better relationships were built with customers.</p>	<p>Hotel group increased their participation in energy conservation programs and managing their environmental footprint.</p>	<p>N/A</p>
<p>Smart Grid Smart Kid</p>	<p>October 2013</p>	<p>+/- 750</p>	<ul style="list-style-type: none"> • NBHDL connected with 5/6 classes in to discuss new technologies that are helping to make energy delivery and consumption more efficient. 	<p>It is important for children to learn about sustainability so that they can develop responsibly habits which will follow them for the rest of their lives.</p>	<p>Established a good relationship with the school involved and taught the students/teachers about responsible energy consumption</p>	<p>Newspaper article, online news articles, a kid friendly video, and pictures available.</p> <p>Summary of the event available</p>

			<ul style="list-style-type: none"> • Smart Meter technology • Merrick Landfill site • New substations in North Bay • Smart car technology 			(Clark Communications)
Presentation to Probus Group	Feb 2014	+/-40	<ul style="list-style-type: none"> • NBHDL made a public presentation to the probus club of North Bay. • The club represents special service groups within the community and consists of high profile members of the community. • Information on electricity rates, market structure/trends, future of the sector, and energy conservation program/results were discussed. 	Maintain rapport and build further relationship with key community partners; especially in helping them understand more about rate structures and conservation programs.	Established a good relationship with key community organizations who now supports NBHDL.	N/A
NBH Presentation at St.Huberts Public School	May 1, 2014	+/- 400	<ul style="list-style-type: none"> • NBHDL was approached by the school to do a presentation regarding sustainability a day that the school was going to be having a "green" day. • NBHDL presented to the entire school regarding the Merrick 	This presentation reached 400 students and their families, which means that many more people would be able to make informed decisions regarding energy sustainability.	Generated awareness and provided the students with information on sustainability, which they would go home with and share with their families.	N/A

			<p>Landfill Site, the electric car.</p> <ul style="list-style-type: none"> A short video was presented and NBH awarded the "Green Team" at the school with Thank You gifts. 			
Peaksaver PLUS at Battalion Game	May 7, 2014	+/- 4000	<ul style="list-style-type: none"> In order to promote the program and get participants to sign up, NBHDL set up a booth at one of the final games of the OHL playoffs. Customers were able to ask questions about the program and, if they signed up on the spot, they were entered into contest. 	This was a great way to reach many members of the community all at once. The intention was to catch people while they were happy so they would be more likely to sign up to participate.	It created a sufficient amount of public awareness, but not many customers signed up to participate in the Peaksaver PLUS program.	Pictures available.
Annual Presentation to Chamber of Commerce Board of Directors	May 8, 2009	+/- 25	<ul style="list-style-type: none"> Board Members of the North Bay Chamber of Commerce receive a presentation from NBHDL covering information on consumption patterns of local businesses, conservation programs, and areas of opportunities. 	The Chamber of Commerce is an influential organization in the community that serves local businesses. It is prudent to provide the Chamber with updated information on programs available to their members in order to encourage businesses to participate and conserve energy. It	It creates good general awareness and the Chamber shares program information at their events.	N/A

				also provides value to the Chamber and their membership holders.		
Peaksaver PLUS at Canadian Tire	May 31, 2014	N/A	<ul style="list-style-type: none"> This was another opportunity to promote the Peaksaver PLUS program to the community. It provided another opportunity to get customers signed up to participate and ask any questions they may have had regarding energy conservation. 	This was another great opportunity to reach people in the community and talk to them about responsible energy use.	Created a good amount of public awareness regarding the program, but not many people actually signed up to participate.	One picture available.
City of North Bay Presentation	June 20, 2014	+/- 150	<ul style="list-style-type: none"> The City of North Bay requested that someone from NBHDL make a presentation to all of their staff regarding conservation and other relevant material. It was structured into 4 different presentations, in order to reach all the City Hall employees. The presentation discussed the trends in electricity rates and energy sustainability 	The structure of this presentation reached a great deal of people all at once. It explained the electricity trends so that the employees could be better informed about electricity.	All of the City Hall employees went home being more informed with where energy is going in the future and what they can do to conserve today.	N/A
City of North	2012-2014	+/-50	<ul style="list-style-type: none"> Quarterly meetings 	Sign up projects for	Build an excellent	N/A

<p>Bay Energy Efficiency Committee Meeting and DART Meetings</p>			<p>with the City of North Bay to discuss energy efficiency opportunities for all municipal assets and also discuss opportunities with new businesses arriving into town.</p>	<p>NBHDL's saveONenergy retrofit program and conserve energy. Participants also benefit from receiving incentives and reducing costs.</p>	<p>relationship with the City of North Bay and other new businesses arriving or expanding within North Bay.</p>	
<p>Responding to general inquiries: On average 100 businesses receive one-on-one consultation each year by NBH's energy managers on how they can reduce their energy profile.</p> <p>Community Benefits: Multiple community organizations such as ODSP, OW, LIPI, NPDC, Native Housing, Turret Properties, Bradwick Properties and other landlords receive information on energy conservation programs and receive measures through NBHDL's programs.</p>						

1 **Appendix 1-A.1 Business Customer Survey Summary (November 2013, 101 participants)**

2

North Bay Hydro Business Breakfast



Why We're Here

1. North Bay Hydro wants your input and feedback
2. Discuss North Bay Hydro Distribution Ltd. 2013 Business Survey Results
3. North Bay Hydro Cost Breakdown
4. Energy Efficiency Projects



North Bay Hydro Distribution Ltd. Business Survey Report 2013

Background

- A survey was conducted by North Bay Hydro Distribution Ltd. and Clark Marketing Communications to obtain feedback from their business customers.
- The goal was to have 100 businesses complete the survey by Dec. 13. For each of the first 100, North Bay Hydro would donate \$50 to the North Bay Santa Fund
- North Bay Hydro met their goal with 101 businesses completing the survey.



North Bay Hydro Distribution Ltd.

2013 Business Survey Results

Question

Are you aware that on average for business customers, North Bay Hydro accounts for no more than 5-20% of your electricity bill and the remaining 80-95% of your monthly electricity bill goes to provincial and federal bodies?

32.4% - Yes

67.6% - No



North Bay Hydro Distribution Ltd. 2013 Business Survey Results

Question

What are the most important things North Bay Hydro can do to improve service to its customers?

77.2% - Better Prices/lower rates

23.8% - Improve Power Reliability

41.6% - Educate Customers on how to reduce electricity costs

40.6% - Making energy consumption data available on real time basis



North Bay Hydro Distribution Ltd. 2013 Business Survey Results

Question

From your experience during the last two years, how would you rank the power reliability received at your premises?

77.2% - Only a few power interruptions/have no complaints

10.9% - Too many short interruptions in power/ are not satisfied with the service

North Bay Hydro Distribution Ltd.

2013 Business Survey Results

Question

With power outages, North Bay Hydro typically is responding within 30 minutes. Is this an acceptable time frame?

95.0% - Yes

5.0% - No

North Bay Hydro Distribution Ltd. 2013 Business Survey

Question

Could a power interruption result in a significant loss at your premises?

43.6% - Yes, but only long power interruptions result in financial loss.

26.7% - Yes , both long and short power interruptions result in significant financial loss

29.7% No – the power interruptions are annoying, but do not cause significant financial loss



North Bay Hydro Distribution Ltd. 2013 Business Survey Results

Question

How easy do you find the components of your North Bay Hydro bill to understand?

39.0% - Easy

43.0% - Neutral



North Bay Hydro Distribution Ltd.

2013 Business Survey Results

Question

What tools would you find helpful when trying to understand and manage your business energy costs?

23.0% - In person consultation

29.0% - Interactive and engaging online tools

34.0% - Financial incentives

21.0% - Education on government policies and rate changes

20.0% - I don't require any additional tools

North Bay Hydro Distribution Ltd.

2013 Business Survey Results

Question

North Bay Hydro is

78.6% - Is a respected company in the community

60.4% - Is a leader in promoting energy conservation

69.5% - Is a trusted and trustworthy company

60.0% - Is 'easy to do business with'

67.4% - Overall provides excellent quality services

40.4% - Operates a cost effective hydro-electric system

33.0% - Cost of electricity is reasonable when compared to other utilities

41.1% - Works with customers to keep their energy costs affordable



North Bay Hydro Distribution Ltd. 2013 Business Survey Results

Question

Have you had any of the following billing issues in the past?

62.2% - No billing problems

10.2% - The bill was difficult to understand

11.2% - The bill arrived late

12.2% - Too many extra charges

North Bay Hydro Distribution Ltd.

2013 Business Survey Results

Question

Do you feel that North Bay Hydro...

67.7% - Deals professionally with customers' problems

51.1% - Is customer-focused and treats customers as if they're valued

29.8% - Provides good value for money

39.8% - Works with customers to keep their electricity costs affordable

48.4% - Is pro-active in communicating changes and issues which may affect customers



North Bay Hydro Distribution Ltd. 2013 Business Survey Results

Question

Have you contacted North Bay Hydro lately?

32.0% - Yes

68.0% - No



North Bay Hydro Distribution Ltd. 2013 Business Survey Results

Question

Over the past 12 months, have you visited North Bay Hydro's website?

42.3% - Yes

57.7% - No



North Bay Hydro Distribution Ltd.

2013 Business Survey Results

Question

What is the likelihood of you using the North Bay Hydro website to:

13.0% - Set up a new account

35.5% - Access information about your bill

37.9% - Access information about your electricity usage

26.6% - Access energy saving tips and advice

15.2% - Register a complaint

14.1% - Register a compliment



North Bay Hydro Distribution Ltd.

2013 Business Survey Results

Question

North Bay Hydro now offers "My Account" online which allows customers to view their consumption and keep a record of past bills. What would encourage you to switch to paperless billing?

27.8% - Already registered for paperless billing

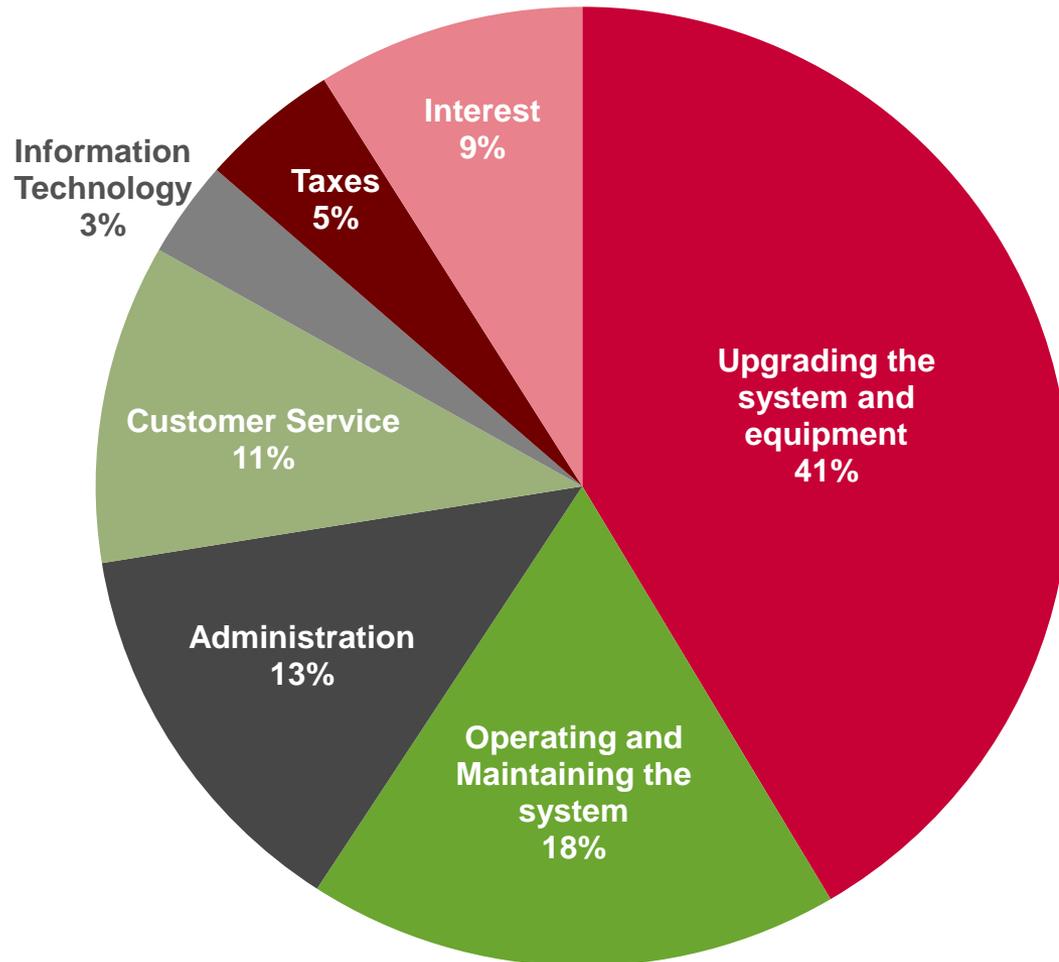
33.3% - Providing a one-time financial incentive to switch

26.8% - There isn't really anything that would encourage me to switch



North Bay Hydro's Cost Breakdown

How is the money spent?



Conservation Programs

Mid-Large Sized
Retrofit Projects: **150 +**

Small Business
Lighting Projects: **1000**

Home Energy Audits: **1200**

Load Shifting – Business
Demand Response: **20+** Customers
Registered

Load Shifting – Residential
PeakSaver Plus (2014 Target): **1000**



Total Electricity Cost Savings to North Bay Hydro Customers

\$3.5 Million

Due to Conservation from 2011- 2014



Energy Efficiency Projects



North Bay Hydro Distribution Ltd. – Todd Wilcox
April 14, 2013

Why Conserve?

Environmental Responsibility:

The Province's goal is to replace over 6000 MW of coal-fired generation with demand response and energy efficiency by 2015

Cost Management:

North Bay Hydro Distribution Ltd is offering a variety of programs to help customers conserve power

Projects Include:

Lighting upgrades, motor replacements, building automation systems, Variable Frequency Drives, Compressed Air Improvements, better controls, process improvements, energy management support, real time monitoring etc.





**NORTH
BAY
HYDRO**
—||—
Community Power

Results in North Bay

Large & Mid-Sized
Energy Efficiency Projects: **137**

Small Business
Lighting Projects: **950 +**

Home Energy Audits: **1160**

Overall Load Reduction in North Bay

32,400,000 kWh

Due to Conservation from 2011- 2014



City of North Bay Leadership

1. Aggressive Green Plan
2. Energy Efficiency Committee –
Bringing together all city managers
3. Pursuit of unique Projects





Downtown Decorative Lights (LED)

41,087 kWh saved

Operational benefit:

**Better lumen output and longer life-time of measures
will reduce savings throughout their lifetime**



**NORTH
BAY
HYDRO**
—||—
Community Power

City of North Bay Street Lighting

1,249,000 kWh saved

Operational benefit:

**Existing lights will last over 10 years
and significantly reduce O&M Expenses**



**NORTH
BAY
HYDRO**
—||—
Community Power

City Hall Chiller – Compressor

125,847 kWh saved

Operational benefit:

Existing compressors were near end of life and new replacement compressors incorporate a sophisticated control scheme along with Variable Frequency Drives



**NORTH
BAY
HYDRO**
|||
Community Power

Rink Lights at Memorial Gardens

128,968 kWh saved

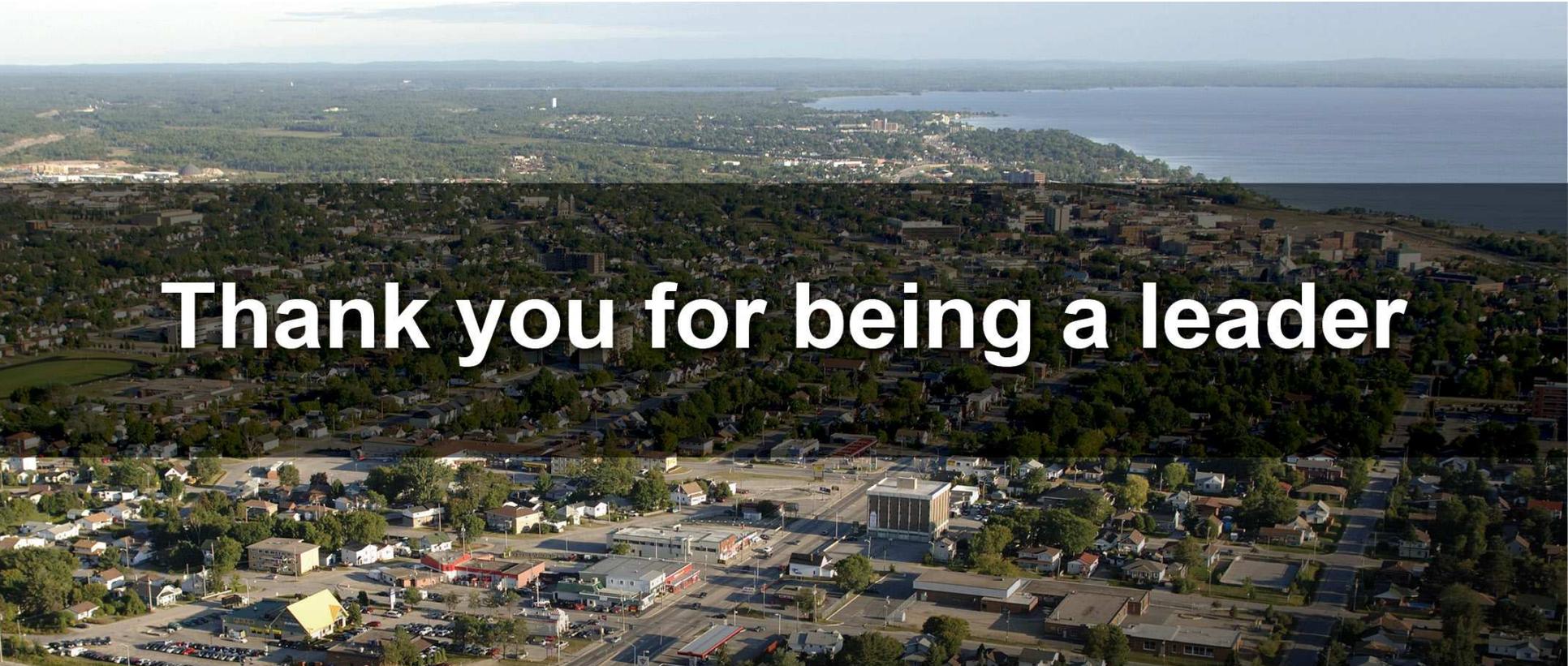
Operational benefit:

Improve light levels from 90FC to 150FC to meet OHL requirements.

**Zoning and dimming controls, instantaneous on/off capability,
15 year life time, and no maintenance cost.**

Previous Metal Halide would have increased load and added significant cost.



An aerial photograph of a town, likely North Bay, showing a mix of residential houses, commercial buildings, and parking lots. In the background, a large body of water (Lake Simcoe) is visible under a clear sky. The text "Thank you for being a leader" is overlaid in white on a dark horizontal band across the middle of the image.

Thank you for being a leader



North Bay Hydro Business Breakfast



1 **Appendix 1-A.2 Residential Customer Survey Summary (September 2013, 876 participants)**

2

**North Bay Hydro – Residential Customer Feedback Survey
September 2013**

Total surveys completed: 876

Executive Summary:

Between August and September 2013, we distributed a residential customer survey to provide a benchmark for our customer service, reliability and future planning. The majority of the results were very positive and it seems that the average residential customer is very satisfied with our service. As constructive comments came in, they were communicated to the appropriate staff member who would be able to help (e.g. No indication on the tear away portion of the bill that it is North Bay Hydro. When people arrive at the bank in person to pay this, there is sometimes confusion as to what bill they are paying – Darren is taking care of this). Overall, residential customers do not seem to have concerns with reliability and would likely not agree with paying more for increased infrastructure. We would like to perform a business survey to find out more about their opinions on reliability and future planning.

The \$500 bill credit was awarded live on the Moose on Monday, September 16th.

The survey was available

- Online
- In person at Commerce Court
- Over the phone

The advertising efforts in order to get the highest number of surveys included:

- Bill insert into the August customer bills
- Addition of a button on the homepage of the website
- 4 North Bay Nugget insertions
- Over 600 phone calls were personally placed
- 3 week radio campaign on both the Moose FM and Rogers Radio.

Summary of responses:

1. Are you aware that on average for residential customers, North Bay Hydro accounts for no more than 25% of your electricity bill and the remaining 75% of your monthly electricity bill goes to provincial and federal bodies?
 - a. 34.2% yes
 - b. 65.8% no
2. From your experience during the last two years, how would you rank the power reliability received at your premises?
 - a. No power interruptions - I am extremely satisfied with the power supply – 11.7%
 - b. Only a few power interruptions – I have no complaints – 81.6%
 - c. Too many short interruptions in power – I am not satisfied with the service – 5.6%

- d. Too many prolonged interruptions in power – I am not satisfied with the service – 1%
3. A typical residential customer's bill is \$125/month. Would you be willing to pay \$8 more, if reliability could be improved?
- a. 19.9% yes
 - b. 81% no
 - c. 8 people skipped the question
4. With power outages, North Bay Hydro typically is responding within 30 minutes. Is this an acceptable time frame?
- a. 97% yes
 - b. 3% no
 - c. If no, what is acceptable to you?
 - i. 10 minutes
 - ii. With Ontario Hydro
 - iii. 15 minutes
 - iv. Depends on circumstances
 - v. Immediately
 - vi. provided information as to how the funds are to be spent improving reliability is shared with the customer prior to implementation
5. Could a power interruption result in a significant loss at your premises?
- a. 36.7% - Yes – but only long power interruptions result in financial loss, short interruptions (less than 2 minutes) are annoying but do not result in significant financial loss to me
 - b. 3.4% - Yes – Both long and short power interruptions result in significant financial loss to me
 - c. 60% - No – the power interruptions are annoying, but do not cause significant financial loss to me
6. Would you be willing to pay more if North Bay Hydro purchases a larger fraction of the electricity from renewable generating resources (Green – environmentally friendly sources)?
- a. 16.8% - Yes I will be willing to pay up to \$8 more for substantial reduction in carbon emissions
 - b. 21.1% - Yes I will be willing to pay up to \$3 more for modest reduction in carbon emissions
 - c. 25.1% - No I cannot afford to pay any more
 - d. 37% - No, I think we are already paying too much for electricity
7. Would you be willing to pay more if the distribution pole lines on your street were to be buried underground, thus improving aesthetics and reliability?
- a. 12.2% - Yes I will be willing to pay up to \$8 more for substantial improvement in aesthetics and reliability
 - b. 19.6% - Yes I will be willing to pay up to \$3 more for some improvement in aesthetics and reliability
 - c. 32.2% - No I cannot afford to pay any more
 - d. 36.1% - No, I think we are already paying too much for electricity

8. What is your preferred method of paying your hydro bill?
 - a. 2.3% - Send a cheque in the mail
 - b. 7.3% - In person
 - c. 47.7% - Online
 - d. 4.9% - Over the phone
 - e. 30% - Automatic bank
 - f. Other
 - i. At the bank
 - ii. ATM
9. Are you currently registered for e-billing with North Bay Hydro?
 - a. Yes – 31.3%
 - b. No – 68.7%
10. How easy do you find your North Bay Hydro bill to understand?
 - a. 28.4% - Very Easy
 - b. 47.3% - Easy
 - c. 19.7% - Neutral
 - d. 3.2% - Difficult
 - e. 1.4% - Very Difficult
 - f. If difficult, please explain why?
 - i. Small print
 - ii. The number
 - iii. Remove debt reduction item
 - iv. Write down what's going where (75 vs. 25)
 - v. The "meter consumption information" box and the actual dates below it should be easier to read- larger print. There is ample space on the bill for this.
11. Do you read the monthly messaging on your hydro bill?
 - a. 74.4% - Yes
 - b. 225.3% - No
 - c. If no, why not?
 - i. Not interested
 - ii. Print too small
 - iii. Show tips and promotions
 - iv. Didn't know
 - v. Just want to know how much I owe
12. Last time you contacted North Bay Hydro with an inquiry, was it answered?
 - a. 57.4% - yes
 - b. 3.9% - no
 - c. 38.7% - I have never really contacted NBH
 - d. If no, please explain
 - i. The power was out and north bay hydro could not give me an approximate time that it would be back on.
 - ii. Never returned my phone call

- iii. called yesterday about peaksaver plus and waited on the phone for over an hour and never got an answer Dailed extension 53 and never got anything called because he got the bill insert .
- iv. I don't like the debit we are paying off every month why can't we pay a one time charge so it will lower our montly bill? How much is the debit?
- v. was it fixed? No. Tankless water heater - say we're gone for a month then I'll have a flood in the basement from it. Something that when they came to check it they told us that it was normal. No problem solved. Would like someone to contact her abut that.
- vi. last winter I didn't receive a bill by mail and so didn't pay on time. The next bill came colored yellow with a \$30.00 charge, plus an interest charge. talk about usuary. I phoned 5 different times and left messages. i was called back twice, but was only left a message to call again even though I left a detailed message about my concerns. i went on the website but couldn't find anywhere else to complain. I have had service at that address since 1999 without a single missed bill and I think i was treated terribly. but at some point it is just not worth any more of my time to try to get the charge reversed.
- vii. I've called Mr. Clarke a couple of times to discuss the pavement resurfacing in the Pinewood area as a result of the underground project from 2 or 3 years ago. I still haven't seen any corrected work done to fix the problem and Mr. Clarke hasn't followed up with me in months.

13. Are there features of the North Bay Hydro website that you would like to see added?

- a. 6.4% - yes
- b. 42.1% - no
- c. 51.5% - I have never visited the website
- d. If yes, what would you like to see added?
 - i. Make it easier to find the time of use rates and when holidays count for off-peak time
 - ii. Pay instantly with paypal
 - iii. easier access to forms
 - iv. Outages - better way to get in touch through the website when there is an outage.
 - v. News related to where you distribute your profits, what you are doing for the community.

14. Overall, is there any feedback you would like to provide us with that will help to better serve you as a North Bay Hydro customer?

- a. Lower costs
- b. Really enjoy customer service - thinks the girls at the front desk are very flexible and understanding. They work with clients well.
- c. you're improving all the time. Keep up the good work
- d. Long wait times for phone call inquiries and almost always goes to a voice mail, rarely answered by the person at the extension being dialed.

Daily tracking of responses to the survey

Date	Number of Responses	Marketing Efforts
July 15, 2013	1	Launched online survey/printed physical surveys for office
July 19, 2013	28	
July 22, 2013	46	Radio begins and bill inserts start going out
July 24, 2013	100	Radio/Bill inserts continue
July 26, 2013	160	
July 29, 2013	197	
August 1, 2013	283	Added physical surveys from office
August 8, 2013	355	Nugget Ad (Thursday paper)
August 9, 2013	376	Day after Nugget Ad, 13 people used feedbacktowin.com
August 10, 2013	?	Nugget Ad (Saturday paper)
August 12, 2013	434	After weekend of Nugget ad, 20 visited feedbacktowin.com
August 13, 2013	450	
August 14, 2013	469	
August 15, 2013	?	Nugget Ad (Thursday paper)
August 16, 2013	493	27 hits on feedbacktowin.com
August 17, 2013		Nugget Ad (Saturday paper)
August 19, 2013	518	29 visited feedbacktowin.com
August 20, 2013	521	
August 21, 2013	538	35 visited feedbacktowin.com
August 22, 2013		
August 23, 2013		
August 26, 2013	609 at 10am 628 at 11:30 632 at noon 642 at 1:45 656 at 3:17 670 at 5pm	The Moose radio spots end, phone calls from Tina, Kerri and Cathy start
August 27, 2013	677 at 9am 683 at 9:45 699 at noon 710 at 1pm 721 at 2:10	Continue calling Tina 9-5 Kerri 9-1:30 Catherine 1-4:30

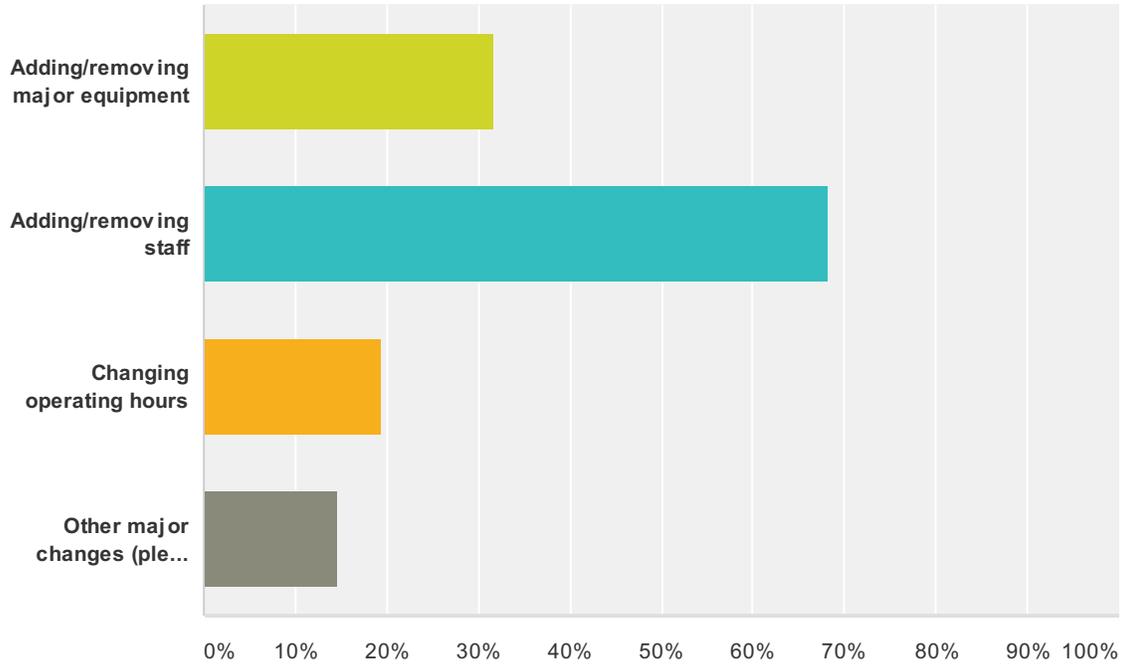
	725 at 2:48 732 at 3:45 740 at 4:15 743 at 5pm	
August 28, 2013	748 at 730am 776 at 5pm	EZ Rock spots end Phone calls made (approx.300)
August 29, 2013	805 at 9am 857 at 5pm	Phone calls made (approx.300)
August 30, 2013	876	Survey closes
September 16, 2013	876	Todd live on the Moose to announce winner of \$500

1 **Appendix 1-A.3 Joint Chamber of Commerce Business Customer Survey (May 2014, 74**
2 **participants)**

3

Q1 Over the next 18 months, is your business planning on doing any of the following (check all that apply):

Answered: 41 Skipped: 33

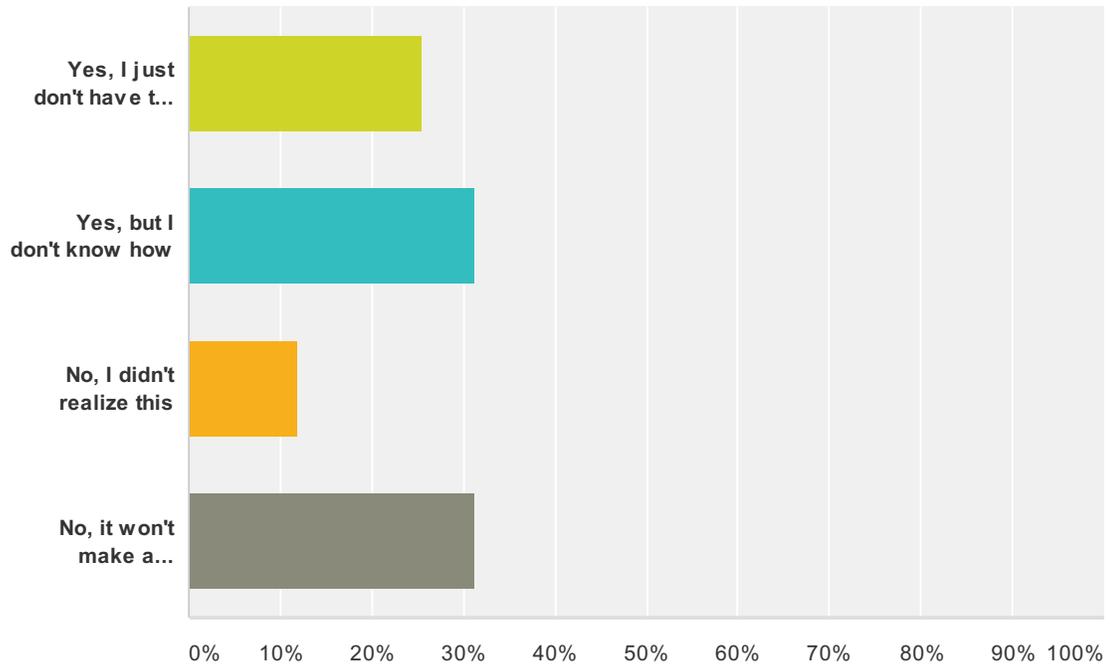


Answer Choices	Responses
Adding/removing major equipment	31.71% 13
Adding/removing staff	68.29% 28
Changing operating hours	19.51% 8
Other major changes (please specify)	14.63% 6
Total Respondents: 41	

#	Other major changes (please specify)	Date
1	relocating	5/20/2014 8:05 AM
2	Lighting upgrades	5/19/2014 10:33 AM
3	change windows	5/16/2014 11:00 PM
4	nope	5/16/2014 1:55 PM
5	Concentrating on Website sales.	5/16/2014 1:18 PM
6	moving out of North Bay to get away from high Hydro rates	5/16/2014 1:11 PM

Q2 Do you believe your business has opportunities to decrease energy consumption?

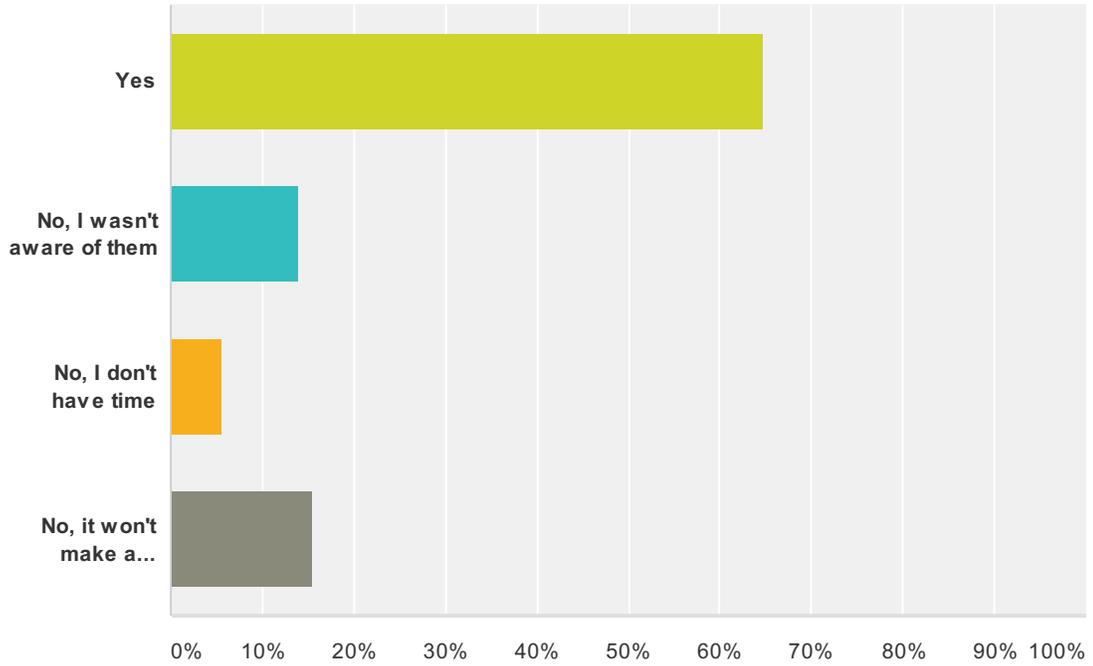
Answered: 67 Skipped: 7



Answer Choices	Responses	
Yes, I just don't have the time to	25.37%	17
Yes, but I don't know how	31.34%	21
No, I didn't realize this	11.94%	8
No, it won't make a difference to my bottom line anyway	31.34%	21
Total		67

Q3 Do you utilize the energy conservation tips and programs provided by North Bay Hydro?

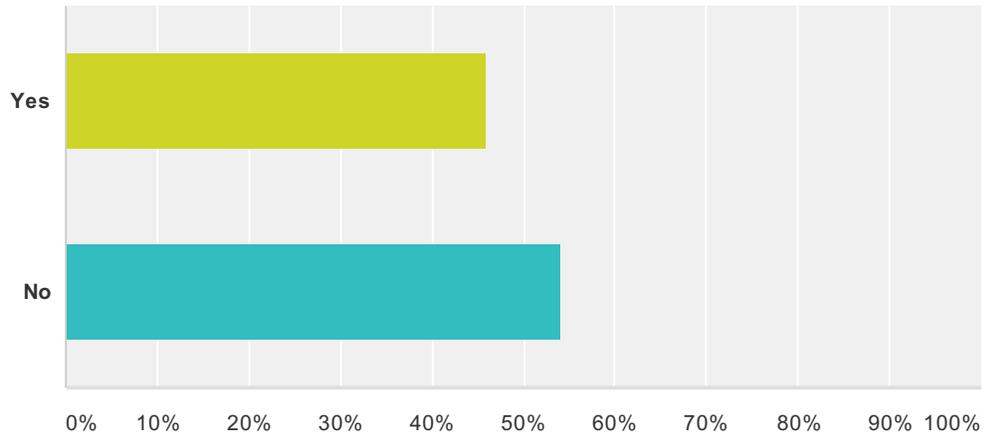
Answered: 71 Skipped: 3



Answer Choices	Responses	
Yes	64.79%	46
No, I wasn't aware of them	14.08%	10
No, I don't have time	5.63%	4
No, it won't make a difference to my bottom line anyway	15.49%	11
Total		71

Q4 Did you know that local staff is available, free of charge, to provide you with an Energy Audit, potentially making your business more profitable by reducing operating costs?

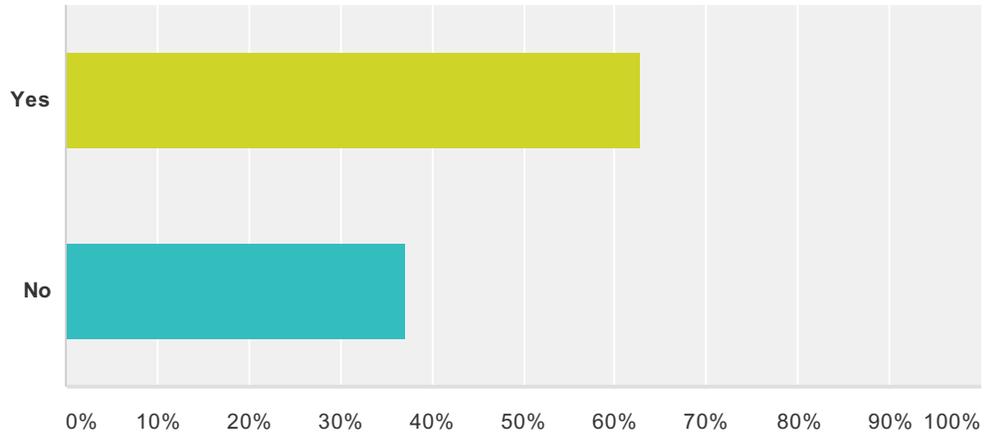
Answered: 72 Skipped: 2



Answer Choices	Responses	
Yes	45.83%	33
No	54.17%	39
Total		72

Q5 Are you satisfied with how North Bay Hydro communicates to the business community?

Answered: 62 Skipped: 12

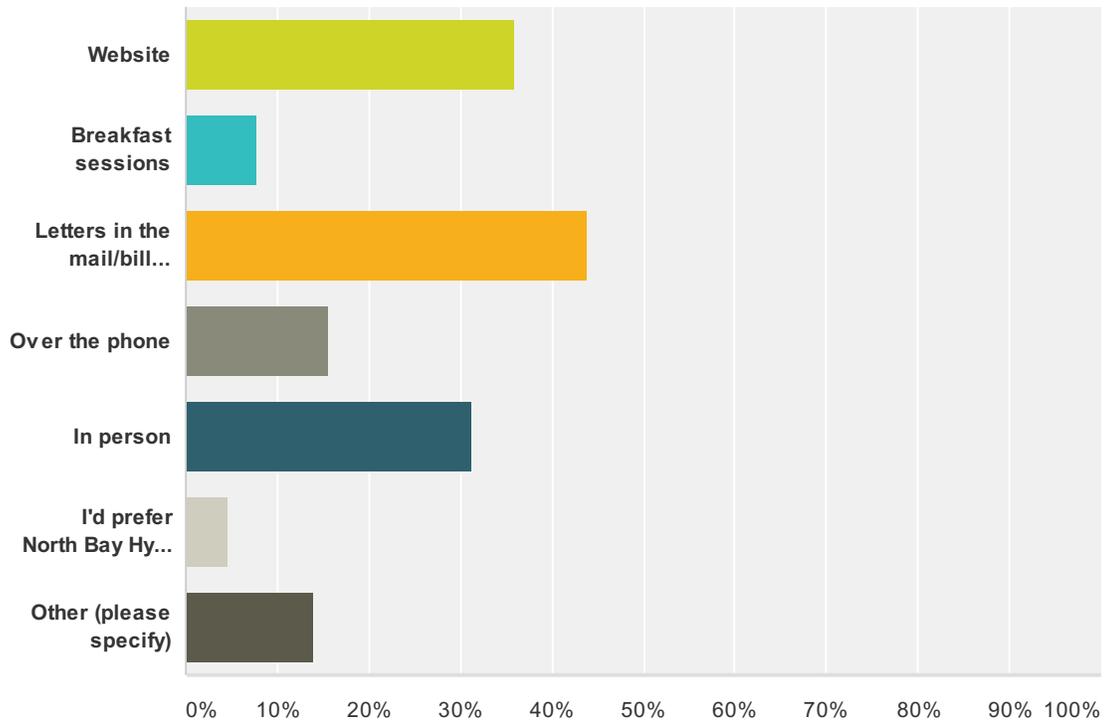


Answer Choices	Responses
Yes	62.90% 39
No	37.10% 23
Total	62

#	If no, how can we improve our communication with you?	Date
1	have not been contacted by .B.Hydro other than our monthly bill	5/20/2014 8:07 AM
2	We have been waiting to hear if we will be getting money back from using all LED lights in our renovations for over 6 months.	5/16/2014 11:02 PM
3	Give us a call, or stop for a visit	5/16/2014 3:57 PM
4	with the changing times with media there are always ways to improve	5/16/2014 3:18 PM
5	Aside from energy consumption... we had a terrible experience with a dire upgrade we were doing that required a permit from North Bay Hydro. I was successful in my attempts to communicate with someone but still don't understand why obtaining a permit for a fibre installation to take place would require a 6-12 month wait period. This really affected our business and several complaints were brought forward due to our internet. Unfortunately our guests were not satisfied with the fact that our hands were tied and we required a permit approval. I think this process should be looked at and communication could be clearer to the business community.	5/16/2014 1:56 PM
6	who cares	5/16/2014 1:46 PM
7	there are no notices of increases etc.	5/16/2014 1:26 PM
8	We did not know about the above questions. And to save more I cannot open in the middle of the night to serve the public that are sleeping at that time... lol	5/16/2014 1:20 PM
9	Email us relevant information on a regular basis.	5/16/2014 1:17 PM
10	i didn't realise that they communicated at all	5/16/2014 1:05 PM
11	Stop telling us about rate increases, just stop increasing the rates, you're killing us.	4/30/2014 9:47 AM
12	I, myself, am not aware of how they do	4/30/2014 8:35 AM

Q6 What is/are your preferred method(s) of being communicated to by North Bay Hydro? (select all that apply)

Answered: 64 Skipped: 10



Answer Choices	Responses
Website	35.94% 23
Breakfast sessions	7.81% 5
Letters in the mail/bill inserts	43.75% 28
Over the phone	15.63% 10
In person	31.25% 20
I'd prefer North Bay Hydro doesn't communicate with my business	4.69% 3
Other (please specify)	14.06% 9
Total Respondents: 64	

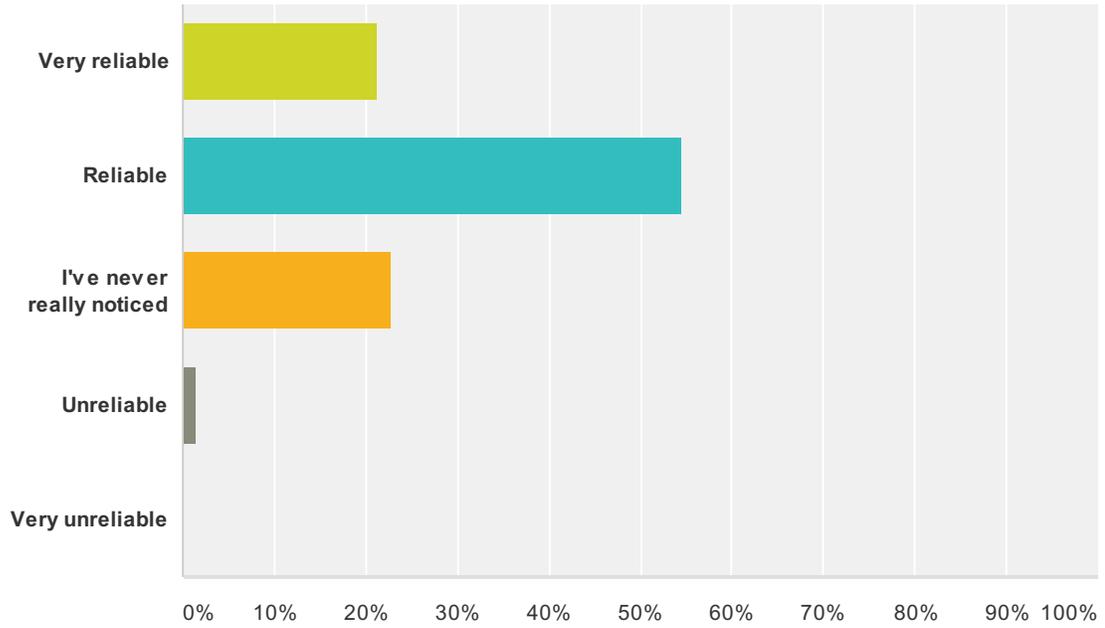
#	Other (please specify)	Date
1	via email	5/16/2014 5:37 PM
2	e-mail	5/16/2014 3:55 PM
3	email	5/16/2014 3:18 PM
4	Email	5/16/2014 1:20 PM
5	Email us	5/16/2014 1:17 PM
6	E-mail	5/16/2014 1:13 PM

Business Growth and Hydro Questionnaire

7	E Mail	5/16/2014 1:10 PM
8	email	5/16/2014 12:59 PM
9	E-mail	4/30/2014 8:35 AM

Q7 How reliable do you feel North Bay Hydro is?

Answered: 66 Skipped: 8



Answer Choices	Responses	Count
Very reliable	21.21%	14
Reliable	54.55%	36
I've never really noticed	22.73%	15
Unreliable	1.52%	1
Very unreliable	0.00%	0
Total		66

Business Growth and Hydro Questionnaire

Q8 With regards to your business and energy consumption do you have any additional feedback for North Bay Hydro?

Answered: 15 Skipped: 59

#	Responses	Date
1	Please contact me, if you have any recommendations on how we can reduce our power consumption and costs	5/20/2014 8:09 AM
2	I would like a break for using appliances during my business operating hours	5/16/2014 11:02 PM
3	I very much like the level of expertise we get about energy savings. Thank you. Carlos Carvalho Seymour Plaza.	5/16/2014 5:38 PM
4	we would want a person to do an audit who understands more than just using timers and changing light bulbs	5/16/2014 3:19 PM
5	winter months when we shut down and hydro used is next to nothing bill is still costly do to your delivery charges. a bill of less than a \$1.00 becomes absurd when additional charges are added	5/16/2014 3:14 PM
6	Yes-lower the rates	5/16/2014 3:12 PM
7	We require lower prices to compete with other companies not located in North Bay.	5/16/2014 2:02 PM
8	no lower our bills and don't make us pay for your ... debt repayment because we didnt do that to you. I would be out of business sooo fast if I told my clients that enough is enough	5/16/2014 1:48 PM
9	Our businesses are forced to pay the higher rates for energy during regular business hours. Why not offer a better rate to Business customers to ensure our continual operation.	5/16/2014 1:27 PM
10	Hoping to make some changes to lower energy consumption	5/16/2014 1:16 PM
11	the area we are in is suseptable to power outages during high winds or storms. some one should look into this.	5/16/2014 1:01 PM
12	Hydro rates need to come down for business in Ontario to be more competitive.	5/16/2014 12:53 PM
13	A few concerns lately with power outages - still not sure what happened but couldn't find info during the outage on your website since it was down too (power outage was also in NB Hydro office area - so maybe that is why your website was out). Called and was told "guys are out working - they have no idea why or when it will be fixed". It was back on in about 3 hours, so was fine after all.	5/2/2014 12:33 PM
14	We are having a heck of a time making ends meet. Hydro is eating up profits	4/30/2014 9:53 AM
15	no	4/30/2014 8:35 AM

1 **Appendix 1-A.4 Business Engagement Session Summary (May 2014, 11 participants)**

2

North Bay Hydro

Business Customer Engagement Focus Group

Final Report

Prepared By:



May 2014

Table of Contents

Table of Contents.....	2
Event Details.....	3
Executive Summary.....	4
Purpose.....	4
Results.....	4
Next Steps.....	4
Questions and Summary of Responses.....	5
More Purposeful Questions.....	8
Appendices.....	10

North Bay Hydro – Business Engagement Session May 8, 2014

Held at the Hampton Inn

Executive Summary

A business engagement session was held for North Bay Hydro Distribution, by Clark Marketing Communications to obtain feedback and engage participants on a number of issues. Eleven (11) business owners and managers were randomly assembled. There were no incentives offered, other than light beverages and snacks.

Purpose

Why did North Bay Hydro want the Business Engagement Session?

The purpose of the Business Engagement session was to generate feedback from local businesses and learn what North Bay Hydro can do to improve their services and communications. The questions were developed from a previous Chamber of Commerce business questionnaire. We presented the results and solicited discussion and feedback.

We also developed 3 more purposeful questions that we put forth for feedback and discussion.

Results

The group in general was respondent and seemed to be engaged. We had noted that all 11 participants did offer comments and suggestions. Although the group offered valuable feedback, they did not really ask to be involved in any decisions or ongoing participation other than to continue to be informed and shown the value of the projects as well as a better understanding, more detailed proof of what the actual savings from programs, amounts to. They understand the numbers.

Next Steps

Continue to inform business owners on the issues as well as a continued program to demonstrate value to the businesses and what the actual savings are.

Utilize all media as the group asked to be informed in a multitude of ways...there was not one magic bullet.

Questions and Responses

Q1 - Are you aware that on average for business customers, North Bay Hydro accounts for no more than 5-20% of your electricity bill and the remaining 80-95% of your monthly electricity bill goes to provincial and federal bodies?

Only half the room was aware that North Bay Hydro accounts for a small portion of the bill

Q2 - What are the most important things North Bay Hydro can do to improve service to its customers?

In need of an individual spokesperson to represent the brand...who is the face, someone who does radio, television, on brochures, poster, billboards, presentations...spokesperson, mascot, etc...?

It's very hard to get through the secretary to be able to speak with someone. Seems that the only way to speak to the proper person is to go to the backdoor...you need to know someone.

It would be nice to have information available to compare other Hydro companies in surrounding areas.

Incentives! Perhaps incentives to switch over to paperless billing?

Q3 - From your experience during the last two years, how would you rank the power reliability received at your premises?

The service provided is excellent and reliable, with the exception to the power interruptions. However the response time is "pretty efficient", although it does take hours to fix.

Q4 - With power outages, North Bay Hydro typically is responding within 30 minutes...is this an acceptable time frame?

General consensus that it was acceptable and hardly noticed

Q5 - Could a power interruption result in a significant loss at your premises?

Most of the room agrees that the power interruptions has little/no affect on their business, it really depends on the time of day.

Q6 - How easy do you find the components of your North Bay Hydro bill to understand?

More than half the room does not read their bill and do not pay attention to their peak hours.

“There’s not much you can do about it when you’re open 8-5, there aren’t many ways to save money because I can’t shut my business down. I just look at the amount due and pay it”

When it comes to reading the bill, a better breakout would be helpful as well as assistance with time of use.

Q7 - What tools would you find helpful when trying to understand and manage your business energy costs?

A tool that may be helpful would be a timing device that shuts the power off automatically

Most are not aware how to save money

Some have already made changes

Others would work with someone to find out how

Q8 - North Bay Hydro is...(finish the sentence)

General discussion, no real recordable feedback

Q9 - Have you had any of the following billing issues in the past?

No one indicated any major issues that they are aware of

Q10 - Have you contacted North Bay Hydro lately?

1 person in the room has contacted North Bay Hydro recently

Q11 - Over the past 12 months, have you visited North Bay Hydro's website?

1 person has visited the North Bay Hydro website in the past year

Q12- What is the likelihood of you using the North Bay Website to:

No one knew that you could set up an account online

Q13 - North Bay Hydro now offers "My Account" online which allows customers to view their consumptions and keep a record of past bills. What would encourage you to switch to paperless billing?

Only one person uses online billing (The rest prefer paper bills because they have to print it out to have it on file anyways.)

Q14 - Do the programs have value?

Yes, only if you can see the savings.

General comments

Programs that are established are more user friendly than in the past.

Does North Bay Hydro reduce services/manpower at the same level as the city is reducing?

Are your targets matching up?

You say you are making an improvement...show us how!

Everyone has the opportunity to conserve and to find out how to make changes but it seems only a few do...offer incentives to those who actually enquire and make those changes...rate discounts. Coffee cards, swag, etc..

North Bay Hydro is allowed to use these reports for the Cost of Service Application with the Ontario Energy Board.

The following questions were developed specifically for this meeting to gauge how the participants want to be engaged, informed and communicated to.

How do you want to be involved?

Come see me when it's convenient

No forum, on the computer, email...keep them informed thru email and media

Be clear and precise! Show me exactly how much I've saved, how much I've spent

Have a meaningful conversation

Advertise statistics to the public in dollar amount not KW

Appoint members of the board from different sectors to obtain better service

Do not like that fact that it costs more to replace new energy saving light bulbs when they do burn out

"How much do we have to spend in order to save?"

"what is that ratio?"

Do not use the top down approach

In a nutshell North Bay Hydro needs to improve its communications with their clients and there's always room to improve!

When it comes to being informed, what do you want to know more about? (participants were given colored stickers and were asked to come to the board and rate the areas that they wanted to know most about...they could use multiple stickers, hence the numbers that exceed the number of participants)

- Repair/refurbishment: 12
- Infrastructure projects: 7
- Cost control: 24
- Development projects: 8

With everything that we learned and the process we just went through, customer engagement is a new cost to doing business for North Bay Hydro...would you be willing to pay a

nominal charge of as little as \$7 per year, on your hydro bill, to pay for this engagement process?

No, absolutely not

Our bills are already too high

It was suggested that Hydro run their operation more efficiently and pay for these things from their current revenue streams





1 **Appendix 1-A.5 Residential Engagement Session Summary (June 2014, 25 participants)**

2

North Bay Hydro

Residential Customer Engagement Focus Group

“Open House”

Final Report

Prepared By:



June 2014

Table of Contents

Table of Contents.....	2
Event Details.....	3
Executive Summary.....	3
Advertising.....	4
Questions and Summary of Responses.....	5
Additional Information.....	12
Group Breakout Session.....	13
Appendices.....	15

Event Details

North Bay Hydro – Residential Info Session
June 10, 2014
Hampton Inn – Mckeown Ave. North Bay, ON
Facilitator – Scott Clark

Clark Staff in attendance – James Dahlke, Kelsey Richard

There were no North Bay Hydro representatives present.
25 Residential customers were present.

Executive Summary:

June 10, 2014 Clark Marketing Communications was hired to hold a Residential Information Session, with the goal being to provide an interactive discussion with residential customers. Our goals were to obtain feedback from residents on how North Bay Hydro conducts business, to make the public aware of programs and projects that North Bay Hydro has executed as well as gather insight into how customers want to be involved and how they wish to be communicated to.

Our first segment of the meeting we posed 14 questions to the residents that were actually asked of residents in the fall of 2013. Discussions then took place on what our audience felt their answers were back then and we provided the results for them to compare. In general, there was positive feedback, with some concerns and suggestions being added throughout the exercise.

In our second segment of the evening, the group was split into small groups of 5-6 people and they were given 3 separate topics to discuss, with one member of the group asked to take notes and present the groups comments.

Overall, we found that the responses to the questions in segment one were well in line with the responses that were shown from the Fall Survey...one suggestion was to have the survey conducted again as winter 2013/2014 was a harsh one and people may have a different opinion regarding their rates.

Advertising

Invitations were advertised on local radio stations, KISS FM, 102 FM the Fox and AM 600 CKAT, our local newspaper the North Bay Nugget and telephone calls made to local residents.

Radio Script: 30 seconds

You're invited to join your community and North Bay Hydro for a Residential Info Session.

We'll be looking for your feedback on key issues, how we communicate with each other, and what role we all play in Community Power.

Let's work together to keep North Bay's valuable resource a leader in the field.

Join us at the Hampton Inn, North Bay on Tuesday June 10 from 6:30 to 8 pm. Visit [North Bay Hydro dot com](http://NorthBayHydro.com) to RSVP.

North Bay Hydro
Community Power

North Bay Hydro Residential Info Session

You're invited to join your community and North Bay Hydro for a Residential Info Session. We'll be looking for your feedback on key issues, how we communicate with each other, and what role we all play in Community Power. Let's work together to keep North Bay's valuable resource a leader in the field.

Residential Info Session

Tuesday, June 10th

Hampton Inn

950 McKeown Avenue, North Bay

6:30pm - 8:00pm

Light Snacks & Beverages

Please RSVP to Kloe or Kelsey

705.476.5044



www.northbayhydro.com

Questions and Summary of Responses

We went over results from a residential survey from Aug/Sept 2013...

1. Are you aware that on average for residential customers, North Bay Hydro accounts for no more than 25% of your electricity bill and the remaining 75% of your monthly electricity bill goes to provincial and federal bodies?
 - a. 34.2% yes
 - b. 65.8% no

Focus group breakdown was very similar.

2. From your experience during the last two years, how would you rank the power reliability received at your premises?
 - a. No power interruptions - I am extremely satisfied with the power supply - 11.7%
 - b. Only a few power interruptions - I have no complaints - 81.6%
 - c. Too many short interruptions in power - I am not satisfied with the service - 5.6%
 - d. Too many prolonged interruptions in power - I am not satisfied with the service - 1%

Comments: no real notable comments

3. A typical residential customer's bill is \$125/month. Would you be willing to pay \$8 more, if reliability could be improved?
 - a. 19.9% yes
 - b. 81% no
 - c. 8 people skipped the question

Comments: not confident that money would be used wisely (local/system) suggested by one participant that this survey should be re-done now, after the harsh winter that we experienced, to see if people would answer differently. The average bill has probably gone up...

We are always paying more!

4. With power outages, North Bay Hydro typically is responding within 30 minutes. Is this an acceptable time frame?
- a. 97% yes
 - b. 3% no
 - c. If no, what is acceptable to you?
 - i. 10 minutes
 - ii. With Ontario Hydro
 - iii. 15 minutes
 - iv. Depends on circumstances
 - v. Immediately
 - vi. provided information as to how the funds are to be spent improving reliability is shared with the customer prior to implementation

Comments: no real notable comments

5. Could a power interruption result in a significant loss at your premises?
- a. 36.7% - Yes – but only long power interruptions result in financial loss, short interruptions (less than 2 minutes) are annoying but do not result in significant financial loss to me
 - b. 3.4% - Yes – Both long and short power interruptions result in significant financial loss to me
 - c. 60% - No – the power interruptions are annoying, but do not cause significant financial loss to me

Comments: no real notable comments other than participants felt that this is more of a business customer question.

6. Would you be willing to pay more if North Bay Hydro purchases a larger fraction of the electricity from renewable generating resources (Green – environmentally friendly sources)?
- a. 16.8% - Yes I will be willing to pay up to \$8 more for substantial reduction in carbon emissions
 - b. 21.1% - Yes I will be willing to pay up to \$3 more for modest reduction in carbon emissions
 - c. 25.1% - No I cannot afford to pay any more
 - d. 37% - No, I think we are already paying too much for electricity

Comments: no real notable comments

7. Would you be willing to pay more if the distribution pole lines on your street were to be buried underground, thus improving aesthetics and reliability?
- 12.2% - Yes I will be willing to pay up to \$8 more for substantial improvement in aesthetics and reliability
 - 19.6% - Yes I will be willing to pay up to \$3 more for some improvement in aesthetics and reliability
 - 32.2% - No I cannot afford to pay any more
 - 36.1% - No, I think we are already paying too much for electricity

Comments: no real notable comments

8. What is your preferred method of paying your hydro bill?
- 2.3% - Send a cheque in the mail
 - 7.3% - In person
 - 47.7% - Online
 - 4.9% - Over the phone
 - 30% - Automatic bank
 - Other
 - At the bank
 - ATM

Comments: not happy with the removal of drop boxes... concern was that the average customer or low income person with lack of ability to get to Hydro's office, can no longer go to drop boxes.

- The return address on the bill is hard to find
- Add credit card payment options
- One participant was concerned that they received a bill from Hydro One, for \$.01...how much did it cost to send that bill vs how much the bill was...should have offered a deferral option, to the following month.
- Should be someone to go over mail outs prior to catch these mistakes...should be reasonable
- Can billing become quarterly like the water or tax bill?

9. Are you currently registered for e-billing with North Bay Hydro?
- Yes - 31.3%
 - No - 68.7%

Comments: there should be incentives for switching to e-billing, similar to Bell...it was noted that there is a \$2.00 per month incentive to utilize e-billing.

- Any savings from switching to e-billing should go back to the customer.
- People still prefer to receive paper bill as they need it for submission of records, especially landlords...why should I print it and use my paper?

Should go back to bundling billing for multi-owned residences...now they get 1 bill/envelope for each property or dwelling.

10. How easy do you find your North Bay Hydro bill to understand?

- a. 28.4% - Very Easy
- b. 47.3% - Easy
- c. 19.7% - Neutral
- d. 3.2% - Difficult
- e. 1.4% - Very Difficult
- f. If difficult, please explain why?
 - i. Small print
 - ii. The number
 - iii. Remove debt reduction item
 - iv. Write down what's going where (75 vs. 25)
 - v. The "meter consumption information" box and the actual dates below it should be easier to read- larger print. There is ample space on the bill for this.

Comments: most agreed it is easy enough to follow

11. Do you read the monthly messaging on your hydro bill?

- a. 74.4% - Yes
- b. 25.3% - No
- c. If no, why not?
 - i. Not interested
 - ii. Print too small
 - iii. Show tips and promotions
 - iv. Didn't know
 - v. Just want to know how much I owe

Comments: the messages on my bill should be printed larger...hard to read

12. Last time you contacted North Bay Hydro with an inquiry, was it answered?
- a. 57.4% - yes
 - b. 3.9% - no
 - c. 38.7% - I have never really contacted NBH
 - d. If no, please explain
 - i. The power was out and North Bay hydro could not give me an approximate time that it would be back on.
 - ii. Never returned my phone call
 - iii. Called yesterday about Peaksaver Plus and waited on the phone for over an hour and never got an answer dialed extension 53 and never got anything called because he got the bill insert .
 - iv. I don't like the debit we are paying off every month why can't we pay a one-time charge so it will lower our monthly bill? How much is the debit?
 - v. Was it fixed? No. Tankless water heater - say we're gone for a month then I'll have a flood in the basement from it. Something that when they came to check it they told us that it was normal. No problem solved. Would like someone to contact her about that.
 - vi. Last winter I didn't receive a bill by mail and so didn't pay on time. The next bill came colored yellow with a \$30.00 charge, plus an interest charge. talk about usury I phoned 5 different times and left messages. I was called back twice, but was only left a message to call again even though I left a detailed message about my concerns. I went on the website but couldn't find anywhere else to complain. I have had service at that address since 1999 without a single missed bill and I think i was treated terribly. but at some point it is just not worth any more of my time to try to get the charge reversed.
 - vii. I've called NBH a couple of times to discuss the pavement resurfacing in the Pinewood area as a result of the underground project from 2 or 3 years ago. I still haven't seen any corrected work done to fix the problem and NBH hasn't followed up with me in months.

Comments: Yes...good response

- Only negative was that this particular person had a question about smart meters but the customer service person did not have the answer...felt that staff should be more knowledgeable.
- One person said they had a large bill, but they were away...was told that it was because of the cold winter...response was that they are heated by gas and all other electricity in the house was not used...they should have had someone come out to the house to help determine what the issue was, for future reference...customer did not like the response.

13. Are there features of the North Bay Hydro website that you would like to see added?

- 6.4% - yes
- 42.1% - no
- 51.5% - I have never visited the website
- If yes, what would you like to see added?
 - Make it easier to find the time of use rates and when holidays count for off-peak time
 - Pay instantly with Paypal
 - easier access to forms
 - Outages - better way to get in touch through the website when there is an outage.
 - News related to where you distribute your profits, what you are doing for the community.

Comments: people think that there should be a way to follow things on Twitter, like Toronto and Ottawa. There should be an answering service during power outages...people want answers

14. Overall, is there any feedback you would like to provide us with that will help to better serve you as a North Bay Hydro customer?

- Lower costs
- Really enjoy customer service - thinks the girls at the front desk are very flexible and understanding. They work with clients well.
- You're improving all the time. Keep up the good work

- d. Long wait times for phone call inquiries and almost always goes to a voice mail, rarely answered by the person at the extension being dialed.

Comments:

- Lower costs,
- Business/landlord rebates for those who work hard to ensure they have all the gadgets etc., to save energy...their tenants don't care
- Peak time of use doesn't work
- Why doesn't it show the excess
- Why was home assistance cancelled, will it start back up in 2015?
- Why are you showing us this type of info (survey questions) show us the real info

Additional Information

We then showed slides from City Council presentation on projects...

- Thank you for the stats
- What happens to those savings
- What was the cost and cost savings
- What is the payback time
- LED street lights are terrible

Other comments

- Leave the trees alone
- Why is your mission to cut down trees...all the trees in the city? Problem, Trees near Jane Street- "this was not an error...North Bay Hydro is telling two different stories."
- Give us an envelope with the bill
- Transparency (Consumer doesn't understand where the billing is going)
- Tutorial on website on how to read the bill
- Service Call (willing to pay a service charge if it's reasonable and not Hydro's fault)
- Customers are holding their end of the bargain
- Need a "social contract"? Hydro's expectation of the client and client's expectations from Hydro.

Group Breakout Session

We broke into 5 groups of random numbers of participants to ask 3 questions (1 question at a time)

Q1. How can we serve you better?

- Reduce the cost of energy and the cost of delivery
- Adjust the peak times for the common residential ie: Laundry-Monday obsolete doing it on weekends or until midnight.
- Debt retirement charge (When will this end?)
- Communication with residents was horrible for the tree removal-messes left
- Provide better legibility on bills
- Provide more knowledge about why rates have been increased twice a year during the past several years
- Do not cancel energy saving programs
- Changing billing time frames (monthly/quarterly)
- More consumer choice
- Lower delivery costs
- Start operating on cost-recovery basis
- Bring back mail drop boxes
- Mail in bulk at the same addresses
- Website overhaul (Online help)
- Put forth incentive programs (not only for low income)
- Creative billing options
- Partner with other utilities
- Survey not legitimate
- Survey was terrible
- Gages to measure consumption
- Respect intelligence of consumers

Q2: What do you want to know about North Bay Hydro?

- Poor service issues with contacted service arranged contractors
- Need promises that no more arbitrary removal of trees
- Relationship with other hydro providers in the province and country
- Why and when is North Bay Hydro borrowing money for the city?
- How much are your executive salaries?
- Where is the cost savings?
- Is North Bay Hydro purchasing off Ontario Hydro at peak time?
- Post financial statements
- Disconnection policy (easier to fins info)
- List names of directors (more transparency)

- Advertise programs
- Are we still paying off Eleanor?
- Open up books
- Debit retirement charge
- Legally have to generate our power
- Why not more co-generation?
- Alternate energies (our part? More \$, vision?)

Q3. What is the best way to communicate with you?

- Email
- Phone
- Depends on purpose
- Put on bill in large font
- TV and radio ads
- Incentives
- Mail outs
- Text message
- Call or mail in advance before actions are taken
- Info forum with North Bay Hydro executives present
- Have a good website with easy access!

North Bay Hydro is allowed to use these reports for the Cost of Service Application with the Ontario Energy Board.



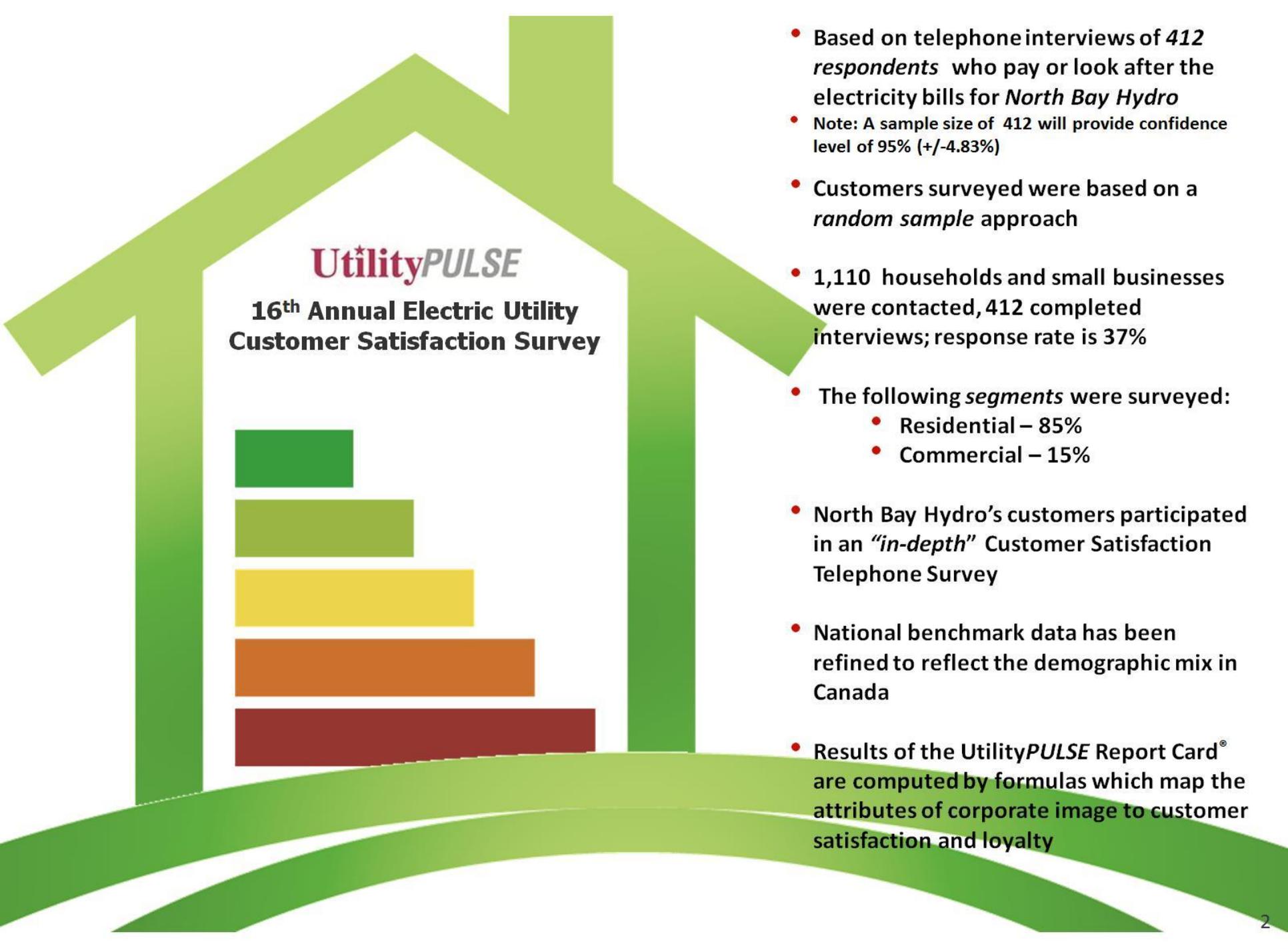
1 **Appendix 1-A.6 UtilityPULSE Customer Satisfaction Survey**

2

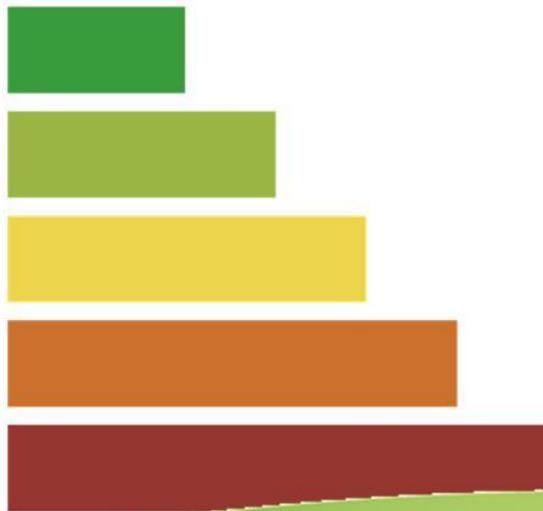
North Bay Hydro



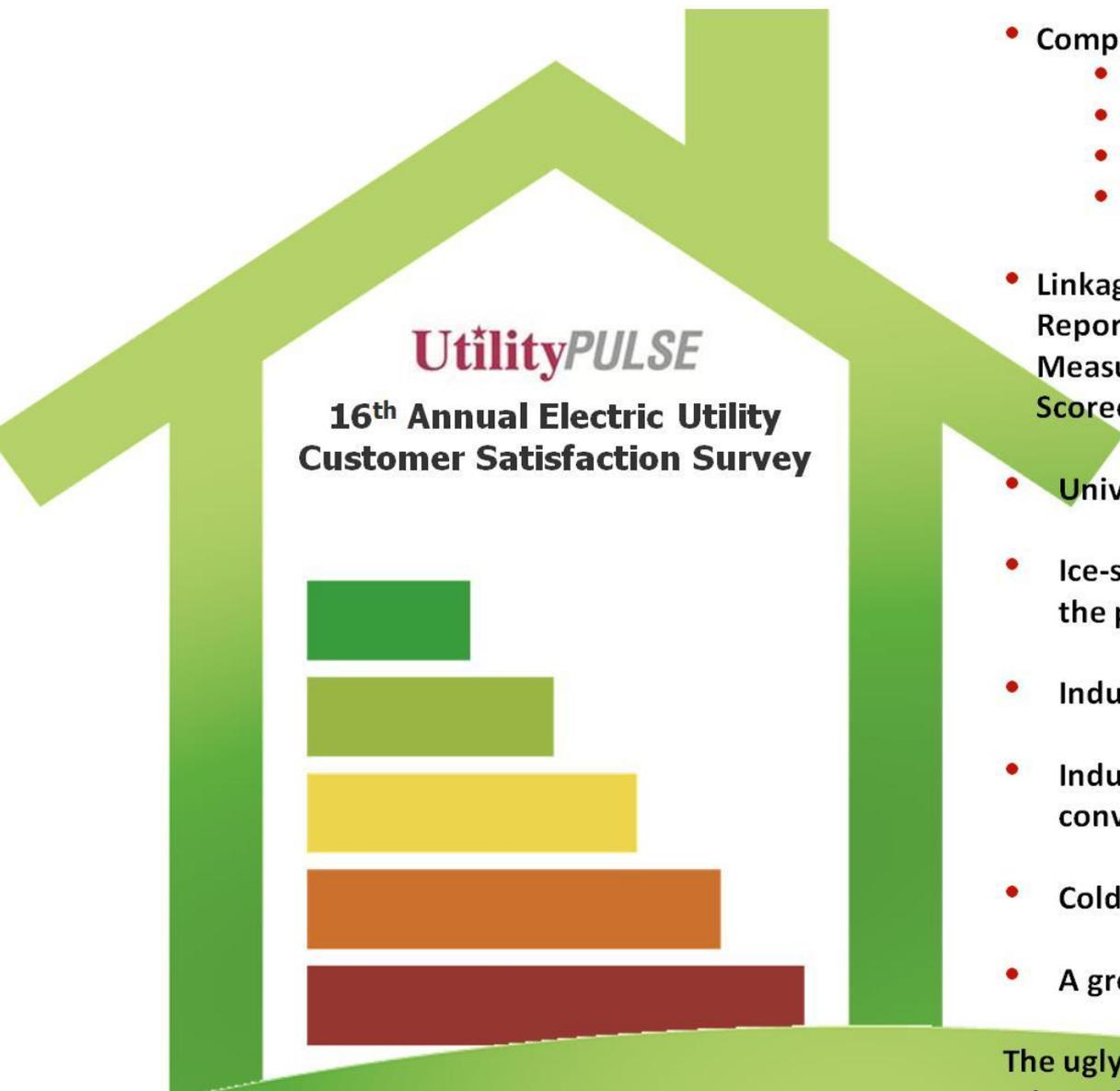
16th Annual Electric Utility Customer Satisfaction Survey



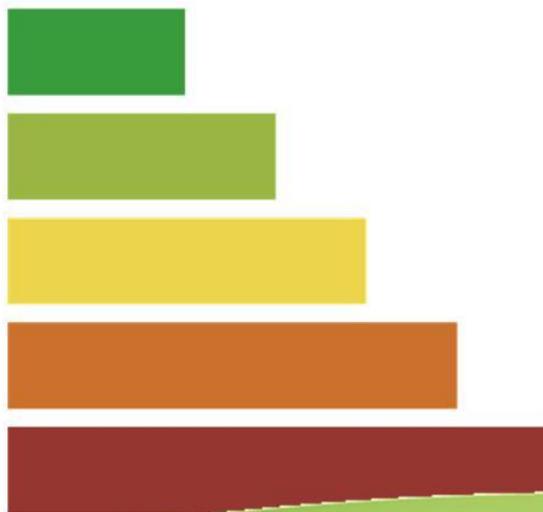
UtilityPULSE
**16th Annual Electric Utility
Customer Satisfaction Survey**



- Based on telephone interviews of **412 respondents** who pay or look after the electricity bills for **North Bay Hydro**
- Note: A sample size of 412 will provide confidence level of 95% (+/-4.83%)
- Customers surveyed were based on a **random sample** approach
- 1,110 households and small businesses were contacted, 412 completed interviews; response rate is 37%
- The following *segments* were surveyed:
 - Residential – 85%
 - Commercial – 15%
- North Bay Hydro’s customers participated in an “*in-depth*” Customer Satisfaction Telephone Survey
- National benchmark data has been refined to reflect the demographic mix in Canada
- Results of the UtilityPULSE Report Card[®] are computed by formulas which map the attributes of corporate image to customer satisfaction and loyalty



UtilityPULSE
**16th Annual Electric Utility
Customer Satisfaction Survey**



- **Comparator data:**
 - Ontario benchmark
 - National benchmark
 - UtilityPULSE data base for 2014
 - Previous years (where available)
- **Linkage to Ontario Energy Board, EB-2010-0379
Report of the Board: Performance
Measurement for Electricity Distributor: A
Scorecard Approach**
- **Universal concern over cost**
 - +
 - **Ice-storm or stories of the ice-storm affecting
the psyche of customers**
 - +
 - **Industry stories about money wasted**
 - +
 - **Industry being dragged into the political
conversation**
 - +
 - **Coldest (in years) winter bills**
 - =
 - **A growing resentment towards the industry.**

The ugly news is the Ontario benchmark has taken a hit.
The bad news is every LDC we've surveyed has been affected.
The good news is, a person can "dislike" an industry but respect their LDC.

Credibility and Trust:

Demonstrating Credibility and Trust

Knowledge

The utility is seen as being knowledgeable about the services it provides, about what is happening in the industry, and how customers can reduce costs or create more value.

Integrity

The utility is seen as an organization that will act in the best interests of its customers and can be counted on to provide services and resolve problems in a professional manner.

Involvement

The utility is actively involved in the industry, in the community and in things that affect the customer.

Trust

The utility is an organization that can be trusted and is worthy of respect.

Overall North Bay Hydro 82%
[Ontario 77%; National 80%]

Base: total respondents

**“Is a trusted and
trustworthy
company ...”**

85%

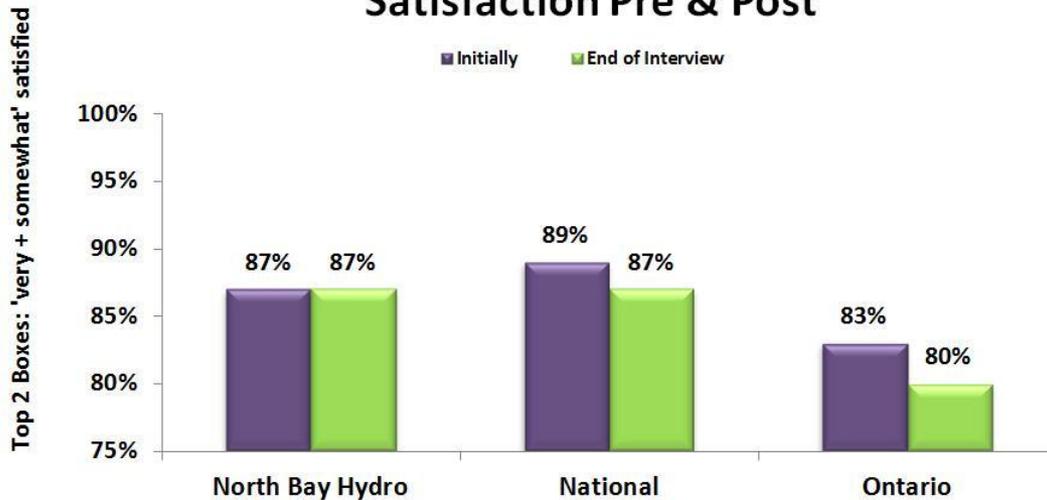
Customer Satisfaction: PRE

Electricity bill payers who are 'very or fairly' satisfied with...

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|-----------------|------|------|------|------|------|
| North Bay Hydro | 87% | - | - | - | - |
| National | 89% | 90% | 88% | 89% | 86% |
| Ontario | 83% | 90% | 86% | 84% | 80% |

Base: total respondents/(-) not a participant of the survey year

Satisfaction Pre & Post



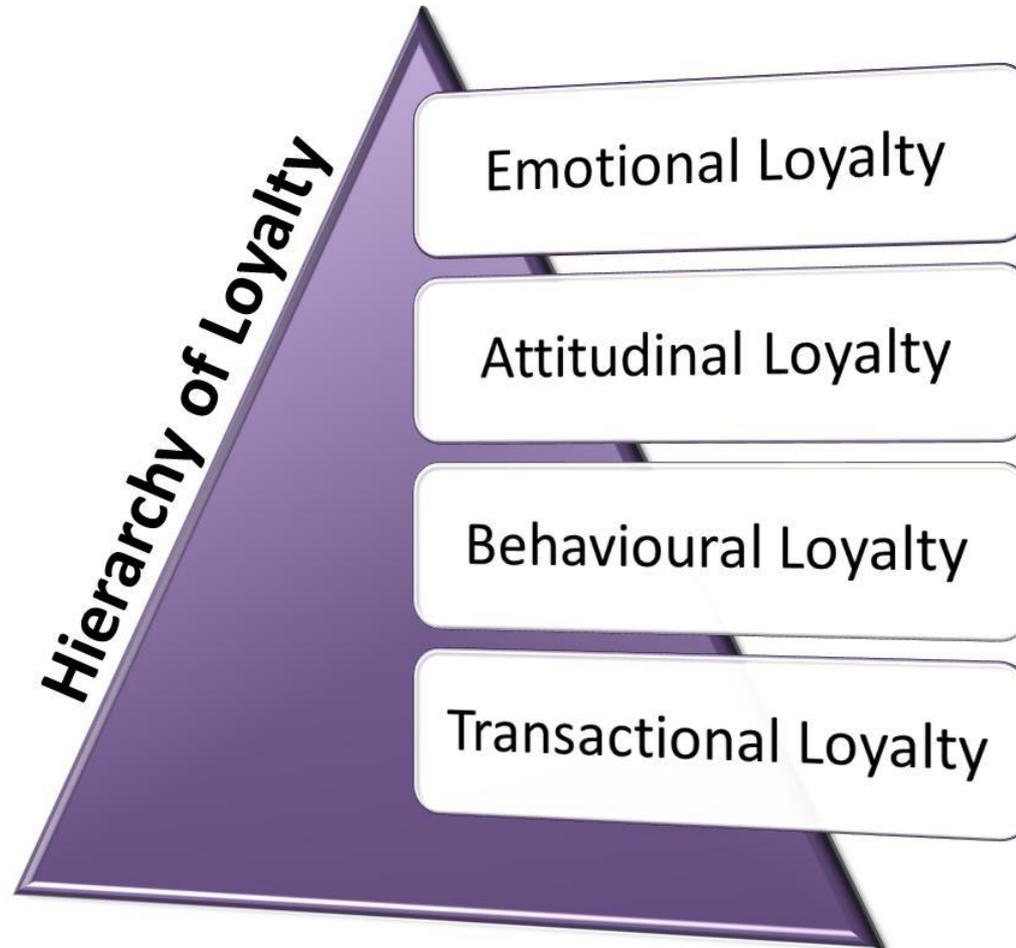
87%
“Satisfied :
Beginning of
Interview”

Pre

87%
“Satisfied :
End of
Interview”

Post

Customer Loyalty:



Customer Loyalty:



23%

Secure



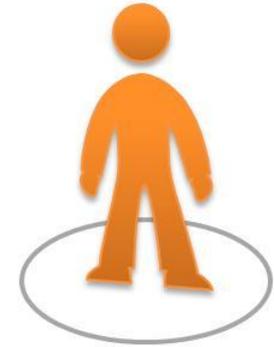
8%

Still favorable



59%

Indifferent



10%

At Risk

| Loyalty Factor | | | |
|-----------------|-----------------|----------|---------|
| | North Bay Hydro | National | Ontario |
| Secure | 23% | 20% | 17% |
| Still Favorable | 8% | 11% | 10% |
| Indifferent | 59% | 56% | 57% |
| At Risk | 10% | 13% | 17% |

Base: total respondents

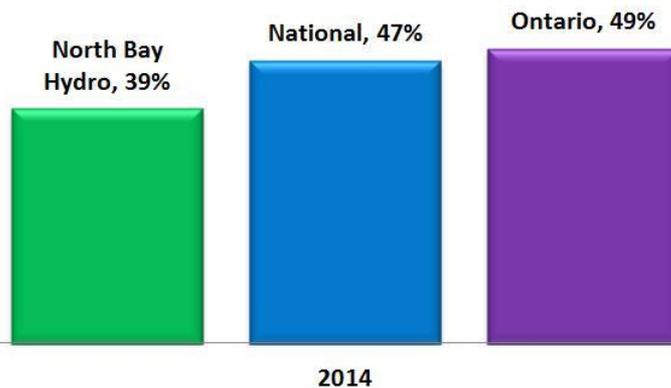
Outage Problems (last 12 months)

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months

| | North Bay Hydro | National | Ontario |
|------|-----------------|----------|---------|
| 2014 | 39% | 47% | 49% |
| 2013 | - | 41% | 35% |
| 2012 | - | 44% | 46% |
| 2011 | - | 43% | 43% |
| 2010 | - | 45% | 41% |

Base: total respondents/ (-) not a participant of the survey year

Blackout or Outage Problems in the last 12 months



“Quickly handles outages and restores power”

89%

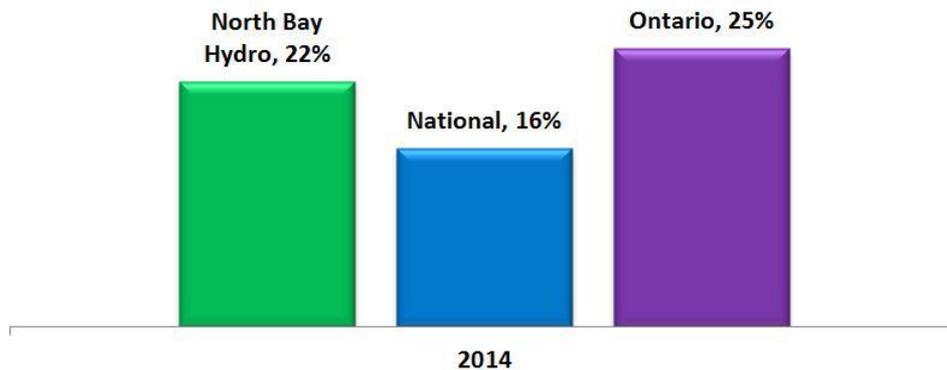
Billing Problems (last 12 months)

Percentage of Respondents indicating that they had a Billing problem in the last 12 months

| | North Bay Hydro | National | Ontario |
|------|-----------------|----------|---------|
| 2014 | 22% | 16% | 25% |
| 2013 | - | 8% | 10% |
| 2012 | - | 12% | 13% |
| 2011 | - | 10% | 16% |
| 2010 | - | 10% | 12% |

Base: total respondents/ (-) not a participant of the survey year

Billing Problems in the last 12 months



“...the utility has accurate billing...”

84%

Types of billing problems:

| North Bay Hydro | |
|---|-----|
| The amount owed was too high | 59% |
| Complaint about rates or charges | 22% |
| Notice to terminate electricity | 8% |
| The payment made was recorded incorrectly | 6% |
| The bill arrived late | 6% |
| The bill was difficult to understand | 4% |

Base: total respondents with billing problems



“[2010] % of billing problems from all Ontario respondents described as “high bills” ...”

41%

Preferred Method of Contact:



Overall 2014

Method used to contact electric utility about a problem (in past 12 months)

| Telephone | E-mail | Website | Twitter | In person | Other | Don't know |
|-----------|--------|---------|---------|-----------|-------|------------|
| 88% | 3% | 1% | 0% | 3% | 3% | 1% |

Base: data from the full 2014 database

Overall 2014

Preferred method to contact electric utility about an unplanned outage problem

| Telephone | E-mail | Website | Twitter | In person | Other | Don't know |
|-----------|--------|---------|---------|-----------|-------|------------|
| 82% | 2% | 2% | 1% | 1% | 1% | 11% |

Supplemental Question:
Base: data from the full 2014 database

Overall 2014
Preferred method of contact
during the ICE STORM:
87% telephone

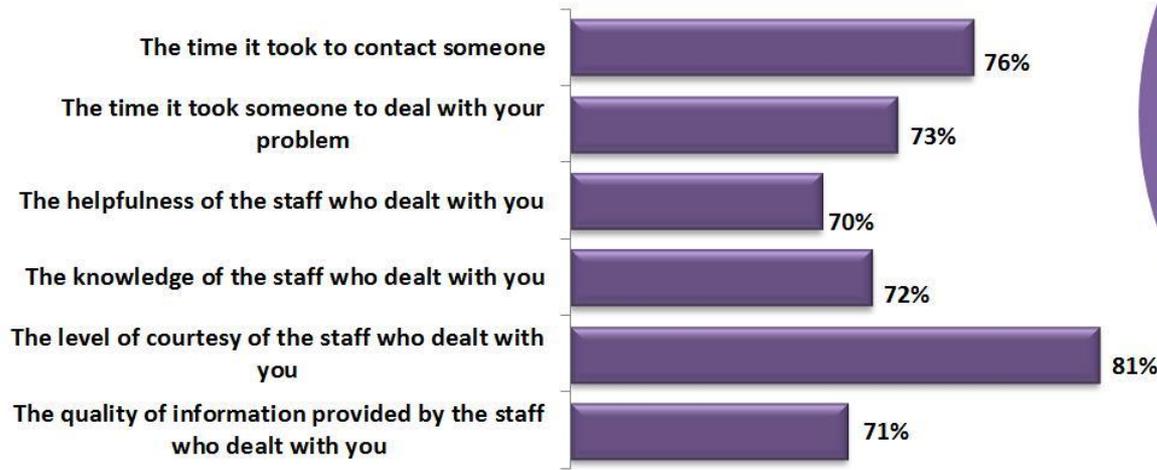


Customer Service:

| Customer Service Expectations | North Bay Hydro | National | Ontario |
|---|-----------------|----------|---------|
| The time it took to contact someone | 76% | 73% | 67% |
| The time it took someone to deal with your problem | 73% | 70% | 57% |
| The helpfulness of the staff who dealt with you | 70% | 74% | 65% |
| The knowledge of the staff who dealt with you | 72% | 69% | 61% |
| The level of courtesy of the staff who dealt with you | 81% | 82% | 75% |
| The quality of information provided by the staff who dealt with you | 71% | 69% | 59% |

Base: total respondents

Customer Service



“Deals professionally with customers’ problems...”

82%

Recent Experience: Satisfaction

Overall satisfaction with most recent experience

| | North Bay Hydro | National | Ontario |
|--|-----------------|----------|---------|
| Top 2 Boxes: 'very + fairly satisfied' | 67% | 75% | 62% |

Base: total respondents



“Quickly deals with issues that affect customers...”

80%

Problem Solved:

Percentage of Respondents who had problems and attempted to contact their utility

| | North Bay Hydro | National | Ontario |
|------------------|-----------------|----------|---------|
| Outage problems | 22% | 38% | 32% |
| Billing problems | 37% | 48% | 43% |

Base: total respondents with billing or outage problems

North Bay Hydro

64%
Solved

National

69%
Solved

Ontario

61%
Solved

PROBLEM SOLVED!

CEPr: Customer Experience Performance rating

Customer Experience Performance rating (CEPr)

| | North Bay Hydro | National | Ontario |
|------|-----------------|----------|---------|
| CEPr | 84% | 82% | 79% |

Base: total respondents



Customer Service Quality:

Attributes strongly linked to a customer's perception of Service Quality

| | North Bay Hydro | National | Ontario |
|--|-----------------|----------|---------|
| Deals professionally with customers' problems | 82% | 82% | 78% |
| Pro-active in communicating changes and issues affecting Customers | 79% | 74% | 73% |
| Quickly deals with issues that affect Customers | 80% | 79% | 74% |
| Customer –focused and treats customers as if they're valued | 77% | 74% | 72% |
| Is a company that is 'easy to do business with' | 82% | 79% | 75% |
| Cost of electricity is reasonable when compared to other utilities | 60% | 60% | 55% |
| Provides good value for money | 67% | 67% | 63% |
| Delivers on its service commitments to customers | 85% | 84% | 82% |

Base: total respondents with an opinion



Management Operations

Attributes strongly linked to a customer's perception of operations excellence

| | North Bay Hydro | National | Ontario |
|---|-----------------|----------|---------|
| Provides consistent, reliable electricity | 91% | 89% | 86% |
| Quickly handles outages and restores power | 89% | 86% | 83% |
| Makes electricity safety a top priority for employees and contractors | 90% | 89% | 87% |
| Operates a cost effective electricity system | 73% | 69% | 62% |
| Overall the utility provides excellent quality services | 85% | 83% | 80% |

Base: total respondents with an opinion

**“... Continue
with the local
utility ...”**

81%

Report Card: A

| North Bay Hydro's UtilityPULSE Report Card® | | | |
|---|-------------------------------|-----------------|-----------|
| Category | | North Bay Hydro | Ontario |
| 1 | Customer Care | B+ | B |
| | Price and Value | B | C+ |
| | Customer Service | A | B |
| 2 | Company Image | A | B+ |
| | Company Leadership | A | B+ |
| | Corporate Stewardship | A | B+ |
| 3 | Management Operations | A | A |
| | Operational Effectiveness | A | B+ |
| | Power Quality and Reliability | A+ | A |
| OVERALL | | A | B+ |

“B+... Customer Care”

“A ... Company Image”

“A ... Management Operations”

Corporate Image:

Attributes strongly linked to a hydro utility's image

| | North Bay Hydro | National | Ontario |
|---|-----------------|----------|---------|
| Is a respected company in the community | 85% | 81% | 78% |
| A leader in promoting energy conservation | 82% | 78% | 77% |
| Keeps its promises to customers and the community | 82% | 79% | 76% |
| Is a socially responsible company | 84% | 78% | 77% |
| Is a trusted and trustworthy company | 85% | 82% | 77% |
| Adapts well to changes in customer expectations | 73% | 71% | 68% |
| Is 'easy to do business with' | 82% | 79% | 75% |
| Provides good value for your money | 67% | 67% | 63% |
| Overall the utility provides excellent quality services | 85% | 83% | 80% |
| Operates a cost effective hydro-electric system | 73% | 69% | 62% |

Base: total respondents with an opinion



Paying for electricity:

Is paying for electricity a worry or a major problem?

| | North Bay Hydro | National | Ontario |
|-----------------------------|-----------------|----------|---------|
| Not really a worry | 59% | 69% | 59% |
| Sometimes I worry | 29% | 20% | 26% |
| Often it is a major problem | 7% | 7% | 11% |
| Depends | 4% | 3% | 2% |

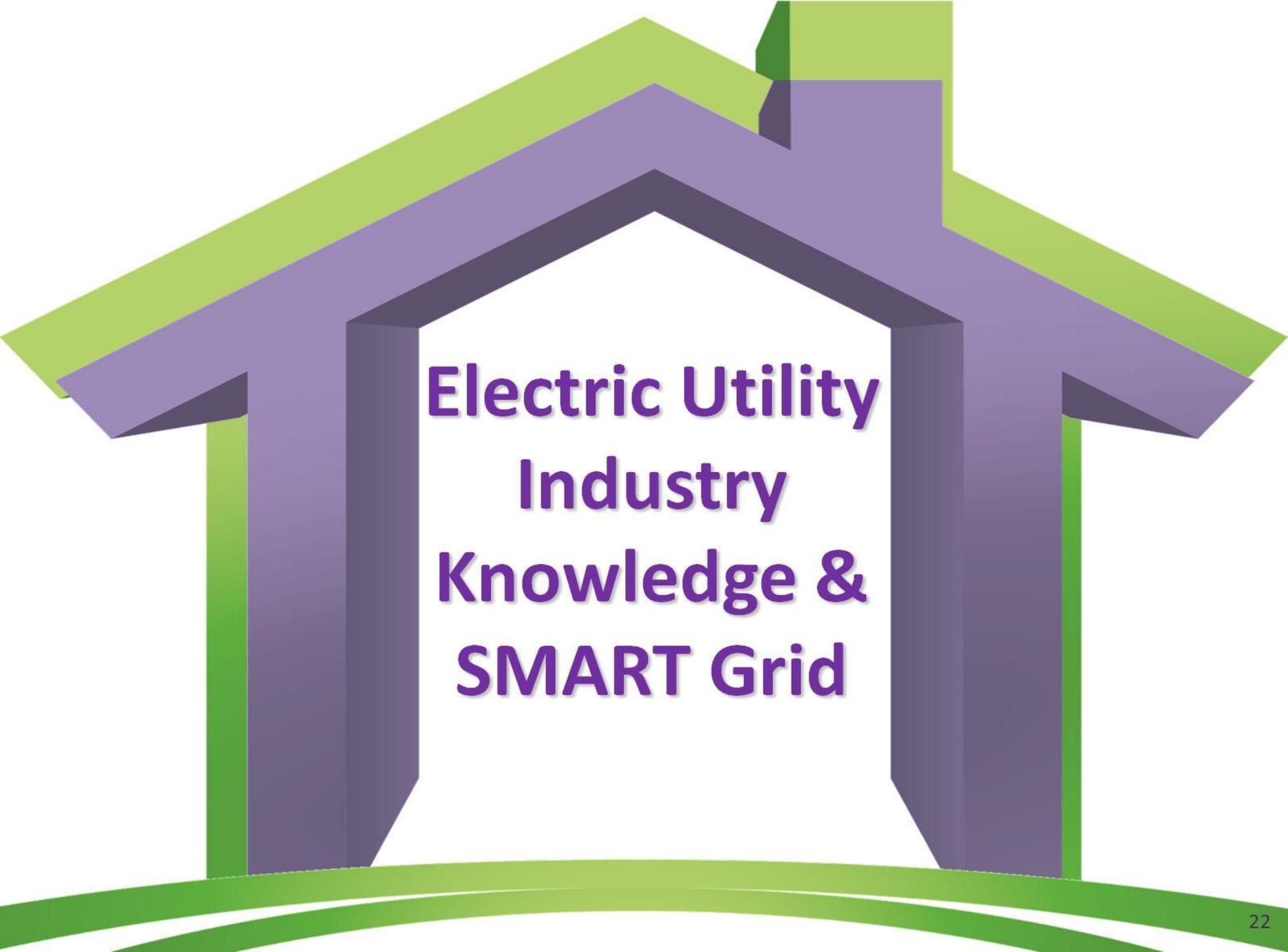
Base: total respondents

% of billing complaints described as “Amount owed was too high...”

59%

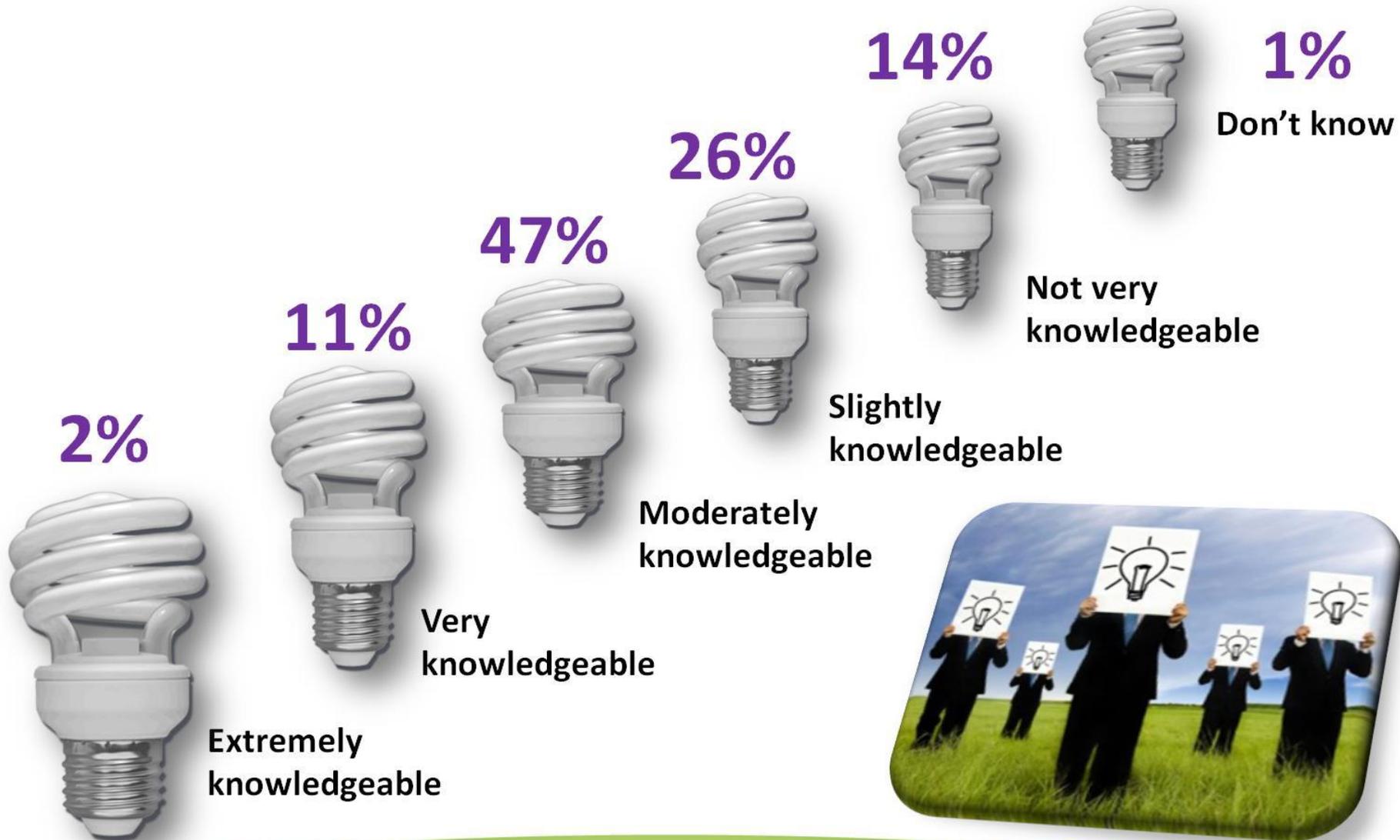


Supplemental Questions

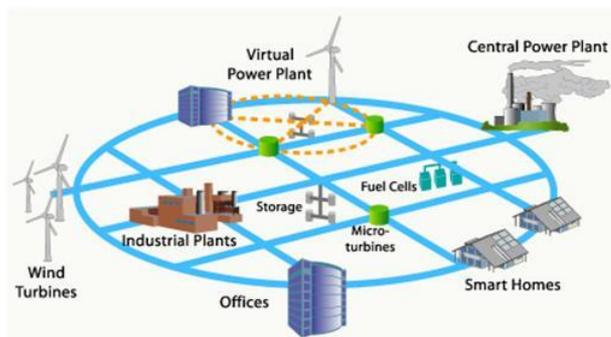
A stylized graphic of a house with a purple roof and walls, and green accents. The house is centered on the page. The text is written in a bold, purple, sans-serif font inside the house's opening.

**Electric Utility
Industry
Knowledge &
SMART Grid**

Electric Utility Industry Knowledge:



SMART Grid:



9%

I have a fairly good understanding of what it is and how it might benefit homes and businesses

25%

I have a basic understanding of what it is and how it might work

36%

I've heard of the term, but don't know much about it

29%

I have not heard of the term

1%

Don't know

A stylized graphic of a house with a purple roof and walls, and green accents. The house is composed of several overlapping layers, creating a 3D effect. The roof is a light green color, while the walls and pillars are a darker purple. The house is set against a white background with a green curved line at the bottom representing a lawn or ground.

Consumer Energy Use Behaviour

Efforts to reduce consumption:

Level of Activity in trying to reduce electricity consumption

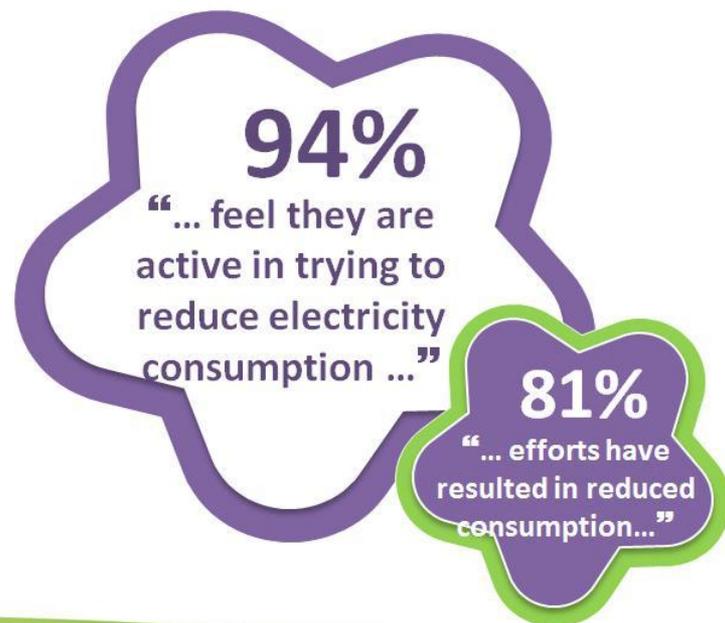
| | Ontario |
|-------------------------------|---------|
| Very active | 52% |
| Somewhat active | 42% |
| Neither proactive or inactive | 0% |
| Not active | 2% |
| Not very active | 3% |

Base: total respondents from 2014 Ontario Benchmark Survey

Active efforts have reduced energy consumption



Base: total respondents from 2014 Ontario Benchmark survey who have been active in trying to reduce energy consumption



Efforts to reduce consumption:

Estimate of percentage reduction in consumption

| | Ontario |
|---------------|---------|
| 1 – 2 % | 5% |
| 3 – 5 % | 10% |
| 6 – 8 % | 4% |
| 9 – 10 % | 15% |
| More than 10% | 44% |
| Don't know | 21% |

Base: total respondents from 2014 Ontario Benchmark survey whose active efforts have reduced consumption

Efforts to conserve have translated into savings on your electricity bill



Base: total respondents from 2014 Ontario Benchmark survey whose active efforts have reduced consumption



A stylized graphic of a house with a purple roof and walls, and green accents. The house is centered on the page. The text "Energy Conservation & Efficiency" is written in purple inside the house's opening.

**Energy
Conservation
& Efficiency**

Energy Conservation:

Efforts to conserve energy

| Ontario LDCs | Yes | No | Already Done | Don't Know |
|--|-----|-----|--------------|------------|
| Install energy-efficient light bulbs or lighting equipment | 19% | 9% | 70% | 1% |
| Install timers on lights or equipment | 12% | 50% | 35% | 2% |
| Shift use of electricity to lower cost periods | 22% | 17% | 58% | 3% |
| Install window blinds or awnings | 12% | 27% | 60% | 2% |
| Install a programmable thermostat | 13% | 25% | 60% | 2% |
| Have an energy expert conduct an energy audit | 9% | 71% | 16% | 4% |
| Removing old refrigerator or freezer for free | 14% | 44% | 38% | 4% |
| Join the peaksaverPLUS™ program | 15% | 49% | 21% | 16% |
| Replacing furnace with a high efficiency model | 12% | 33% | 52% | 4% |
| Replacing air-conditioner with a high efficiency model | 14% | 38% | 44% | 4% |
| Use a coupon to purchase qualified energy saving products | 35% | 39% | 22% | 5% |

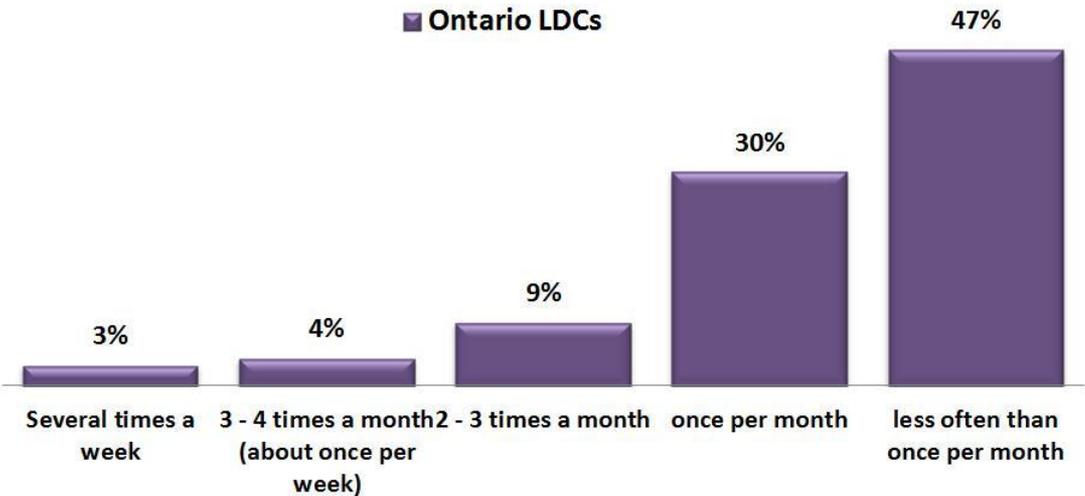


A stylized graphic of a house with a purple roof and walls, and green accents. The house is composed of several overlapping layers, creating a 3D effect. The roof is a light green, the walls are a medium purple, and the base is a darker green. The text "E-Care" is centered within the house's opening.

E-Care

Internet Access and use:

Frequency of accessing the utility's website



29%
“... accessed the local utility website in the past 6 months ...”

87%
“... have access to the internet...”

Using internet for Customer Care:

Likelihood of using the internet for future customer care needs for things such as:

| Top 2 Boxes: 'very + somewhat likely' | Ontario LDCs |
|---|--------------|
| Setting up a new account | 31% |
| Arranging a move | 38% |
| Accessing information about your bill | 55% |
| Accessing information about your electricity usage | 54% |
| Accessing energy saving tips and advice | 45% |
| Accessing information about Time Of Use rates | 51% |
| Maintaining information about your account or preferences | 51% |
| Paying your bill through the utility's website | 32% |
| Getting information about power outages | 47% |
| Arranging for service | 40% |

“...setting up a new account...”

31%



**Priority
Investments**

Priority Investments

Likelihood of using the internet for future customer care needs for things such as:

| Top 2 Boxes: 'Very High priority + High priority' | North Bay Hydro |
|--|-----------------|
| Investing more in the electricity grid to reduce the number of outages | 68% |
| Burying overhead wires | 55% |
| Developing a smart phone application | 28% |
| Maintaining and upgrading equipment | 79% |
| Providing sponsorships to local community causes | 43% |
| Making better use of social media | 22% |
| Providing more self-serve services on the website | 29% |
| Educating customers about energy conservation | 75% |
| Reducing the time needed to restore power | 77% |
| Investing more in tree trimming | 58% |



Service
improvement
suggestion
“...better
maintenance...”

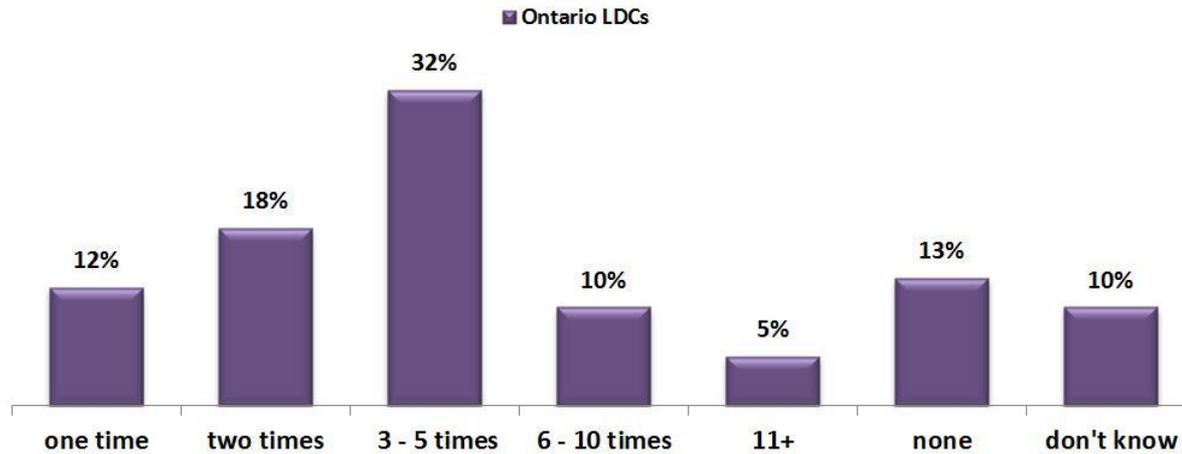
14%



**Outage
Communications**

Number of Unplanned Outages:

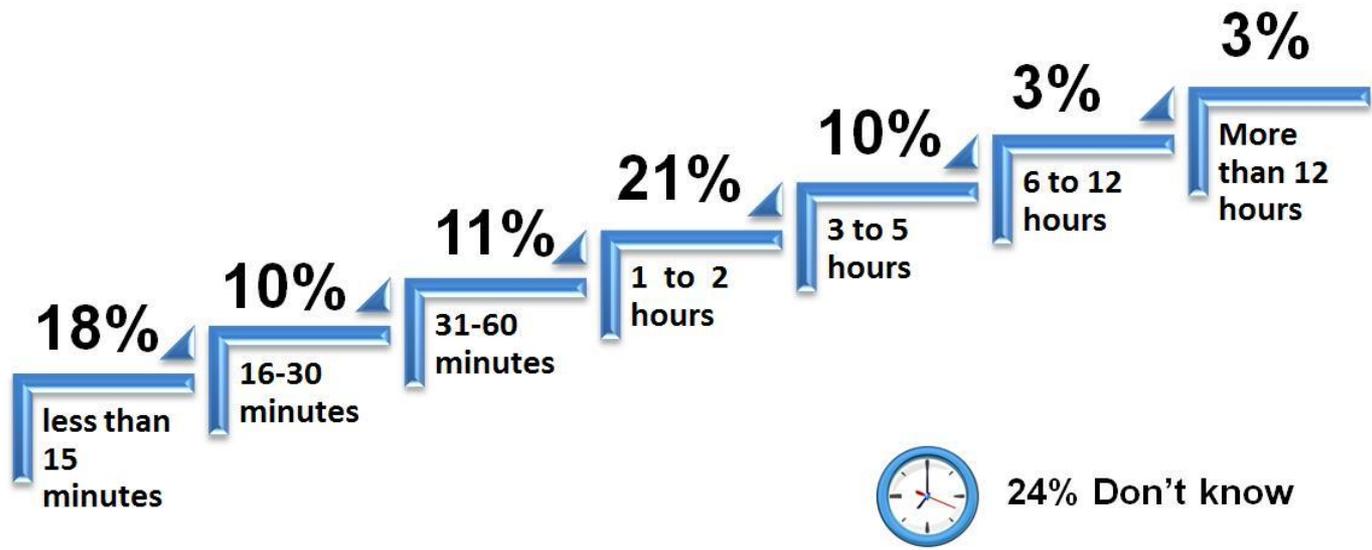
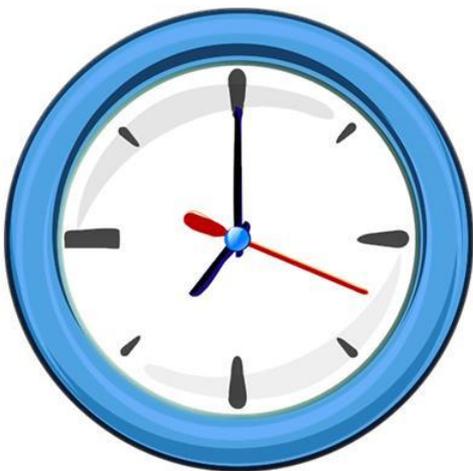
Number of unplanned outages last 12 months



“3-5 times in the past 12 months...”

32%

Duration of Unplanned Outages:



Effectiveness during an unplanned outage

Utility's effectiveness during an unplanned outage

| Top 2 Boxes: 'Very effective + Somewhat effective' | North Bay Hydro |
|--|-----------------|
| Responding to questions | 69% |
| Providing a reason for the outage | 67% |
| Providing an estimate when power will be restored | 74% |
| Responding to the power outage | 88% |
| Restoring power quickly | 90% |
| Communicating updates periodically | 71% |
| Posting information to the website | 32% |
| Using media channels for providing updates | 59% |

“...providing an estimate when power will be restored...”

74%

A stylized graphic of a house with a purple roof and green walls. The house is centered on the page. Inside the house, the text "ICE STORM 2013" is written in a purple, blocky font with white icicles hanging from the letters.

**ICE
STORM
2013**

Duration of Ice Storm Outage:



Ontario LDCs
Length of outage (during Ice Storm 2013)

| Less than 2 hours | 2 – 4 hours | 4+ hours or ½ day | 12-18 hours or ½ - ¾ day | 19-24 hours or 1 day | 1 to 1.5 days | 1.6 to 2 days | More than 2 days |
|-------------------|-------------|-------------------|--------------------------|----------------------|---------------|---------------|------------------|
| 21% | 19% | 20% | 8% | 5% | 5% | 4% | 7% |

Acceptable period of time for an Outage during extreme conditions:

| | |
|--|-----|
| •None (the power shouldn't be going out) | 7% |
| •Less than 2 hours | 11% |
| •2 - 4 hours | 17% |
| •4+ hours or 1/2 day | 16% |
| •12 - 18 hours or 1/2 day to 3/4 day | 7% |
| •19 - 24 hours or 1 day | 10% |
| •1 to 1.5 days | 5% |
| •1 .6 to 2 days | 5% |
| •More than 2 days | 4% |



A stylized graphic of a house. The roof is a wide, light green triangle. The walls are a darker purple, and the base is a green arch. The text "More Results" is centered in the white space of the house.

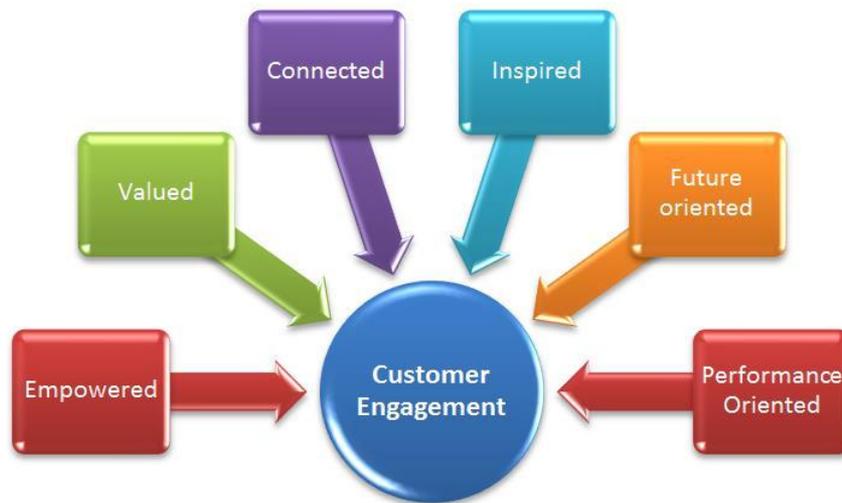
**More
Results**

CCEI: Customer Centric Engagement Index

Customer Centric Engagement Index (CCEI)

| | North Bay Hydro | National | Ontario |
|------|-----------------|----------|---------|
| CCEI | 80% | 79% | 76% |

Base: total respondents



“CCEI: Customer Centric Engagement Index...”

80%

Service Improvements:

49%

Better prices/ lower rates

2014

we are interested in knowing what you think are the one or two most important things 'your local utility' could do or fix to improve service to their customers?

11%

Improve reliability of power

14%

Better maintenance

Marketing Communications:

It is about building confidence in the utility that it is successful today and will be successful again tomorrow ... in a changed world

| | North Bay Hydro | National | Ontario |
|--|-----------------|----------|---------|
| Topics that require more pro-active communication | | | |
| Cost of electricity is reasonable when compared to other utilities | 60% | 60% | 55% |
| Provides information to help customers reduce electricity costs | 79% | 77% | 75% |
| Adapts well to changes in customer expectations | 73% | 71% | 68% |
| Operates a cost effective hydro-electric system | 73% | 69% | 62% |
| Provides good value for money | 67% | 67% | 63% |
| Topics that your utility scores very well on | | | |
| Is a trusted and trustworthy company | 85% | 82% | 77% |
| Respected company in the community | 85% | 81% | 78% |
| Accurate billing | 84% | 83% | 77% |
| Overall the utility provides excellent quality services | 85% | 83% | 80% |
| Provides consistent, reliable energy | 91% | 89% | 86% |

Base: total respondents with an opinion



Hydro Results Snapshot:

Ontario Benchmark

North Bay Hydro

| | | |
|-----|------------|--|
| 77% | 82% | Credibility and Trust rating |
| 83% | 87% | Customer Satisfaction |
| 25% | 22% | Billing problems |
| 61% | 64% | Problems Solved |
| 79% | 84% | CEPr: Customer Experience Performance rating |
| 86% | 91% | Provides reliable electricity |
| 83% | 89% | Quickly restores power |
| 87% | 90% | Electricity safety is a top priority |
| 62% | 73% | Operates a cost effective electricity system |
| 80% | 85% | Overall the utility provides excellent quality services |
| 77% | 82% | Leader in promoting energy conservation |
| 63% | 67% | Provides good value |
| 76% | 80% | CCEI: Customer Centric Engagement Index |
| 17% | 23% | Loyalty: Secure customers |
| B+ | A | Report Card |



UtilityPULSE
16th Annual Electric Utility
Customer Satisfaction Survey



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For customer, employee or organization culture surveys,
your personal contact is:
Sid Ridgley

Phone: (905) 895-7900 Fax: (905) 905-895-7970
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16th Annual Electric Utility Customer Satisfaction Survey



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1 **Appendix 1-A.7 INNOVATIVE Customer Engagement Report**

2



Innovative Research Group, Inc.

Toronto • Vancouver

Customer Consultation Report

2015 Application Review

November 2014

Prepared for:

North Bay Hydro Distribution Limited
PO Box 3240
North Bay, Ontario
P1B 8Y5



Customer Consultation Report

2015 Application Review

November 2014

This report has been prepared by Innovative Research Group Inc. (INNOVATIVE) for North Bay Hydro Distribution Limited (North Bay Hydro).

The conclusions drawn and opinions expressed are those of the authors.

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Table of Contents

| | |
|---|-----------|
| Introduction | 1 |
| About this Consultation..... | 1 |
| Customer Consultation Overview | 2 |
| Workbook Development | 3 |
| Executive Summary..... | 5 |
| Customer Needs & Preference | 5 |
| Continued delivery of high quality services..... | 5 |
| Reliability of service..... | 6 |
| Affordable electricity costs..... | 7 |
| Assistance to reduce consumption and thereby costs | 8 |
| Communications through a variety of media including phone, internet, social media, in-person and email .. | 8 |
| Business to be customer centric including timely service that solves their problems | 8 |
| Professional interactions with highly skilled and experienced personnel..... | 8 |
| Proactive communications when there are unplanned outages..... | 9 |
| Customer Reaction to Rate Impacts | 9 |
| Workbook-based Facilitated Discussion | 11 |
| Summary | 11 |
| Methodology | 13 |
| About the General Service and Residential Customer Consultation | 13 |
| Recruiting Consultation Participants | 13 |
| Consultation Session Structure..... | 13 |
| Informing the Consultation Process..... | 14 |
| Participant Feedback..... | 14 |
| Consultation Sessions..... | 14 |
| General Service under 50 kW Rate Class | 14 |
| Residential Rate Class | 16 |
| Questionnaire Results (Workbook)..... | 18 |
| Customer Telephone Surveys..... | 22 |
| Summary | 22 |
| Methodology | 23 |
| Figure A: Residential Customer Profile | 26 |
| Figure B: GS Customer Profile | 27 |
| Respondent Feedback | 28 |

| | |
|--|-----------|
| Familiarity and Satisfaction | 28 |
| Figure RS.1: Familiarity with the Local Distribution System | 29 |
| Figure GS.1: Familiarity with the Local Distribution System..... | 30 |
| Figure RS.2: Satisfaction with North Bay Hydro | 31 |
| Figure GS.2: Satisfaction with North Bay Hydro | 32 |
| Figure RS/GS.3: How to Improve Service..... | 33 |
| Figure RS/GS.4: Knowledge of Ownership..... | 34 |
| Electricity Bill Knowledge | 35 |
| Figure RS.5: Familiarity with Share of Bill Going to North Bay Hydro | 36 |
| Figure GS.5: Familiarity with Share of Bill Going to North Bay Hydro | 37 |
| System Reliability | 38 |
| Figure RS.6: Power Service Interruptions | 39 |
| Figure GS.6: Power Service Interruptions..... | 40 |
| Figure RS.7: Length of Power Outages | 41 |
| Figure GS.7: Length of Power Outages | 42 |
| Figure RS.8: Inconvenience of Outages | 43 |
| Figure GS.8: Commercial Cost of Outages | 44 |
| Figure RS.9: Addressing the Frequency of Service Outages | 45 |
| Figure GS.9: Addressing the Frequency of Service Outages | 46 |
| Figure RS.10: Addressing the Duration of Service Outages | 47 |
| Figure GS.10: Addressing the Duration of Service Outages..... | 48 |
| System Challenges & Priorities | 49 |
| Figure RS.11: Investment in Aging Infrastructure..... | 51 |
| Figure GS.11: Investment in Aging Infrastructure | 52 |
| Figure RS.12: Investment in Equipment and Tools..... | 53 |
| Figure GS.12: Investment in Equipment and Tools | 54 |
| Figure RS.13: Budgeting for Labour Costs Increase | 56 |
| Figure GS.13: Budgeting for Labour Costs Increase..... | 57 |
| Figure RS.14: Vegetation Management Policy | 58 |
| Figure GS.14: Vegetation Management Policy | 59 |
| Reaction to Previous Customer Consultation Input | 60 |
| Figure RS.15: Reaction to Customer Input | 61 |
| Figure GS.15: Reaction to Customer Input | 63 |
| Assessment of Plan | 64 |
| Figure RS.16 - Acceptance of Rate Increase | 67 |

| | |
|---|---------------|
| Figure GS.16 - Acceptance of Rate Increase | 68 |
| Figure RS.17 - Financial Flexibility and Level of Acceptance..... | 69 |
| Figure GS.17 - Financial Flexibility and Level of Acceptance | 70 |
| Figure RS.18 – Opinion on Proposed Rate Increase | 71 |
| Figure GS.18 – Opinion on Proposed Rate Increase | 72 |
| Survey Instruments | 73 |
| Residential Survey Instrument | 73 |
| General Service Survey Instrument | 87 |
|
Workbook Appendix: North Bay Hydro’s 2015 Application Review |
99 |

Introduction

About this Consultation

Innovative Research Group Inc. (INNOVATIVE) has been commissioned by North Bay Hydro to help the utility design, collect feedback and document its customer engagement and consultation process as part of the development of North Bay Hydro's 2015 Application Review, which incorporated both capital infrastructure and operational plans.

North Bay Hydro's 2015 Application Review is a key element of its next distribution rate application. The outcome of this application will determine North Bay Hydro's electricity distribution rates for next year – beginning May 2015 through to April 2016 – and will help set the pace for spending over the next 5 years.

The OEB's new "consumer-centric" approach to rate applications contained in the *Renewed Regulatory Framework for Electricity (RRFE)* requires LDCs to demonstrate services are provided in a manner that responds to identified customer needs and preferences¹. Distributors are required to provide an overview of customer engagement activities that they have undertaken with respect to its plans and how customer needs and preferences have been reflected in the distributor's application. This initiative sought to bring customers directly into the process of finding the right balance between cost and reliability in North Bay Hydro's 2015 Application Review.

This process of identifying and reacting to customer needs and preferences towards North Bay Hydro's system plan development and execution, as it relates to rate applications, is new to all of Ontario's LDCs. There are no established practices and there are a number of options available to engage with customers. The following section explains how we approached this engagement.

Approach to Meaningful Customer Engagement

It is our experience at INNOVATIVE that engaging customers in meaningful consultation can be a challenge. The reality of most consultation processes is that they start out aiming to collect the views of the average person, but end up collecting the views of organized advocacy groups.

Many customers feel they don't know enough to contribute to a public consultation. Others fear the combative nature of some public processes or prefer not to risk offending friends and neighbours by taking positions on issues that are sometimes controversial. Moreover, many customers simply do not pay attention and remain unaware of particular consultations that they would participate in if they had have been aware.

Running a consultation on the North Bay Hydro's 2015 Application Review has an additional challenge – the lack of familiarity with the distribution system; including how it is funded, regulated and the nature

¹ OEB Renewed Regulatory Framework for Electricity Sections 2.4.2, 5.0, and 5.0.4.

of its challenges. This is well documented in Ontario Energy Board research and in INNOVATIVE's own experience.

Considering both the challenge of engaging a representative group of customers and the challenge of lack of knowledge, we developed a process built on three key principles:

1. Use random-sampling research elements to ensure a representative sample of customers are engaged.
2. Focus on fundamental value choices. Look for questions that ask people to choose between key outcomes rather than focus on the technical questions of how to reach those outcomes.
3. Create an opportunity for the public to learn the basics of the distribution system so they can provide a more informed point of view.

Customer Consultation Overview

Based on the principles outline above, INNOVATIVE worked with North Bay Hydro staff to design a multifaceted customer engagement program which included a combination of qualitative and quantitative research elements. This consultation was designed to engage various rate classes and collect feedback on preferences and priorities as they relate North Bay Hydro's 2015 Application Review.

The consultation encompassed two core elements of customer engagement.

1. **General Service and Residential Consultation Groups:** This qualitative phase of the consultation was designed to educate customers, assess their preferences and priorities, gauge reaction to proposed rate changes, and ultimately inform the quantitative phases of the consultation. The groups were randomly recruited and held in North Bay. A workbook was used to provide the participants with core information customers about both the provincial and local electricity system, North Bay Hydro's proposed capital investment and operating spend to maintain system reliability, as well as the rate impact for each respective rate classes. Participants were provided incentives in recognition of their time commitment.
2. **Random Telephone Surveys:** INNOVATIVE conducted telephone surveys with residential and general service (GS < 50kW) customers to provide a quantitative assessment of key aspects of the system plan. Customer lists for both respondent groups were provided by North Bay Hydro and the sample was randomly-selected by INNOVATIVE.

There were three stages in developing and implementing this consultation:

- **Think:** The first stage was to develop the core background material and key questions for the workbook. INNOVATIVE and North Bay Hydro worked together to review the utilities system plan, capital investments and OM&A spending. Potential questions were identified that would allow customers to share their needs and preferences. Then a workbook was developed that would provide the information needed to allow customers with varying levels of knowledge to find answers to those questions.

- **Identify:** The second step was to find out the range of views held by the public regarding the system plan through the more qualitative elements of the process. This included a series of customer discussion groups using randomly recruited samples of residential and GS customers.
- **Quantify:** The third step was quantitative – a randomly recruited telephone surveys of residential and GS customers. Randomly recruited surveys allow for generalizable conclusions that can be applied to the broader population of North Bay Hydro customers. The surveys were developed based on the feedback from the qualitative research.



Workbook Development

As we noted earlier, a key challenge in getting customer feedback on North Bay Hydro's rate application is the lack of knowledge customers have toward Ontario's electricity system and North Bay Hydro's role as the local distributor within the system. North Bay Hydro's proposed distribution system plan, capital investment plan and OM&A budget are all very detailed and extensive documents that uses technical language. Our challenge was to briefly cover these key issues and frame meaningful questions about customer needs and preferences.

The process of developing the consultation workbook began in the summer of 2014. The workbook was divided into key sections that explained North Bay Hydro's electric system, the challenges facing the system, and how North Bay Hydro intended to meet those challenges over time.

The final consultation workbook had five distinct chapters:

1. **What is this Consultation About?** the purpose of the discussion, where the discussion fits in the context of electricity planning in Ontario.
2. **Electricity 101:** how the overall system works and the players involved in operating and regulating the system as it relates to North Bay Hydro's customers.
3. **North Bay Hydro's Grid Today:** a discussion of the structure and key elements of North Bay Hydro's distribution system.
4. **Cost Pressures:** a discussion of the various challenges facing North Bay Hydro's distribution system and an overview of recent and current initiatives to manage the challenges.
5. **What the Plan Means for You:** A section covering the level of planned spending for 2015 by capital investments and OM&A, the expected impact on rates and feedback on priorities, pacing and overall reaction.

Although the proficiency of customers varied, the same basic workbook was used in all qualitative customer engagements. The references to bill impact were varied to reflect the details of that specific rate class (either residential or GS less than 50 kW). As the customer went through the consultation workbook they were prompted with questions relating to system reliability, system challenges, and preferences on the direction of North Bay Hydro's proposed system plan, capital investment and operating spend.

Another key element of the workbook was the questions. In developing the questions, we looked for those that could also work on the telephone, without requiring all of the information in the workbook.

The needs questions were the easiest. We started with a basic satisfaction question and then asked an open-ended question about how North Bay Hydro could improve its services. We let customers discuss whatever topics they wanted to with no boundaries. Later in the workbook we probed satisfaction with the number and duration of routine outages and probed the impacts of those outages.

Preferences took a bit more thinking. We were looking for value choices rather than technical issues. Key topics for preferences included:

- What are acceptable outcomes for the number and duration of outages?
- Whether North Bay Hydro had the balance right in its spending priorities and which areas should have more or less priority?
- Whether North Bay Hydro's goals are too high, too low or about right with probes for which are too high and which too low?

The final substantive question asked about the cost of the plan and the outcomes it planned to achieve. Sometimes this questions is asked with a simple support or oppose response scale, but we found that this type of scale does not effectively capture customer responses. Instead, we gave customers three options as well as a "don't know" option:

- The rate increase is reasonable and I support it
- I don't like it, but I think the rate increase is necessary
- The rate increase is unreasonable and I oppose it
- Don't know

The workbook concluded with a final set of five questions to assess the workbook and process itself. The workbooks can be found in the **Appendix** of this report.

Executive Summary

The following section provides the detailed findings on the needs and the preferences of North Bay Hydro’s general service and residential customer base. In this section, we provide a high level overview of North Bay Hydro customers’ needs and preferences.

The overview includes feedback from 18 customers who participated in the *qualitative stage* of the consultation where we explored the range of issues related to North Bay Hydro’s rate application, as well as feedback from another 605 customers who contributed to the quantitative stage where we documented the incidence of needs and preferences across the customer population.

Customer Needs & Preference

Continued delivery of high quality services

Most North Bay Hydro customers are generally quite satisfied with the job the utility does running the electricity distribution system. This pattern was consistent in both phases of the customer consultation.

Overall Satisfaction across Consultation Activities:

| Response | Directional
(Focus Groups) | | Generalizable
(Telephone Surveys) | |
|------------------------------------|-------------------------------|-------------|--------------------------------------|--------------|
| | General Service | Residential | General Service | Residential |
| Very satisfied | 4 | 3 | 35% | 41% |
| Somewhat satisfied | 8 | 3 | 53% | 42% |
| Neither satisfied nor dissatisfied | 0 | 0 | 0 | 2% |
| Somewhat dissatisfied | 0 | 0 | 8% | 8% |
| Very dissatisfied | 0 | 0 | 2% | 5% |
| Don’t know / Refused | 0 | 0 | 2% | 2% |
| TOTAL | n=12 | n=6 | n=100 | n=505 |

When we asked what North Bay Hydro can do better to improve services, comments focused on three major areas:

- Lower rates.
- Removal of TOU and debt retirement charges.
- Improvements to reliability or reduced outages.

This paradox of *lower rates* while seeking *service improvements* is the key dilemma the consultation sought to explore and better understand.

The consultation focused deeper on the question of outages. In the qualitative stage, the workbook provided information about the system's current average level of reliability and sought customer feedback on satisfaction with current levels of reliability.

Reliability of service

The qualitative consultation activities spent additional time exploring the impacts of outages on customers, acceptable frequencies, and durations of outages. Those findings are detailed in the following section, in the qualitative phase of the customer consultation.

The telephone surveys built on the qualitative feedback and asked questions about customer preferences on the trade-off between cost and reliability.

While 85% of residential respondents and 78% of GS respondents experienced at least one power outage in the past 12 months, the overall impact on households and businesses was relatively insignificant. Asking respondents to think back to their most recent power outage:

- 68% of residential respondents said the outage caused a *minor inconvenience*, while 23% said it caused *no inconvenience at all*.
- 31% of GS respondents said the outage caused a *minor cost to their business*, while 54% said it *had barely any costs at all to their business*.

When it comes to system reliability, a majority of residential and GS customers want to see continued spending on upgrades and maintenance.

Regarding frequency of outages:

- Almost one-in-four (23%) residential respondents think North Bay Hydro should spend what is needed to reduce the number of power outages and half (53%) think they should spend what is needed to maintain the current level. Only 14% state that North Bay Hydro should accept more power outages in order to keep customer costs from rising.
- General Service customers respond similarly on how to address the number of outages: 29% think that North Bay Hydro should spend what is needed to reduce the number of power outages and 45% say they should spend what is needed to maintain the current level.

Regarding duration of outages:

- Three-quarters (78%) of residential respondents think North Bay Hydro should spend what is needed to either reduce (26%) or maintain (52%) the duration of power outages. Only one-in-six (16%) think that North Bay Hydro should accept longer power outages to keep costs down.
- Similar proportions of General Service respondents think that North Bay Hydro should spend what is needed to reduce (33%) or maintain (46%) the length of power outages. No significant differences arise within region or consumption.

Survey respondents were informed of North Bay Hydro's proposed capital investment required to maintain system reliability and then asked to think about reliability in terms of bill impact.

- Six-in-ten (59%) residential customers and 37% General Service customers believe that North Bay Hydro should invest in aging infrastructure to maintain system reliability, even if it means their bills may increase.

When informed that up to an estimated 25% of all power outages among North Bay Hydro customers are caused by wire contact with trees, the policy of establishing a 15 foot tree clearance from either side of overhead power lines is supported by a large majority of both residential (82%) and GS (81%) respondents.

However, when it comes to North Bay Hydro's impact on the city's tree canopy, opinions are mixed between residential and GS customers:

- 56% of residential customers and 37% of GS customers disagree with the following statement: *"while North Bay Hydro's policy of tree trimming and tree removal is designed to lower the number of customer power outages, they're going too far in removing the City's tree canopy".*

Affordable electricity costs

It is true that many customers are feeling a "financial pinch" when it comes to their electricity bills. However, just as many customers are able and willing to pay more if that means maintaining system reliability.

When it comes to the impact on household finances and the bottom line, a number of customers indicate that their electricity bill has a significant impact:

- 57% of residential customers agree that *"The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities";*
- While 63% of GS customers agree that *"The cost of my electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being put off."*

Yet, at the same time, when considering the cost of reliable electric service, a majority of customers say they are willing to pay a bit more if that means better service reliability.

- 57% of residential and 52% of GS customers agree that *"I'm [my organization would be] willing to pay a bit more for my electricity if it means better service reliability."*

Furthermore, most claim to be able to pay more for electricity but have concerns about the impact a rate increase will have on others.

- 56% of residential and 63% of GS customers agree that *"I [my organization] can personally afford to pay more for electricity, but I am worried about the impact this will have on others [some of my suppliers and customers]"*.

Finally, when it comes to legacy issues, a large majority support spending more to maintain the local distribution system for future generations.

- 77% of residential and 84% of GS customers agree that *"Nobody likes to pay more for electricity, but I think we have an obligation to maintain the reliability of our local electrical system for future generations."*

Assistance to reduce consumption and thereby costs

It's very clear that customers want to see North Bay Hydro help reduce electricity consumption and costs, as revealed by the quantitative component of the customer consultation:

- 83% of residential and 73% of GS customers agree with the statement: *"I think North Bay Hydro should do more to help customers find ways to reduce their electricity consumption and costs"*.

Communications through a variety of media including phone, internet, social media, in-person and email

While not tested in the quantitative phase of the customer consultation, a number of customers in the qualitative phase of the consultation suggested that North Bay Hydro invest more in communication and the channels they use to reach customers. This was a particularly salient point when it came to communicating during power outages and letting customers know when power would be restored.

Aside from communicating around power outages, there were mixed opinions among customers when it came to levels of customer service and the perceived associated costs. Some customers suggested that North Bay Hydro's call centre should be staffed "24-7", while others argued that they would be unwilling to pay for that level of service.

Ultimately, when it comes to communications with North Bay Hydro, customers placed a lot of value on their time and having the ability to communicate through their preferred channel.

Business to be customer centric including timely service that solves their problems

Again, while not tested specifically in the quantitative consultation phase, there was certainly an observed directional desire for improved planning, timely service, and communications in the qualitative phase of the customer consultation.

Professional interactions with highly skilled and experienced personnel

As noted in the qualitative phase of the consultations, a number of customers expressed a general concern over a perceived trend in the loss of skilled labour from North Bay to southern Ontario and other jurisdictions and questioned if this was having an impact North Bay Hydro and its ability to maintain the local distribution system.

Elements of this sentiment were subsequently tested in the quantitative phase of the consultation:

- Six-in-ten (59%) residential respondents and nearly half (49%) of GS respondents believe that it is important for North Bay Hydro to retain and attract experienced and qualified workers to operate the system by paying a wage that is competitive but within industry benchmarks.
- Furthermore, 55% of residential customers and 56% of GS customers agree with the following statement: *"Skilled hydro workers are sought out throughout North America and Ontario. If North Bay Hydro doesn't pay the people who maintain our local distribution system a competitive salary, we risk losing the most qualified and experienced hydro workers to southern Ontario"*.

It's clear that, in most cases, customers expect the utility to pay a competitive wage to ensure that the system is operated by skilled and experienced personnel.

Proactive communications when there are unplanned outages

It was learned during the qualitative consultation phase that many North Bay Hydro customers – particularly GS customers – place a high premium on proactive communications related to unplanned outages.

While the majority of participants are generally satisfied with the service they receive and find the number of outages to be acceptable – when probed for areas of improvement – many said they would like to see North Bay Hydro provide better communications around power restoration. This is a particularly salient point among GS customers, whose business operations can be seriously affected by power service interruptions. In the event of an outage GS customers need to make decisions based on the information provided by North Bay Hydro to minimize the impact to their bottom-line: i.e. *do they send staff home, cancel a shift of workers, or wait until power is restored?* GS participants suggested that more reliable estimations of when power would be restored, and more communication channels in which to access this information would be helpful.

While improved communications from North Bay Hydro on power restorations was also mentioned by residential customers, the urgency or importance of such process enhancements did not appear as urgent a priority when compared to the GS group.

Customer Reaction to Rate Impacts

Asking people whether they *support* or *oppose* a rate increase puts many participants in a difficult spot. It is clear that many customers have an issue with the idea of “supporting” a rate increase. While they do not *want* or *like* a rate increase, they are often not opposed to a rate increase. In fact, most feel a rate increase is needed. As such, we created a response for these customers: *“I don’t like it, but I think the rate increase is necessary”*.

Other participants had no problem in expressing outright support for a rate increase. The statement we provided for them is *“The rate increase is reasonable and I support it”*.

When we refer to the combination of these two groups – *I don’t like it but it’s necessary* and *I support the rate increase* – we refer to the level of “acceptance”.

Referring to the generalizable results from the telephone surveys, 73% of residential customers accept North Bay Hydro’s proposed rate increase, while 68% of general service customers accept the proposed rate increase. This is in line with the direction observed in subsequent qualitative focus group phase of the customer consultation.

Q: Considering what you know about the local distribution system, which of the following best represents your point of view?

| Response | Directional
(Focus Groups) | | Generalizable
(Telephone Surveys) | |
|---|-------------------------------|-------------|--------------------------------------|-------------|
| | General
Service | Residential | General
Service | Residential |
| The rate increase is reasonable and I support it | 1 | 1 | 20% | 25% |
| I don't like it, but I think the rate increase is necessary | 9 | 3 | 48% | 48% |
| The rate increase is unseasonable and I oppose it | 1 | 0 | 28% | 25% |
| Don't know / Refused | 1 | 2 | 4% | 2% |
| TOTAL | n=12 | n=6 | n=100 | n=505 |

As seen throughout North Bay Hydro's customer consultation, there is no simple answer to electricity utility spending and investing from the customer's perspective. Rate increases are undesirable, but lower reliability is unacceptable and the need to invest in renewal and spend on maintenance of the distribution system is understood and accepted.

As a result, North Bay Hydro customers reluctantly accept the proposed spending plan and its accompanying rate increase as an unfortunate necessity.

Workbook-based Facilitated Discussion

Customer Consultation Groups with RS and GS Customers

PURPOSE: To gain qualitative input/ response to proposed system plan from RS and GS < 50 kWh customers and to feed into survey design

Summary

General Satisfaction:

Overall, every participant was satisfied with the service they receive from North Bay Hydro. Even amid some concerns, two-thirds of Residential Service (RS) customers, and one-third of General Service (GS) customers indicated they were *'very satisfied'* with the service they receive from North Bay Hydro.

System Reliability:

All of the residential participants found the number of outages they experienced in the last 12 months to be acceptable. Only two-in-twelve of General Service customers found them to be unacceptable, of which one customer experienced five outages over the course of a year. One GS customer noted that the number of outages was *'very acceptable'* and that their experience with power interruptions at their business was only ever due to extreme weather events, to which North Bay Hydro had little to no control.

Overall, all GS and residential participants were satisfied with the *reliability* and *quality* of electricity services provided by North Bay Hydro.

Areas for Improvement:

While the majority of participants are generally satisfied with the service they receive and find the number of outages to be acceptable – when probed for areas of improvement – many said they would like to see North Bay Hydro provide better communications around power restoration. This is a particularly salient point among GS customers, whose business operations can be seriously affected by power service interruptions. In the event of an outage, GS customers need to make decisions based on the information provided by North Bay Hydro to minimize the impact to their bottom-line: i.e. do they send staff home, cancel a shift of workers, or wait until power is restored? GS participants suggested that more reliable estimations of when power would be restored, and more communication channels in which to access this information would be helpful.

While improved communications from North Bay Hydro on power restorations was also mentioned by residential customers, the urgency or importance of such process enhancements did not appear as urgent when compared to the GS group.

Billing was another area of concern among a number of GS and residential participants. While out of North Bay Hydro's control, the majority of participants from both groups cited that their electricity bills are unclear in regards to what they were being charged for, and where their money was going.

Furthermore, the multiple bills that many GS customers receive is also a concern that was cited in the discussion groups. These bills come in various intervals that make it difficult to manage; sending all the bills together would be far more convenient from a business perspective.

Some felt that the fee collection practices are too rigid and that they don't take individual circumstances into account. One participant expressed frustration that they were held to the same standards as RS customers (e.g. in terms of "grace amount owing"), even though their situations are incomparable.

Concerns with Plan:

Vegetation management was another common concern. While the RS customers had mixed views on this point, the GS customers were united in their concern for the curb appeal of their properties and the broader community in general. Some expressed criticism that there is not enough care or consideration in implementing the strategic removal of trees. The 15ft rule was cited to be detrimental to an area in which the flora is an integral part of the local ambiance.

Social Acceptance of Plan:

Most participants (14 of 18) accepted North Bay Hydro's plan to increase customer rates by the proposed amount; with two saying they support the proposed rate increase and twelve saying they don't like it, but think it is necessary.

Most felt that North Bay Hydro's proposed plan was well presented. Moreover, most participants in the consultation stated that the evidence provided was satisfactory for them to weigh the benefits between maintained reliability and cost implications. A number of them went on to say that North Bay Hydro appears to be acting proactively and seems to be allocating money where it would have the highest and most effective return. Most would agree that North Bay Hydro is managing cost while meeting customer expectations and keeping rates reasonable.

Q: Considering what you know about the local distribution system, which of the following best represents your point of view?

| Response | RS | GS | COMBINED |
|---|----------|-----------|-----------|
| The rate increase is reasonable and I support it | 1 | 1 | 2 |
| I don't like it, but I think the rate increase is necessary | 3 | 9 | 12 |
| The rate increase is unreasonable and I oppose it | 0 | 1 | 1 |
| Don't know | 1 | 1 | 2 |
| Refused | 1 | 0 | 1 |
| TOTAL | 6 | 12 | 18 |

Methodology

About the General Service and Residential Customer Consultation

INNOVATIVE was engaged by North Bay Hydro to conduct general service and residential customer consultation sessions designed to identify the needs and preferences of consumers as they relate to the utility's proposed spending on the distribution system.

The consultation sessions were held in North Bay on October 9, 2014. A total of 18 general service and residential customers participated in these consultation sessions.

| | |
|--|-----------------|
| General Service under 50 kW Rate Class | 12 participants |
| Residential Rate Class | 6 participants |

Recruiting Consultation Participants

General Service customers in the under 50 kW rate class were randomly selected by telephone from customer lists and screened for appropriateness as session participants. General Service customers qualified for the consultation if they managed or oversaw their business' electricity bill. This was to ensure they were at least somewhat knowledgeable of their electricity costs and could have an informed discussion on the impact of the proposed rate increases.

Customer recruitment lists were randomly generated and provided to INNOVATIVE by North Bay Hydro.

An incentive of \$100 was provided to all general service and \$80 to all residential customers who participated in the consultation sessions.

All consultation sessions were video recorded to review participant feedback and collect verbatim quotes.

Consultation Session Structure

The consultation sessions were structured around the themes contained in the workbook that was developed by INNOVATIVE and North Bay Hydro staff in the fall of 2014.

The workbook themes included the following:

1. What is this Consultation About?
2. Electricity 101
3. North Bay Hydro's Grid Today
4. Cost Pressures
5. What the Plan Means for You

At the start of the sessions, the facilitator gave an overview explaining the purpose of the consultation and why North Bay Hydro is seeking feedback from general service and residential customers.

After explaining the purpose of the consultation, hardcopy workbooks were distributed. These acted as a session guide and provided a space for participants to record their answers to the questions contained within.

The facilitator then led the participants through the workbook section by section to ensure they understood the information and to answer any questions they had about the content.

When it came to the questions within the workbook, participants were asked to fill in their answers independently. The facilitator then led a group discussion on their answers and what the various issues meant for them or their businesses.

The hardcopy workbooks were collected from the participants at the conclusion of each consultation session.

Each consultation session ran for approximately 2 hours.

Informing the Consultation Process

In addition to identifying customer needs and preferences as they relate to the proposed system plan, feedback collected from this phase of the consultation was used to inform the design of the subsequent telephone survey component of North Bay Hydro's customer engagement program.

NOTE: Results contained within this report are based on a limited sample and should be interpreted as directional only.

Participant Feedback

The following section highlights the general feedback from each consultation group.

Consultation Sessions

General Service under 50 kW Rate Class

Customer Experience and Expectation

All participants were satisfied with the quality of service they received from North Bay Hydro; with one third stating they were 'very satisfied'. Additionally, nine-in-twelve found the number of outages they experienced over the past year to be acceptable.

Improving Service of the Local Distribution System

Communication was the biggest concern, particularly during outages when business owners and managers need to make decisions on how to run their daily operations. One person mentioned that it was almost impossible to get through to the "1-800 customer service number" and when they did get through, no one was able to accurately forecast the duration of the outage. They agreed that a more

accessible and accurate estimation would be particularly helpful for business owners and managers. They would appreciate more communication channels to gather information from. One participant suggested a website or mobile app that could be updated remotely by on-site crews.

While the participants were satisfied with the overall service, a few participants had comments pertaining to specific areas that could be improved. Regarding customer service, some participants find it difficult to resolve conflicts. They've had difficulty getting in contact with the proper representative to answer their questions. This frustration is likely the result of the nature of customer complaints, in that conflicts are often beyond North Bay Hydro's ability to offer a resolution.

A few GS customers also expressed frustration with North Bay Hydro's planning process, particularly as it pertains to new connections and system access. One GS customer recounted experiences with miscommunications and poor planning related to North Bay Hydro's engineering team. One participant recounts the installation of a new transformer for a new industrial / commercial property development. North Bay Hydro was several months behind in connecting the property to the grid; this in turn delayed the move-in date of a business tenant. The sentiment shared by a few GS participants was that North Bay Hydro does not respect the business community and the impact poor planning can have on their bottom line. Others echoed that North Bay Hydro's engineering department "needs to take a course in customer service" as their communications and attitude towards local business was in some cases seen as "poor".

Another common concern was vegetation management. They felt that the *15ft around the lines* rule needs to be more of a guideline, assessed on an individual basis by a professional capable of evaluating the risks presented by each type of tree. One user stated, "I've suffered five power outages in the last year and every one of them was caused by a falling poplar tree." The consensus was that North Bay Hydro needs to focus on the trees that are problematic (poplar) and not, as one participant put it, "*butcher every oak/maple that fall within the 15ft of the line.*"

Some customers receive multiple bills (in some cases over 30). A number of GS customers expressed frustration towards their inconvenient billing cycle where bills came at various times throughout the week. Others asked if North Bay Hydro could work with small businesses to streamline their billing cycle (i.e. all the multiple bills at the end or beginning of the month). This sentiment was shared with GS customers who received multiple bills from the utility (in most cases, landlords who paid the hydro for their tenants). They would like to see consolidated billing (i.e. all invoices at once) and have just one delivery fee.

Capital Investment

The group was divided evenly in their views regarding spending on buildings, equipment, and IT systems. Half of the participants felt that North Bay Hydro needs to be strategic with spending to ensure they have the resources they need to reliably maintain the system, while the other half feels they should find ways to make do with what they already have.

One person stated that the voltage conversion that happened in their neighbourhood helped significantly with the outages, however the problem of foreign contact (i.e. trees and squirrels) remains.

Operating Budget

This group has been the closest the consumer has ever been to any kind of report on how the budget is distributed. Even so, some felt that the break down is lacking in detail. They appreciated learning that bad debt is down, but still had questions regarding what that actually means to North Bay Hydro. For example, they asked “*How are they allocating their resources?*” One participant mentioned how it was great that labour costs are compensated in line with industry standards, but was concerned with what that means compared to the private sector.

North Bay Hydro’s Proposed Plan and Rate Impact

All participants felt that North Bay Hydro is planning well for the future. While only one-in-twelve GS participants supports the rate increase outright, nine-in-twelve participants maintain that, given everything they learned about North Bay Hydro’s plan, the increase is necessary, even though they don’t like any rate increase. Furthermore, GS customers appeared to understand the limits of North Bay Hydro’s role, as the distributor, and accept that to maintain service, the cost must increase on the distribution portion of their bill.

Regarding the budget, most did not know if they felt that proposed budget was reasonable. They cited that the information provided was not sufficient to determine such a thing.

How Could the Consultation Process be Improved?

Most felt that the amount of content was appropriate and proportionate to the time allotted for the group. A recurring theme was that people would appreciate being given the workbooks 1-2 weeks in advance in order to familiarize themselves with the material and come prepared with questions. One person suggested having a representative from North Bay Hydro present to answer some of the more technical questions.

Residential Rate Class

Customer Experience and Expectation

Overall, all residential customers are satisfied with the level of service they receive from North Bay Hydro. Additionally they all found the number of outages they experienced in a year to be acceptable.

Improving Service of the Local Distribution System

While most are quite satisfied with the services they receive from North Bay Hydro, when asked where the utility could improve services, there were several individual suggestions. One residential consumer expressed frustration as they believe it had been over a year since they applied to be involved in an energy conservation program. No one from North Bay Hydro had been to inspect the property and consult on reducing their consumption nor did they receive a free “energy efficiency” thermostat.

Another, older participant was hesitant to use online billing and felt the utility was trying to encourage him to migrate to this undesirable billing system. On a similar note, another participant was

disappointed that local “drop boxes” have been removed and envelopes were no longer being sent with their hydro bill.

One participant had his “equal billing” changed by several hundred dollars without notice. This caught him financially off guard. He admitted that he did not read all the information included in his bill, stating that this information used to be sent separately.

It was also mentioned that the 2-meter process that allows energy to be collected from residential solar panels is extraneous and the high cost is a deterrent. This person asked for better accessibility and clearer communication on net-metering.

Sending out hydro saving tips with each bill to help customers make informed choices would be appreciated.

Capital Investment

Some participants were concerned with the breakdown of the life expectancy of the pole line infrastructure. They asked about what the life expectancy of the existing poles and wondered whether a plan is in place to replace them in the future.

Operating Budget

Transparency in the budget was deemed important to several participants. They would like transparency. One in particular stated that they considered North Bay Hydro and Hydro One to be the same entity, fraught with lavish spending and mismanaged resources.

North Bay Hydro’s Proposed Plan and Rate Impact

All participants felt that North Bay Hydro is planning ‘*somewhat well*’ or ‘*very well*,’ with the exception of one person who ‘*didn’t know*.’ They also agreed that the plan covered what they had expected it would.

How Could the Consultation Process be Improved?

All participants stated that they left the session with a much better understanding of North Bay Hydro’s role. They found the amount of information appropriate for the allotted time and one participant acknowledged that it was a good explanation of a very complex issue.

Questionnaire Results (Workbook)

The following tables are the tabulations of participant feedback to questions in the hardcopy workbooks, which were returned at the end of each consultation session.

Note: "GS" = general service less than 50 kW customers, while "RS" = residential customers.

1. Given what you know and what you have read so far, how well do you feel you understand the parts of the electricity system, how they work together and which services North Bay Hydro is responsible for?

| | RS | GS | TOTAL |
|---------------------------|----------|-----------|-----------|
| Very well | 2 | 4 | 6 |
| Somewhat well | 3 | 7 | 10 |
| Not very well | 1 | 1 | 2 |
| I don't understand at all | 0 | 0 | 0 |
| TOTAL | 6 | 12 | 18 |

2. Generally, how satisfied are you with the service you receive from North Bay Hydro?

| | RS | GS | TOTAL |
|-----------------------|----------|-----------|-----------|
| Very Satisfied | 3 | 4 | 7 |
| Somewhat satisfied | 3 | 8 | 11 |
| Somewhat dissatisfied | 0 | 0 | 0 |
| Very dissatisfied | 0 | 0 | 0 |
| Don't know | 0 | 0 | 0 |
| TOTAL | 6 | 12 | 18 |

4. How well do you feel you understand the important parts of the electricity system, how they work together, and which services North Bay Hydro is responsible for?

| | RS | GS | TOTAL |
|---------------------------|----------|-----------|-----------|
| Very well | 3 | 2 | 5 |
| Somewhat well | 2 | 9 | 11 |
| Not very well | 1 | 1 | 2 |
| I don't understand at all | 0 | 0 | 0 |
| TOTAL | 6 | 12 | 18 |

5. The average North Bay Hydro customer experiences between 1 and 3 power outages per year. Do you recall how many outages you experienced in the past year?

| | RS | GS | TOTAL |
|-----------------------|----------|-----------|-----------|
| Once | 2 | 2 | 4 |
| Twice | 1 | 5 | 6 |
| Three times | 1 | 1 | 2 |
| More than three times | 2 | 3 | 5 |
| Don't know | 0 | 1 | 1 |
| TOTAL | 6 | 12 | 18 |

6. How acceptable were the number of power outages you experienced over the last 12 months?

| | RS | GS | TOTAL |
|-----------------------|----------|-----------|-----------|
| Very acceptable | 3 | 5 | 8 |
| Somewhat acceptable | 3 | 4 | 7 |
| Not very acceptable | 0 | 2 | 2 |
| Not acceptable at all | 0 | 0 | 0 |
| Don't know | 0 | 1 | 1 |
| TOTAL | 6 | 12 | 18 |

7. Overall, how satisfied are you with the reliability and quality of electricity services provided by North Bay Hydro?

| | RS | GS | TOTAL |
|-----------------------|----------|-----------|-----------|
| Very satisfied | 4 | 4 | 8 |
| Somewhat satisfied | 2 | 8 | 10 |
| Somewhat dissatisfied | 0 | 0 | 0 |
| Very dissatisfied | 0 | 0 | 0 |
| Don't know | 0 | 0 | 0 |
| TOTAL | 6 | 12 | 18 |

8. With regards to projects focused on replacing aging equipment in poor condition, which of the following statements best represents your point of view?

| | RS | GS | TOTAL |
|--|----------|-----------|-----------|
| North Bay Hydro should invest what it takes to replace the system's aging infrastructure to maintain system reliability, even if that increases my monthly electricity bill by a few dollars over the next few years | 3 | 9 | 12 |
| North Bay Hydro should lower its investment in renewing the system's aging infrastructure to lessen the impact of any bill increase, even if that means more or longer power outages | 1 | 3 | 4 |
| Don't know | 2 | 0 | 2 |
| TOTAL | 6 | 12 | 18 |

9. As a company, North Bay Hydro needs buildings to house its staff, vehicles and tools to service the power lines and IT systems to manage the system and customer information. Which of the following statements best represents your point of view?

| | RS | GS | TOTAL |
|--|----------|-----------|-----------|
| North Bay Hydro should find ways to make do with the buildings, equipment and IT systems it already has. | 0 | 6 | 6 |
| While North Bay Hydro should be wise with its spending, it is important that its staff have the equipment and tools they need to manage the system efficiently and reliably. | 6 | 6 | 12 |
| Don't know | 0 | 0 | 0 |
| TOTAL | 6 | 12 | 18 |

10. How well do you feel you understand the cost drivers that North Bay Hydro is responding to?

| | RS | GS | TOTAL |
|---------------|----------|-----------|-----------|
| Very well | 1 | 2 | 3 |
| Quite well | 3 | 9 | 12 |
| Not very well | 2 | 1 | 3 |
| Not at all | 0 | 0 | 0 |
| Don't know | 0 | 0 | 0 |
| TOTAL | 6 | 12 | 18 |

11. How well do you think North Bay Hydro is managing these cost drivers while meeting customer expectations and keeping rates reasonable?

| | RS | GS | TOTAL |
|-----------------|----------|-----------|-----------|
| Very well | 1 | 0 | 1 |
| Somewhat well | 4 | 9 | 13 |
| Not very well | 0 | 3 | 3 |
| Not well at all | 0 | 0 | 0 |
| Don't know | 1 | 0 | 1 |
| TOTAL | 6 | 12 | 18 |

12. Now that you have a better sense of the operations of North Bay Hydro, including the cost drivers, do you feel the proposed budget is reasonable?

| | RS | GS | TOTAL |
|-------------------------|----------|-----------|-----------|
| Yes | 2 | 1 | 3 |
| No | 1 | 3 | 4 |
| Don't know | 3 | 7 | 10 |
| Refused / Missing Value | 0 | 1 | 1 |
| TOTAL | 6 | 12 | 18 |

13. How well did North Bay Hydro's plan cover the topics you expected?

| | RS | GS | TOTAL |
|-------------------------|----------|-----------|-----------|
| Very well | 2 | 1 | 3 |
| Somewhat well | 3 | 10 | 13 |
| No, not very well | 1 | 0 | 1 |
| Refused / Missing Value | 0 | 1 | 1 |
| TOTAL | 6 | 12 | 18 |

14. How well do you think North Bay Hydro is planning for the future?

| | RS | GS | TOTAL |
|-------------------------|----------|-----------|-----------|
| Very well | 2 | 2 | 4 |
| Somewhat well | 3 | 9 | 12 |
| Not very well | 0 | 0 | 0 |
| I don't know | 1 | 0 | 1 |
| Refused / Missing Value | 0 | 1 | 1 |
| TOTAL | 6 | 12 | 18 |

15. Considering what you know about the local distribution system, which of the following best represents your point of view?

| | RS | GS | TOTAL |
|---|----------|-----------|-----------|
| The rate increase is reasonable and I support it | 1 | 1 | 2 |
| I don't like it, but I think the rate increase is necessary | 3 | 9 | 12 |
| The rate increase is unseasonable and I oppose it | 0 | 1 | 1 |
| Don't know | 1 | 1 | 2 |
| Refused / Missing Value | 1 | 0 | 1 |
| TOTAL | 6 | 12 | 18 |

Customer Telephone Surveys

Telephone Surveys among Residential and GS Customers

PURPOSE: To obtain statistically significant quantitative feedback on the proposed system plan spending and assess reaction to customer opinions obtained from the previous research phases

Summary

The following summary highlights the key findings from telephone surveys of 505 North Bay Hydro residential customers and 100 General Service (GS) <50 kW customers:

General Satisfaction

- More than half (61%) of residential customers are familiar with their local distribution system, while General Service customers are slightly less familiar (58%).
- Majority of residential (83%) and General Service (88%) customers are satisfied with North Bay Hydro.
- When asked how to improve service, four-in-ten want cheaper rates (39% RS; 40% GS). A tenth (9%) of residential customers and nearly one-in-five (19%) GS customers said North Bay Hydro could do “nothing/already satisfied”.

Electricity Bill Knowledge Summary

- About half of residential (56% unfamiliar) and General Service (49% unfamiliar) respondents are not overly familiar with the breakdown of their electricity bill.

System Reliability

- Over half (57%) of residents and two-thirds of GS respondents (67%) experienced less than two power service interruptions in the past 12 months.
- The most recent outage in the last 12 months lasted less than 15 minutes for plurality of respondents (46% RS; 39% GS) and are minor inconvenience or had barely any cost to business (66% RS; 54% GS)
- About three-quarter of residential (76%) and GS respondents (74%) think North Bay Hydro should either spend what is needed to reduce the number of power outages (23% RS; 29% GS) or to maintain the current level (53% RS; 45% GS).

System Challenges & Priorities

- On infrastructure investment, six-in-ten (59%) residential respondents and nearly four-in-ten (37%) of General Service respondents believe that North Bay Hydro should invest in its aging infrastructure to reduce future outages, even if it means higher bills.
- Two-thirds (63%) of residential customers and half (52%) of General Service customers believe that North Bay Hydro should be wise with its spending on equipment and tools, but they also

think it is important that staff have the equipment and tools needed to manage the system efficiently and reliably.

- On budgeting for labour costs increase, three-in-five (59%) residential respondents and half (49%) of GS respondents believe that it is important for North Bay Hydro to retain and attract experienced and qualified workers to operate the system by paying a wage that is competitive but within industry benchmarks.
- Majority of the respondents support North Bay Hydro’s tree clearance policy (82% RS; 81% GS).

Overall Assessment of Plan

Residential Acceptance: Nearly three-quarter residential respondents (73%) accept the rate increase. A quarter (25%) of the respondents accept the increase willingly (“the rate increase is reasonable and I support it”), and half (48%) of them support the increase reluctantly (“I don't like it, but I think the rate increase is necessary”. Less than a third (25%) thinks the rate increase is unreasonable and would not support it.

| Top 3 Reasons for Willing Acceptance | |
|---|-----|
| Q: And why do you say that? [Asked of RS respondents who had an opinion on NBH’s proposed rate increase] | |
| Invest/necessary to maintain/keep up for future | 35% |
| \$4.60-\$5.00 not a lot of money/can afford | 33% |
| Cost of everything going up | 19% |
| Other | 8% |

General Service Acceptance: General Service respondents are slightly less supportive of rate increases than residential customers: about seven-in-ten (68%) of organizational respondents accept the proposed North Bay Hydro plan (20% willing acceptance and 48% reluctant acceptance) while slightly more than a quarter (28%) think the rate increase is unreasonable and would not support it.

| Top 3 Reasons for Willing Acceptance | |
|---|-----|
| Q: And why do you say that? [Asked of GS respondents who had an opinion on NBH’s proposed rate increase] | |
| Rate increase is acceptable/affordable | 30% |
| Necessary for long-term investment/infrastructure | 25% |
| Must be necessary/has to be done | 20% |
| Other | 5% |

Methodology

INNOVATIVE conducted two customer surveys by telephone for North Bay Hydro:

1. A residential customer survey conducted among **505 respondents** between October 21 and 26, 2014; and
2. A general service customer (GS < 50 kW) survey conducted among **100 respondents** between October 21 and 28, 2014.

Participants were randomly selected from customer lists provided by North Bay Hydro (15,576 residential records and 1,731 GS records).

- A sample of 505 residential customers is considered accurate to within ± 4.5 percentage points, 19 times out of 20.
- A sample of 100 General Service customers is considered accurate to within ± 9.5 percentage points, 19 times out of 20.

The margin of error in both surveys will be larger within each sub-grouping of the samples.

Questionnaire Design

The questionnaires were designed to simulate the journey that respondents in the Workbook-led Consultation Sessions experienced. This included a combination of educating the customer, having customers reflect on their personal experience with their distribution system, and having them make value judgments on trade-offs between system reliability and bill impact.

As part of simulating the “*workbook journey*”, the questionnaires were informed by and incorporated feedback from the previous phases of North Bay Hydro’s customer engagement. This included sharing both supportive and non-supportive feedback in the survey from previous phases of North Bay Hydro’s customer consultation as it related to North Bay Hydro’s proposed capital work and the associated rate increase. Wording of questions differed slightly between the Residential and General Service survey – for example, in the preambles the size of monthly bills differed between residential and general service customers – but otherwise remained generally consistent.

The average survey ran at approximately 10 minutes. Both survey instruments can be found at the end of this section of the report.

Fielding the Survey

Residential (RS) Customer Survey:

For the purposes of executing the residential survey, North Bay Hydro provided INNOVATIVE with a confidential list containing **15,576** of their residential customers’ contact information.

The contact list included only residential customers with residential landline contact information on file and who had been a customer of North Bay Hydro since at least January 1, 2013. The information contained in the contact list included customer name, home telephone number, home address, service area, and total annual usage between January 1 and December 31, 2013.

Only one customer per household was eligible to complete the residential survey. Survey respondents were screened to certify that only the resident primarily responsible for paying their North Bay Hydro electricity bill was interviewed. This step was taken to ensure that survey respondents represented the most qualified person within a household to answer questions about their electricity bill and whether North Bay Hydro’s proposed rate increase would have a relative impact on their bill.

Before retiring any randomly selected telephone number from the contact list, 8 attempts were made to reach a potential respondent for each unique telephone number, or until an interviewer received a hard

refusal. Each night a new sample was released from the contact list to replace completed or retired numbers.

North Bay Hydro’s residential customers were contacted at their home by telephone between 4pm and 9pm on weekdays; between 10am and 8pm on Saturdays; and between 11am and 8pm on Sundays.

General Service (GS) Customer Survey:

The sample for the GS survey consisted of **1,731** customers drawn from a confidential list provided to INNOVATIVE by North Bay Hydro. GS respondents were screened to ensure they were in charge of managing the electricity bill at their organization.

GS customers were contacted on weekdays between 9am to 4pm.

All fieldwork was conducted using INNOVATIVE’s computer-assisted telephone interviewing (CATI) system.

Sample Design

The two surveys followed a stratified random sampling methodology. This is a method of sampling that involves the division of a population into smaller groups known as strata. In stratified random sampling, the strata are formed based on members' shared attributes or characteristics (in this case, customer service area or electricity usage). A random sample from each stratum is taken in a number proportional to the stratum's size when compared to the customer population. These subsets of the strata are then pooled to form a random sample.

In both surveys, residential and general customers were divided into quartiles based on annual electricity usage to ensure the sample had a proportionate mix of customers from low, medium-low, medium-high, and high electricity usage households.

Residential and General Service Sample Design:

North Bay Hydro customers were divided into quartiles based on annual electricity usage. The following table illustrates the segmentation of the residential and general service customer survey samples by usage quartile.

| Customer Type | | Total Sample | Low | Medium-Low | Medium-High | High |
|-----------------|------------|--------------|-----|------------|-------------|------|
| Residential | Target | 500 | 125 | 125 | 125 | 125 |
| | Actual | 505 | 126 | 126 | 125 | 128 |
| | Difference | +5 | +1 | +1 | 0 | +3 |
| General Service | Target | 100 | 25 | 25 | 25 | 25 |
| | Actual | 100 | 25 | 29 | 22 | 24 |
| | Difference | 0 | 0 | +4 | -3 | -1 |

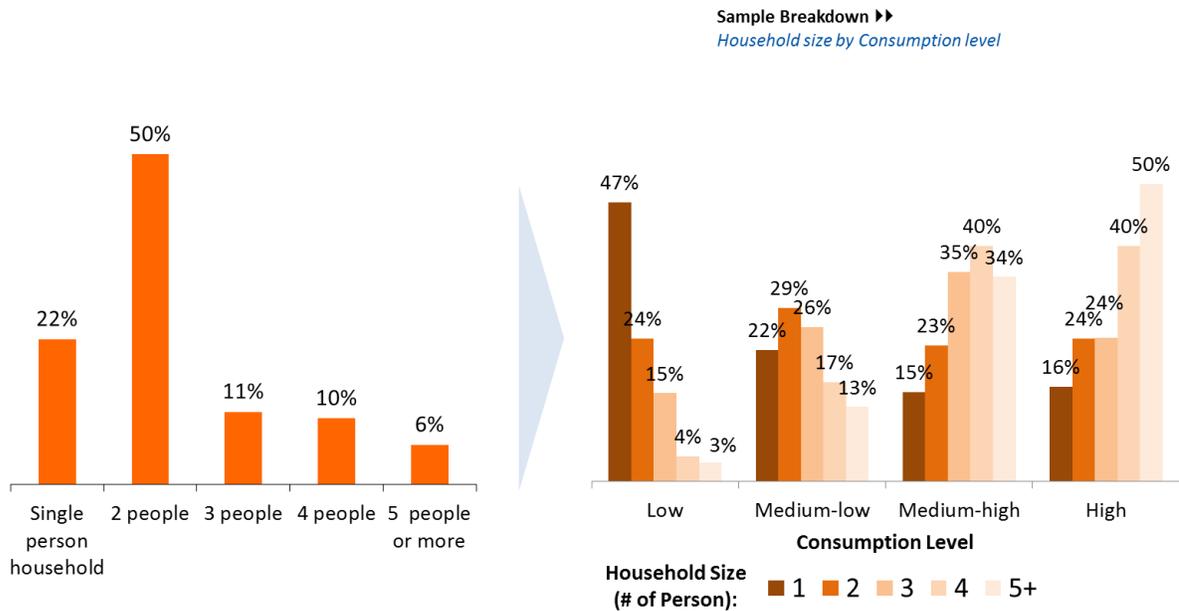
Sample Weights

Weights have not been applied to either the residential or GS data as the stratified random samples are accurate representations of North Bay Hydro’s actual customer distribution and type.

Demographic Profiles

The following details the demographic characteristics of respondents who completed the Residential Ratepayer Survey [n=505].

Figure A: Residential Customer Profile

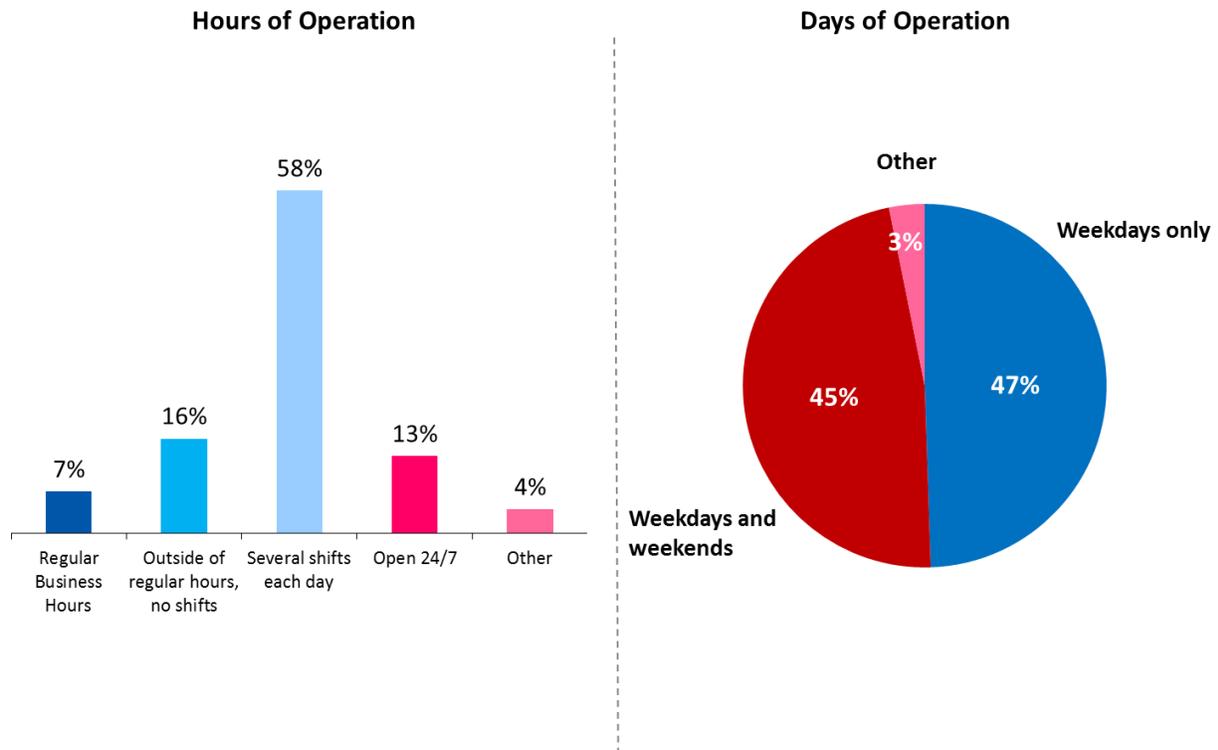


Note: 'Refused' (1%) not shown

Firmographic Profiles

Below are the firmographics of respondents who completed the General Service Ratepayer Survey [n=100].

Figure B: GS Customer Profile



Respondent Feedback

Familiarity and Satisfaction

This section of the workbook explores familiarity and experience with the local distribution system, and satisfaction with North Bay Hydro in running that system. The results for residential customers are presented first, followed by general service (GS) customers.

Familiarity and Satisfaction Summary

- More than half of residential customers (61%) are familiar with the local distribution system, while General Service customers are slightly less familiar (58%).
- A majority of residential (83%) and General Service (88%) customers are satisfied with the job North Bay Hydro is doing.
- When asked how to improve service, a plurality (48% RS; 33% GS) want reduced rates and charges.
- One-in-ten (9%) residential respondents and nearly two-in-five (19%) General Service respondents say North Bay Hydro could do “nothing to improve their service”. Some residential (2%) and GS (15%) respondents commended North Bay Hydro on already doing a good job.

Preamble for Familiarity and Satisfaction Section

Prior to answering the questions in the General Satisfaction Section, respondents were presented with a preamble concerning key components of Ontario’s electricity system.

The preamble read as follows:

“To start, I’d like to ask you a few questions about the electricity system...”

*As you may know, Ontario’s electricity system has three key components: **generation, transmission and distribution**.*

- **Generating stations** convert various forms of energy into electric power;
- **Transmission lines** connect the power produced at generating stations to where it is needed across the province; and
- **Distribution lines** carry electricity to the homes and businesses in our communities.

*Today we’re going to talk about your **local distribution system** which is maintained and operated by North Bay Hydro.”*

Familiarity with Local Electricity Distribution System

More than half of residential respondents (61%) are familiar with their local distribution system. Of those who indicated they are familiar, 18% say they are very familiar with the system.

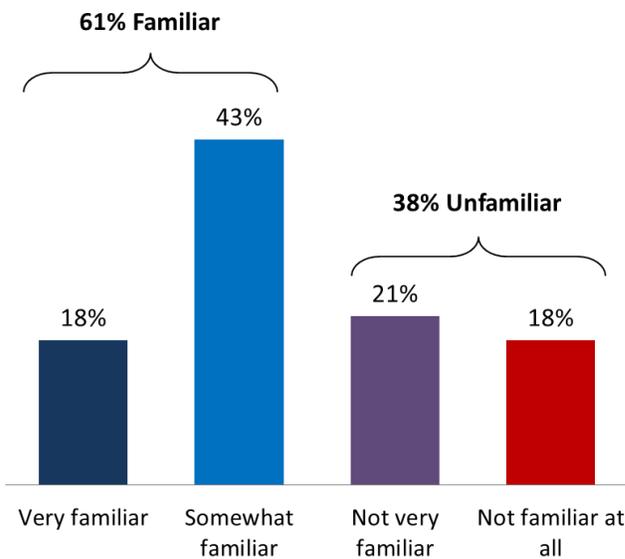
- Differences in consumption level are seemingly related to familiarity. High levels of consumption are associated with greater familiarity than low level consumption (66% versus 58%).

Figure RS.1: Familiarity with the Local Distribution System



Today we're going to talk about your local distribution system which is maintained and operated by North Bay Hydro. How familiar are you with the local electricity distribution system? Would you say...

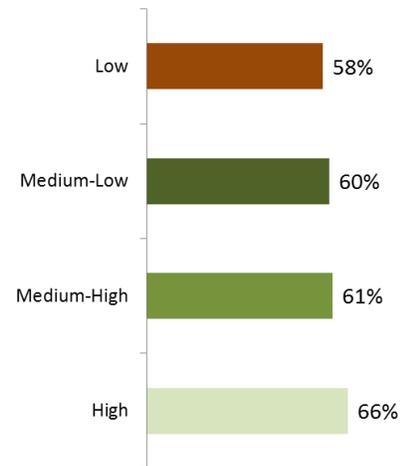
[asked of all respondents: Residential n=505]



Note: 'Don't know'/'Refused' (0%) not shown

Sample Breakdown ▶▶
Those who say "familiar"

Consumption Level

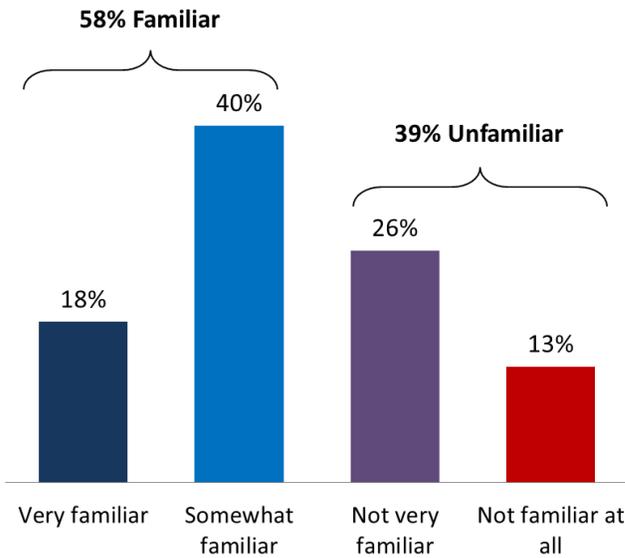


Of the General Service respondents, more than half (58%) are familiar with their local distribution system. Of those who indicated they are familiar, 18% say they are *very* familiar with the system.

- Consumption level does not appear to be a determining factor of respondents' level of familiarity with the system. The difference in familiarity among respondents of different consumption levels is within the margin of error (± 10 percentage points) for the sample size of 100.

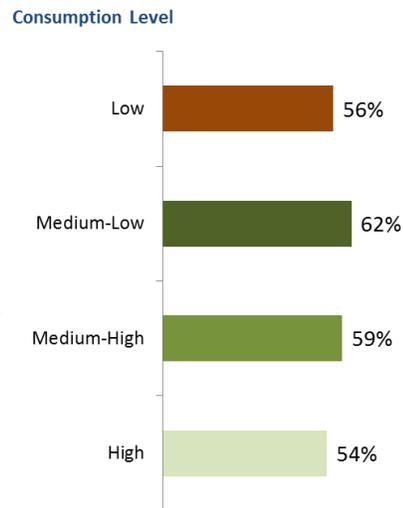
Figure GS.1: Familiarity with the Local Distribution System

Q Today we're going to talk about your local distribution system which is maintained and operated by North Bay Hydro. How familiar are you with the local electricity distribution system? Would you say...
[asked of all respondents: GS n=100]



Note: 'Don't know'/'Refused' (3%) not shown

Sample Breakdown ▶▶
Those who say "familiar"

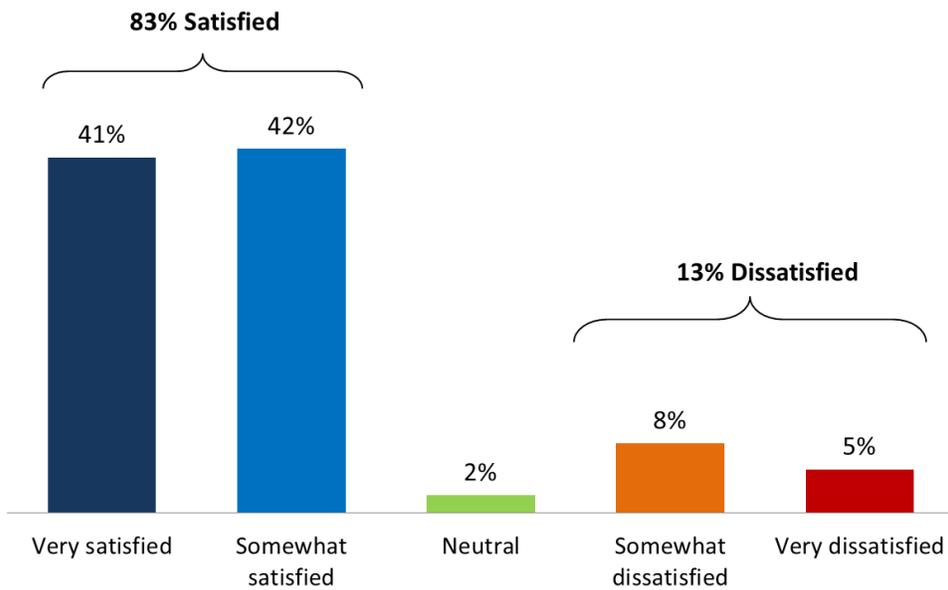


Satisfaction with North Bay Hydro Running the Distribution System

A majority (83%) of residential customers are satisfied with how North Bay Hydro is running their electricity distribution system, with 41% of residential customers responding “very satisfied”.

Figure RS.2: Satisfaction with North Bay Hydro

Q Generally speaking, how satisfied are you with the job North Bay Hydro is doing running your local distribution system? Would you say ...
[asked of all respondents; Residential n= 505]

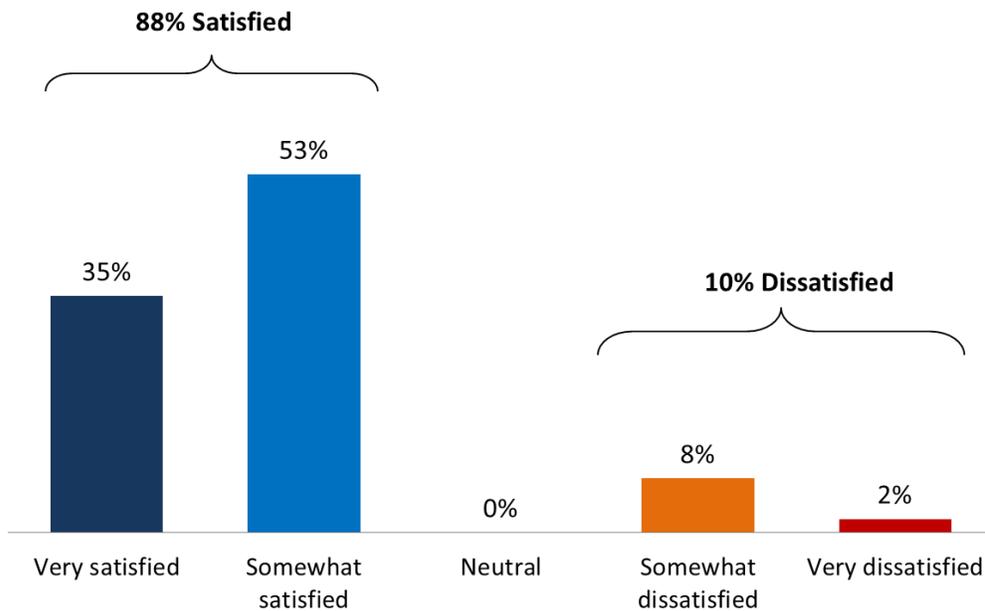


Note: 'Don't know'/'Refused' (2%) not shown

Like residential customers, a majority (88%) of General Service customers are satisfied with the job North Bay Hydro is doing running the distribution system. About one-in-three (35%) General Service customers are very satisfied with North Bay Hydro.

Figure GS.2: Satisfaction with North Bay Hydro

Q Generally speaking, how satisfied are you with the job North Bay Hydro is doing running your local distribution system? Would you say ...
[asked of all respondents; GS n= 100]



Note: 'Don't know'/'Refused' (2%) not shown

How to Improve Service

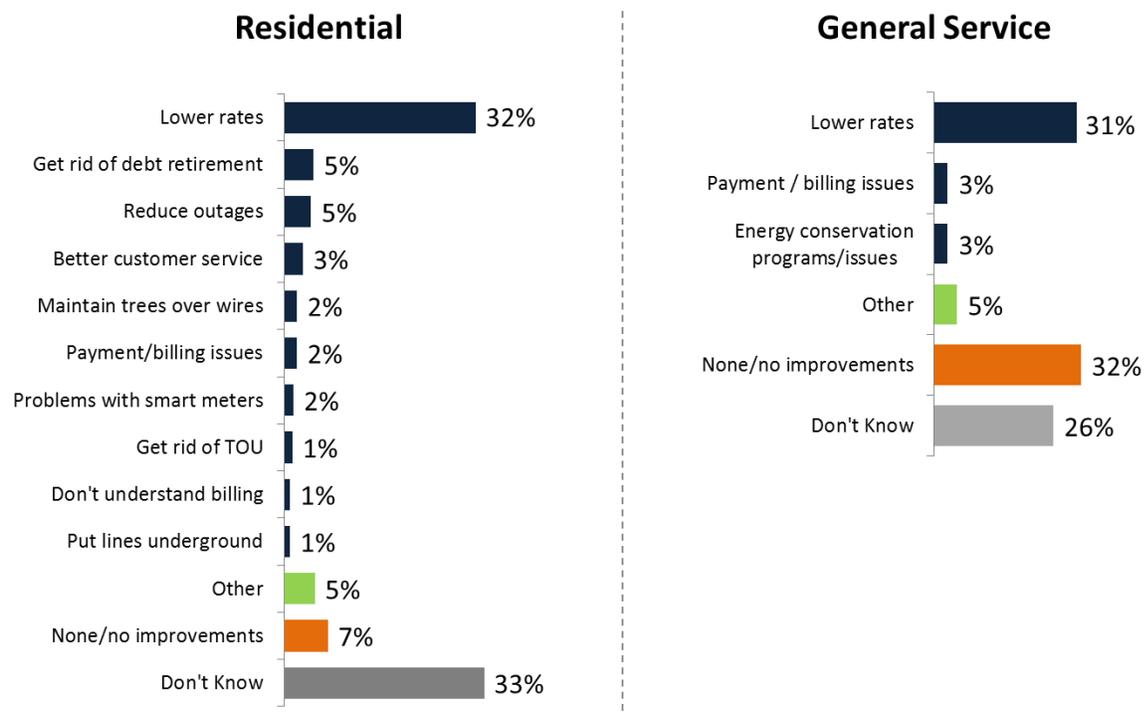
When asked how North Bay Hydro could improve service, a plurality of residential (32%) and General Service (31%) customers suggest that North Bay Hydro could “lower rates”.

Other areas for improvement mentioned by residential respondents include “reduce outages” (5%).

Nearly a third (32%) of GS respondents and 7% of residential respondents say North Bay Hydro could do “nothing to improve their service”.

Figure RS/GS.3: How to Improve Service

Q Is there anything in particular **North Bay Hydro** can do to improve their service to you (your organization)?
[asked of all respondents]



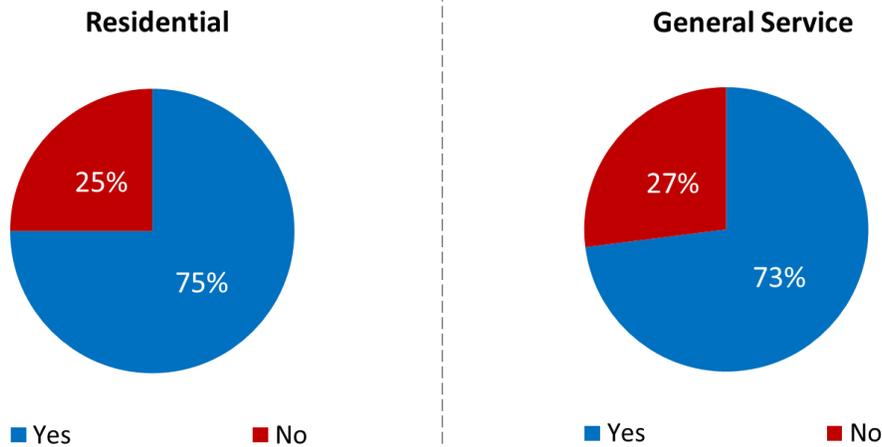
Knowledge of Ownership

About three-quarters of residential (75%) and GS (73%) respondents are aware that North Bay Hydro is owned by the City of North Bay.

- Among residential respondents, the awareness is highest in two-person households, 80% of whom are aware of North Bay Hydro's owner (one: 73%; three:67%; four:73%; five plus: 59%).
- Among GS respondents, the awareness is higher in businesses that operate during regular hours (81%) than businesses that operate outside of regular hours (63%).

Figure RS/GS.4: Knowledge of Ownership

Q North Bay Hydro is 100% owned by the City of North Bay and has an independent board of directors...Before this survey, did you know that North Bay Hydro was owned by the City of North Bay?
[asked of all Residential respondents; n =505; GS respondents n= 100]



Electricity Bill Knowledge

This section explores Residential and General Service respondent perceptions and knowledge of their electricity bill. It specifically focuses on the breakdown of the bill and what portion respondents estimate goes to North Bay Hydro.

Electricity Bill Knowledge Summary

- About half of residential (56% unfamiliar) and General Service (49% unfamiliar) respondents are not overly familiar with the breakdown of their electricity bill.

Preamble for Bill Knowledge & Impact Section

For this component of the survey, respondents were presented with a preamble concerning the breakdown of costs of an electricity bill. The two surveys provided different preambles based on targeted respondents.

The preamble for **residential customers** read as follows:

“I’d now like to talk with you about your electricity bill ...

*While some customers pay more and others pay less, the **average residential customer pays about \$130 a month** for electricity of **which \$30 or approximately 20% goes to North Bay Hydro**. The rest of the bill goes to power generation companies, transmission companies, the provincial government and regulatory agencies.”*

The **General Service** preamble explained it slightly differently:

“I’d now like to talk with you about your electricity bill ...

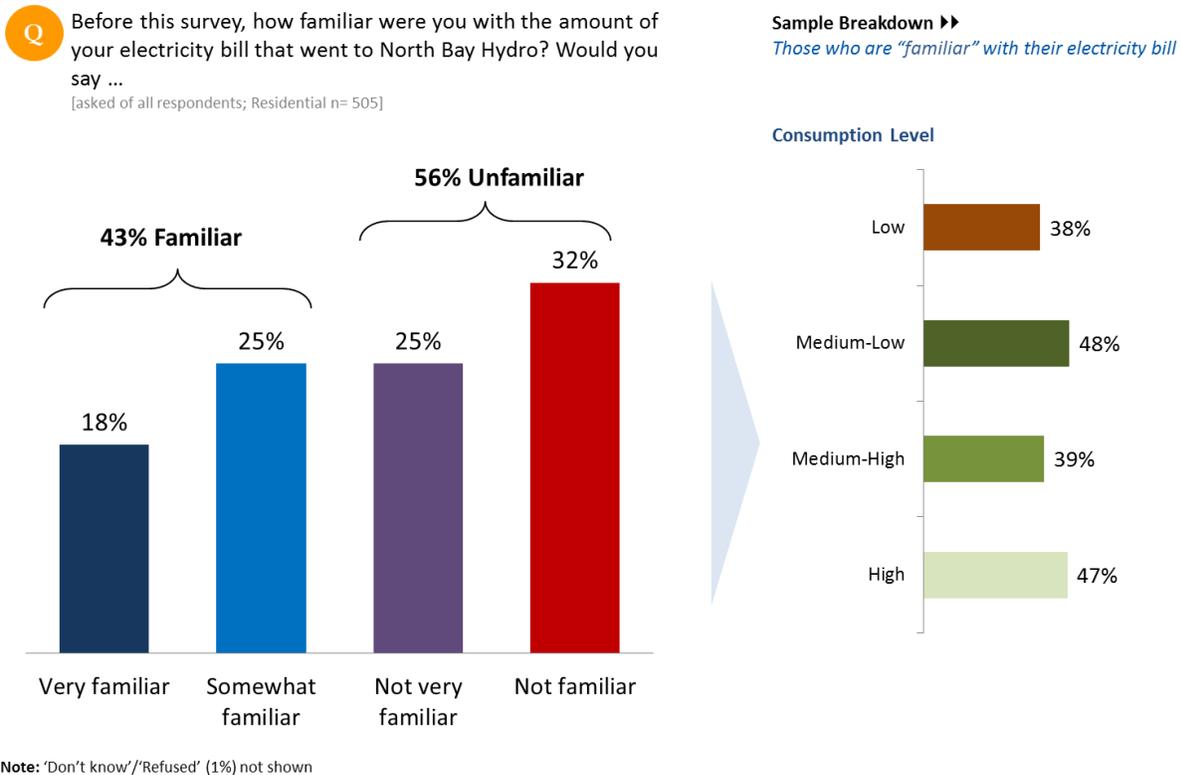
*While some customers pay more and others pay less, the **average small and medium-sized business pays about \$315 a month** for electricity of **which \$70 or approximately 20% goes to North Bay Hydro**. The rest of the bill goes to power generation companies, transmission companies, the provincial government and regulatory agencies.”*

Familiarity with Share of Bill Going to North Bay Hydro

After the preamble, when asked about the breakdown of their electricity bill, 43% of residential customers stated that they were familiar with the amount of their electricity bill that went to North Bay Hydro.

- Those with high (47%) and medium-low (48%) consumption levels prove more familiar with their bill than the medium-high and low levels (38%).
- Four-person-households (50%) are more familiar with their bills than households of other sizes (one: 38%; two: 44%; three: 37%; five or more: 44%).

Figure RS.5: Familiarity with Share of Bill Going to North Bay Hydro



Similar levels of familiarity occur in the GS survey: 47% of respondents say they are familiar with the amount of their bill going to North Bay Hydro, while 49% indicate they are not familiar with how their bill is broken down.

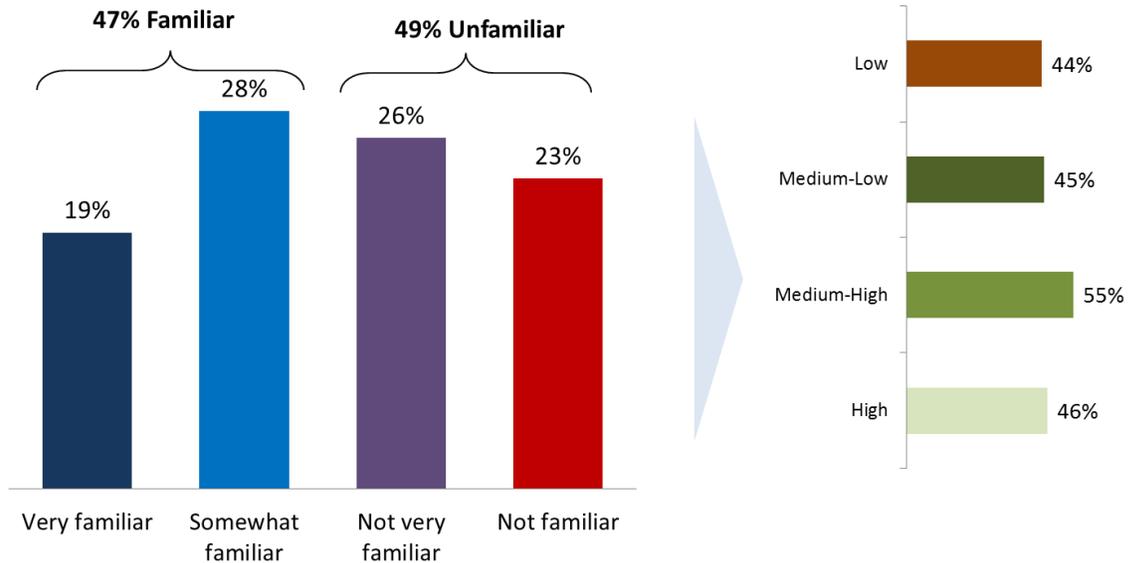
- Organizations consuming medium-high volume (55%) are the most familiar with their electricity bill (Low: 44%; Medium-low: 45%; High: 46%).
- Organizations that operate during regular business hour (53%) are more familiar with their electricity bill than those who operate outside of regular business hours (38%).

Figure GS.5: Familiarity with Share of Bill Going to North Bay Hydro



Before this survey, how familiar were you with the amount of your electricity bill that went to North Bay Hydro? Would you say ...
[asked of all respondents; GS n= 100]

Sample Breakdown ▶▶
Those who are "familiar" with their electricity bill



Note: 'Don't know'/'Refused' (4%) not shown

System Reliability

This section covers the feedback provided by respondents on previous power service interruptions, as well as the cost of service interruption to General Service respondents. The interruptions discussed were attributed to both weather and non-weather related events. It also discusses perceptions surrounding spending, and reducing the number and length of power service interruptions.

System Reliability Summary

- Over half (57%) of residents and two-thirds of GS respondents (67%) experienced less than two power service interruptions in the past 12 months.
- Among residential respondents who have experienced any power outages in the past 12 months, 46% reported the most recent outage lasted less than 15 minutes and 66% reported the outage was a minor inconvenience.
- Among GS respondents who have experienced any power outages in the past 12 months, 39% reported the most recent outage lasted less than 15 minutes and 54% reported the outage had barely any cost to their business.
- To address the number of outages, nearly a quarter (23%) of residential customers think North Bay Hydro should spend what is needed to reduce the number of power outages and over half (53%) think it should spend what is needed to maintain the current level.
- Three-quarters (74%) of GS customers think North Bay Hydro should spend what is needed to either reduce (29%) or maintain (45%) the length of power outages.

Preamble for Power Service Interruptions

The next five questions focused on how, according to the respondent, North Bay Hydro should address the number of outages. A preamble concerning the average number of power interruptions was provided before the question addressing the number of outages.

The preamble read as follows:

“Despite best efforts, no electrical distribution system can deliver perfectly reliable electricity. As a general rule, the more reliable the system, the more expensive the system is to build and maintain.

With that said –not including outages caused by extreme weather – the average North Bay Hydro customer experiences between one and two power outages per year.”

Power Service Interruptions

Among residential respondents, in the past 12 months, one-in-seven (15%) has not experienced any power outage and one-in-three (36%) have experienced more than 3 power outages. Among GS respondents, in the past 12 months, one-in-five (22%) has not experienced any power outage and one-in-four (27%) have experienced more than 3 power outages.

- Residential respondents with the lowest consumption level (17%) are slightly more likely to report no outages (medium-low: 15%; medium-high: 14%; high: 14%)
- GS respondents with the lowest consumption level (32%) are much more likely to report no outages (medium-low: 21%; medium-high: 23%; high: 13%).

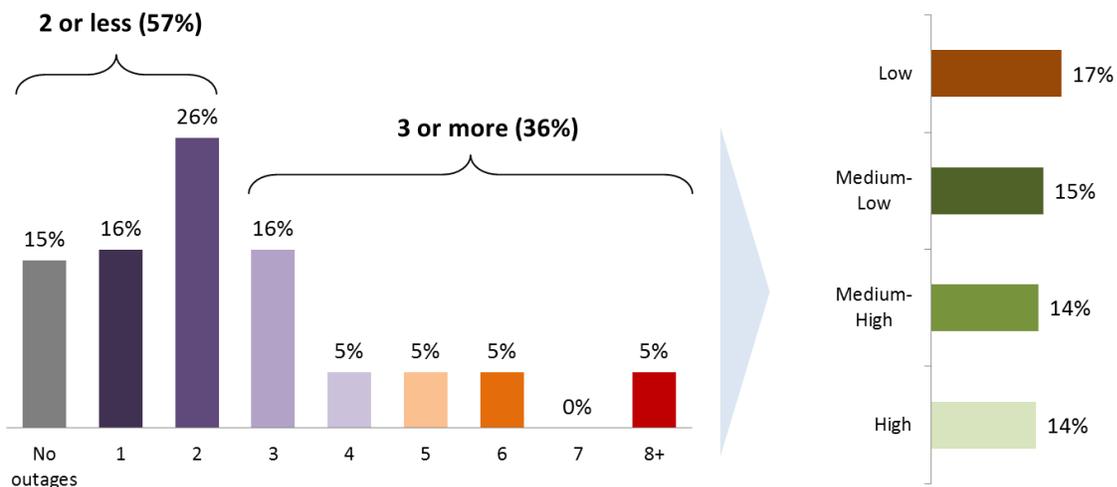
Figure RS.6: Power Service Interruptions



Have your organization experienced any power outages in the past 12 months, and if so, approximately how many?
[asked of all respondents; RS n= 505]

Sample Breakdown ▶▶

Those who say "no outages"

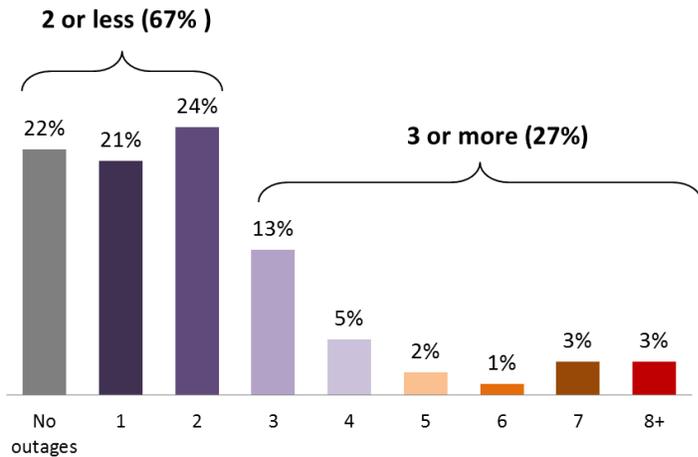


Note: 'Don't know'/'Refused' (0%) not shown

Figure GS.6: Power Service Interruptions



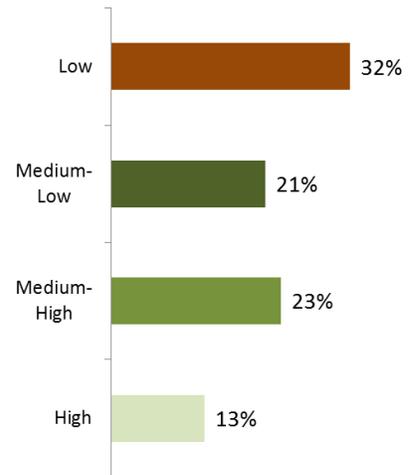
Have your organization experienced any power outages in the past 12 months, and if so, approximately how many?
[asked of all respondents; GS n= 100]



Sample Breakdown ▶▶

Those who say "no outages"

Consumption Level



Note: 'Don't know'/'Refused' (2%) not shown

Length of Power Outages

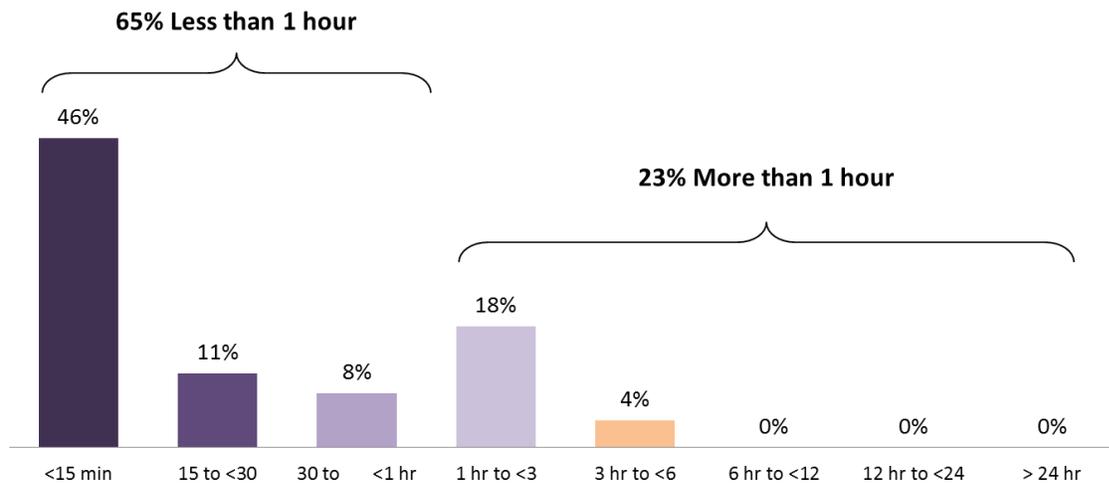
Respondents who reported having experienced an outage in the past 12 months (Residential n=390; GS n=72) were asked two additional questions on the length and impact of the most recent outage.

Among residential respondents, almost half (46%) reported the most recent outage lasted less than 15 minutes. Among GS respondents, two-in-five (39%) reported the most recent outage lasted less than 15 minutes.

Figure RS.7: Length of Power Outages



And approximately how many minutes did the most recent power outage last?
[asked of respondents who have experienced outage in the past 12 months; RS n= 390]



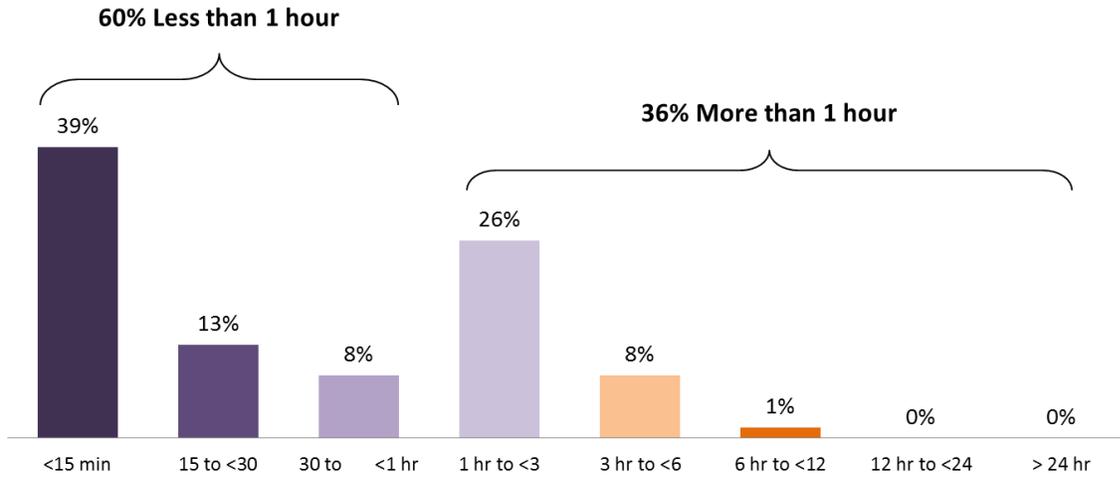
Note: 'Don't know'/'Refused' (12%) not shown

Figure GS.7: Length of Power Outages



And approximately how many minutes did the most recent power outage last?

[asked of only respondents; who have experienced outage in the past 12 months GS n= 72]



Note: 'Don't know'/'Refused' (4%) not shown

Impact of Most Recent Power Outage

When asked about the extent of the inconvenience (for residential respondents) or the cost to business (for GS respondents) caused by the most recent outage, two-in-three (68%) residential respondents reported the outage as a minor inconvenience, whereas one-in-two (54%) respondents reported the outage had barely any cost to his/her business, other than a mild inconvenience.

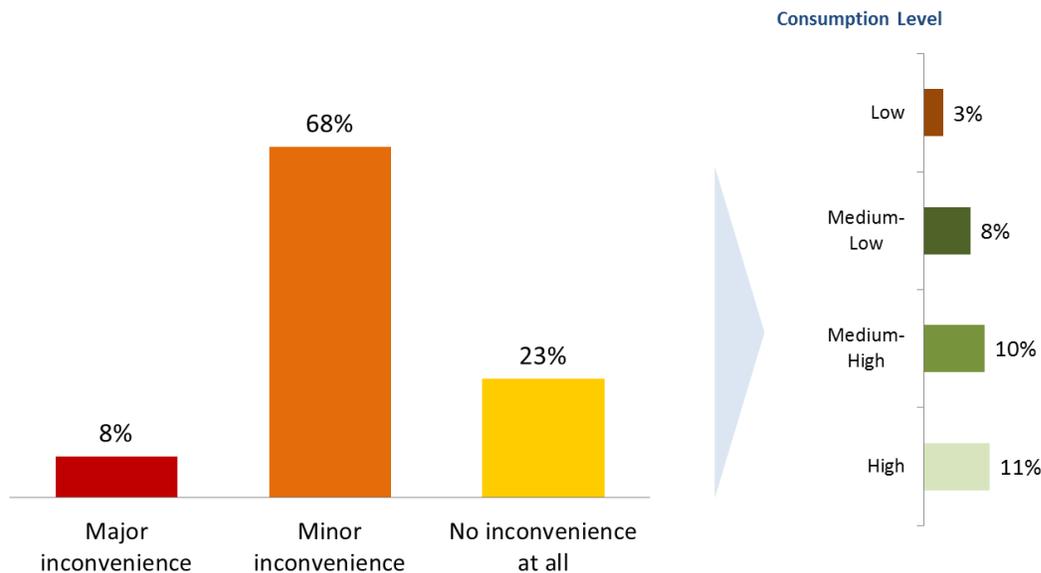
The likelihood of reporting the outage as a “major inconvenience” or “had a significant cost to my business” seemingly increases with level of consumption.

- Among residential respondents, those who consume at the highest level (11%) are most likely to report the outage as a major inconvenience (Low: 3%; Medium-low: 8%; Medium-High: 10%).
- Among GS respondents, those who consume at the highest level (21%) are most likely to report the outage as having a significant cost to his or her business (Low: 6%; Medium-low: 14%; Medium-High: 13%).

Figure RS.8: Inconvenience of Outages

Q Thinking back to the most recent power outage you experienced as a North Bay Hydro customer, would you say the power outage ...
[asked of respondents who have experienced outage in the past 12 months; RS n= 390]

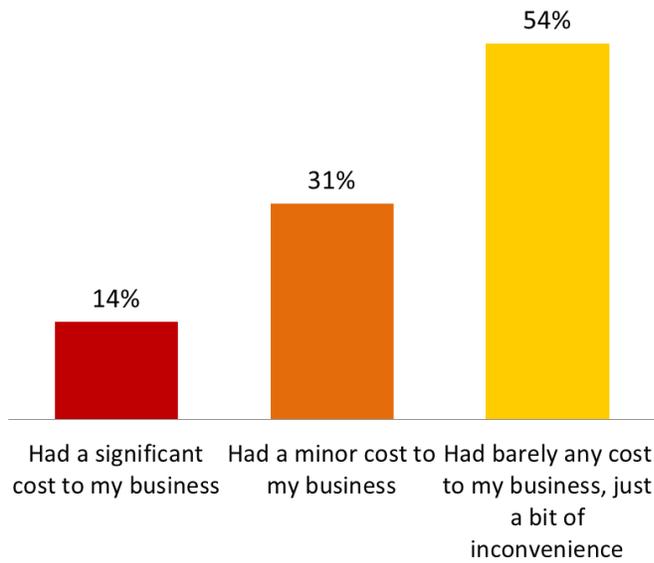
Sample Breakdown ▶▶
Those who say “major inconvenience”



Note: ‘Don’t know’/‘Refused’ (0%) not shown

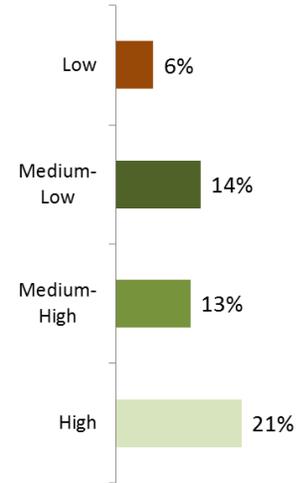
Figure GS.8: Commercial Cost of Outages

Q Thinking back to the most recent power outage you experienced as a North Bay Hydro business customer, would you say the power outage ...
[asked of only respondents; who have experienced outage in the past 12 months GS n= 72]



Sample Breakdown ▶▶
Those who say "major inconvenience"

Consumption Level



Addressing the Frequency of Service Outages

Almost one-in-four (23%) residential respondents think North Bay Hydro should spend what is needed to reduce the number of power outages and half (53%) think they should spend what is needed to maintain the current level. Just 14% state that North Bay Hydro should accept more power outages in order to keep customer costs down.

- Residents who agree that their electricity bill “has a major impact on their finances” are less likely to want to “spend to maintain” (50%) than those who do not feel their bill has a major impact on their finances (60%).

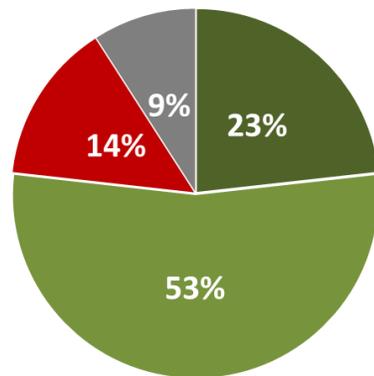
Figure RS.9: Addressing the Frequency of Service Outages



In your view, how do you think North Bay Hydro should address the number of customer power outages? Would you say ...
[asked of all respondents; Residential n = 505]

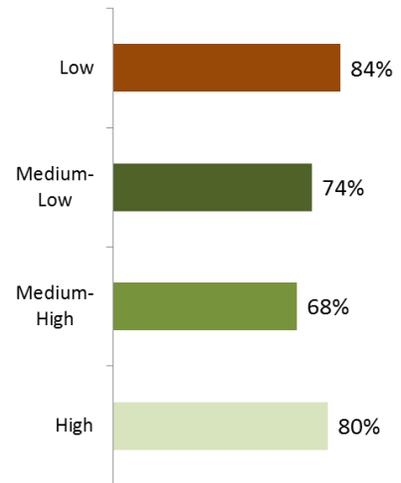
Sample Breakdown ▶▶

Those who say “spend what is needed” to either reduce or to maintain



- Spend what is needed to reduce the number of power outages
- Spend what is needed to maintain the current level of outages
- Accept more power outages in order to keep customer cost from rising
- Don't Know

Consumption Level



General Service customers respond likewise on how to address the number of outages: 29% think that North Bay Hydro should spend what is needed to reduce the number of power outages and 45% say they should spend what is needed to maintain the current level.

- In terms of consumption levels, GS respondents who consume the most (67%) are the least likely to support the spending (Low: 76%; Medium-low: 76%; Medium-high: 77%).
- GS respondents who agree that their electricity bill “has a major impact on their bottom line” are less likely to want to “spend to maintain” (40%) than those who do not feel their bill has a major impact on their bottom line (52%).

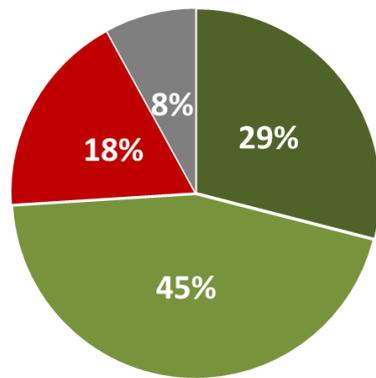
Figure GS.9: Addressing the Frequency of Service Outages



In your view, how do you think North Bay Hydro should address the number of customer power outages? Would you say ...
[asked of all respondents; GS n = 100]

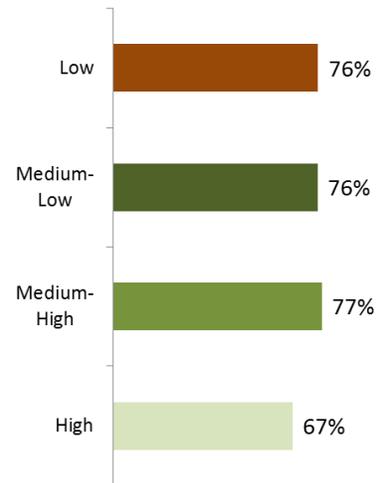
Sample Breakdown ▶▶

Those who say “spend what is needed” to either reduce or to maintain



- Spend what is needed to reduce the number of power outages
- Spend what is needed to maintain the current level of outages
- Accept more power outages in order to keep customer cost from rising
- Don't Know/Refused

Consumption Level



Preamble for Addressing the Duration of Service Outages

Before the follow-up question on how North Bay Hydro should address the length of time without power, respondents were read the following preamble:

“The average North Bay Hydro customer is without power for **one-and-a-half hours** to **three** hours per year.”

Addressing the Duration of Service Outages

Three-quarters (78%) of residential respondents think North Bay Hydro should spend what is needed to either reduce (26%) or maintain (52%) the duration of power outages. Only one-in-six (16%) think that North Bay Hydro should accept longer power outages to keep costs down.

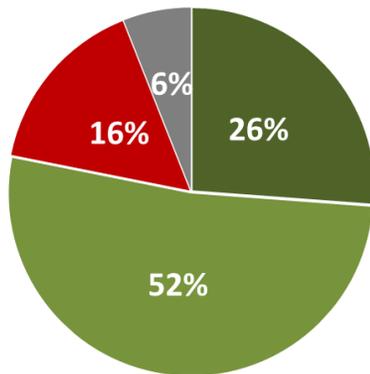
- Residents who say that their electricity bill “has a major impact on their finances” are less likely to want North Bay Hydro to “spend to maintain” (48%) than those unaffected financially by their bill (58%).

Figure RS.10: Addressing the Duration of Service Outages



The average North Bay Hydro customer is without power for “**one-and-a-half**” to “**three**” hours per year.

In your view, how do you think North Bay Hydro should address the **length of time** customers are without power? Would you say ...
[asked of all respondents; RS n = 505]

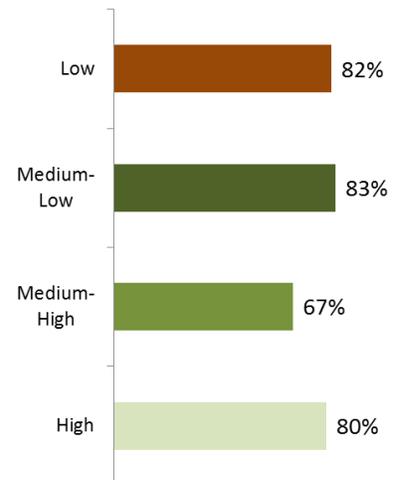


- Spend what is needed to reduce the length of power outages
- Spend what is needed to maintain the current length of power
- Accept longer power outages in order to help keep customer cost from rising
- Don't Know/Refused

Sample Breakdown ▶▶

Those who say “spend what is needed” to either reduce outage duration or to maintain level of reliability

Consumption Level



Similar proportions of General Service respondents think that North Bay Hydro should spend what is needed to reduce (33%) or maintain (46%) the length of power outages. No significant differences arise within region or consumption.

- GS respondents who consume at a medium-high level (91%) are most likely to support the spending (Low: 76%; Medium-low: 79%; High: 71%)
- GS customers who say that their electricity bill “has a major impact on their bottom line” are slightly less likely to want North Bay Hydro to “spend to maintain” (48%) than those unaffected financially by their bill (58%).

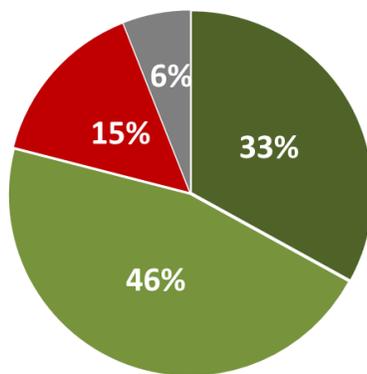
Figure GS.10: Addressing the Duration of Service Outages



The average North Bay Hydro customer is without power for “one-and-a-half” to “three” hours per year.

In your view, how do you think North Bay Hydro should address the length of time customers are without power? Would you say ...

[asked of all respondents; GS n = 210]

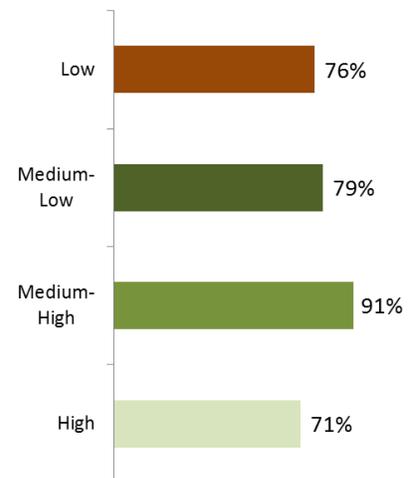


- Spend what is needed to reduce the length of power outages
- Spend what is needed to maintain the current length of power
- Accept longer power outages in order to help keep customer cost from rising
- Don't Know/Refused

Sample Breakdown ▶▶

Those who say “spend what is needed” to either reduce outage duration or to maintain level of reliability

Consumption Level



System Challenges & Priorities

This section explores respondents' preferences on various aspects of North Bay Hydro's Capital Investment plan and OM&A spending.

System Challenges & Priorities Summary

Investment in Aging Infrastructure

Three-in-five (59%) residential customers and one-in-three (37%) General Service customers believe that North Bay Hydro should invest in aging infrastructure to maintain system reliability, even if it means their bills may increase.

- The level of support among residential respondents decreases as consumption level increases. Those who are financially affected by their electricity bill (50%) are less likely to support the investment than those who are not financially affected (71%).
- There is no clear consumption pattern for the GS customers. GS respondents who are affected financially by their electricity bill (32%) are also less likely to support investment in infrastructure than those who are not financially affected (52%).

Investment in Equipment and Tools

Two-thirds (63%) of residential respondents and half (52%) of GS respondents believe that North Bay Hydro should be prudent with its spending, but they also think it is important that staff have the equipment and tools needed to manage the system efficiently and reliably.

- Financial impact of electricity bill is a factor for residential respondents. Those who are struggling with the cost of their bill (57%) are less likely to believe it is important that North Bay Hydro has proper equipment and tools than those who are financially unaffected by the electricity bill (73%).
- Financial impact of electricity bill is not a factor for GS respondents

Budgeting for Labour Costs Increase

Three-in-five (59%) residential respondents and half (49%) of GS respondents believe that it is important for North Bay Hydro to retain and attract experienced and qualified workers to operate the system by paying a wage that is competitive but within industry benchmarks.

- Residential respondents who consume the most (49%) are least likely to support North Bay Hydro paying a competitive wage.
- Residential respondents who are financially affected by their electricity bill (53%) are less likely to support paying a competitive wage than those who are financially unaffected by the bill (67%).
- GS respondents who consume the least (60%) are most likely to support North Bay Hydro paying a competitive wage.

- GS respondents' support for paying a competitive wage is unaffected by the extent to which they are affected financially by their electricity bill.

Tree Clearance Policy

- The policy of establishing a 15 foot tree clearance from either side of North Bay Hydro's overhead power lines is supported by majority of residential (82%) and GS (81%) respondents.

Preamble for System Challenges & Priorities Section

The preamble reads as follow:

“Much of North Bay’s electrical infrastructure was built in the 1950s and 60s. While North Bay Hydro believes it has done its best to prolong the life of these assets, today many of these assets are now approaching the end of their useful life and are beginning to pose a threat to system reliability.

*As part of its investment plan, North Bay Hydro is proposing a significant infrastructure renewal program. The estimated cost of this system renewal program is **\$24 million** over the next 5 years.*

*Although this plan will allow North Bay Hydro to make what independent studies suggest are the necessary investments to maintain system reliability, **it will have an impact on customer bills.**”*

Investment in Aging Infrastructure

Three-in-five (59%) residential customers believe that North Bay Hydro should invest in aging infrastructure to maintain system reliability, even if it means their bills may increase.

- The level of support among residential respondents decreases as consumption level increases (Low: 63%; Medium-low: 63%; Medium-high: 57%; High: 52%). Respondents who are affected by their electricity bill financially (50%) are less likely to support the investment than those who are not financially affected (71%).

Figure RS.11: Investment in Aging Infrastructure

Q Prior to this survey, North Bay Hydro has conducted a number of consultations with a diverse cross-section of its customers. That said, customers have made a number of statements about its proposed investment plan.

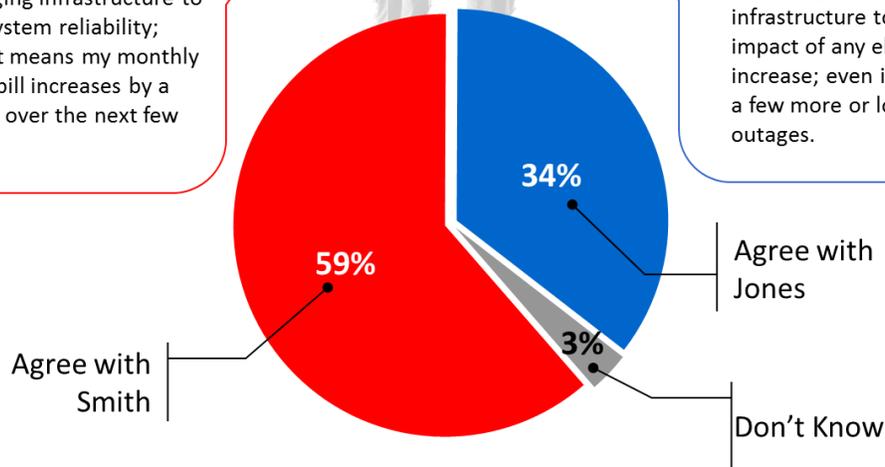
Which of the following statements best represents your point of view?
[asked of all respondents; Residential n=505]

Smith says:

North Bay Hydro should invest what it takes to replace the system's aging infrastructure to maintain system reliability; even if that means my monthly electricity bill increases by a few dollars over the next few years.

Jones says:

North Bay Hydro should lower its investment in renewing the system's aging infrastructure to lessen the impact of any electricity bill increase; even if that means a few more or longer power outages.



Note: 'Refused' (4%) not shown

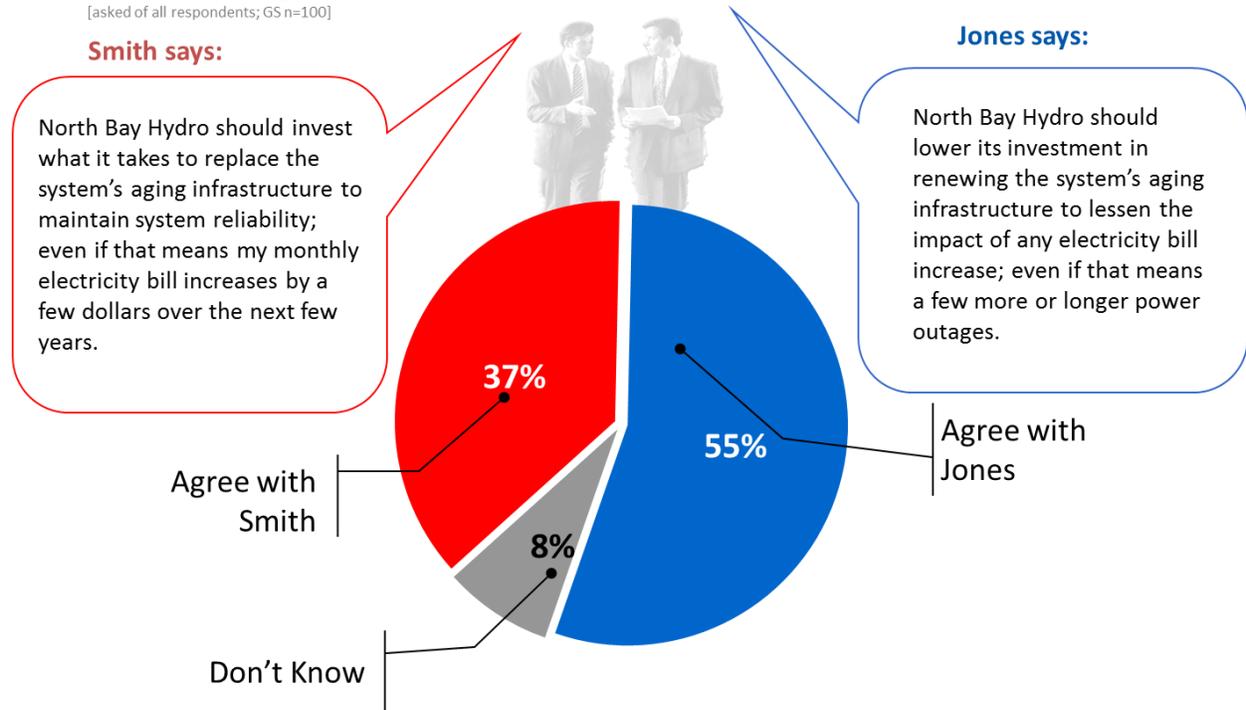
As for General Service customers, 37% think North Bay Hydro should invest what it takes to replace the system’s aging infrastructure to maintain system reliability, despite a possible bill increase. Slightly more than half (55%) think North Bay Hydro should lower its investment in aging infrastructure, even if that means more outages.

- There is no clear consumption pattern for GS customers. Similar to residential respondents, GS respondents who are financially affected by their electricity bill (32%) are much less likely to support investment in infrastructure than those who are unaffected (52%).

Figure GS.11: Investment in Aging Infrastructure

Q Prior to this survey, North Bay Hydro has conducted a number consultations with a diverse cross-section of its **business and residential** customers. That said, customers have made a number of statements about its proposed investment plan.

Which of the following statements best represents your point of view?
[asked of all respondents; GS n=100]



Preamble for Investment in Equipment and Tools

For the following question on general plant, respondents were read this brief preamble:

“North Bay Hydro is not just the local electricity distribution system itself, but a company that operates the system. As a company, North Bay Hydro needs buildings to house its staff, vehicles and tools to service the power lines and IT systems to manage the system and customer information.”

Investment in Equipment and Tools

Two-thirds (63%) of Residential customers believe that North Bay Hydro should be prudent with its spending, but they also think it is important that staff have the equipment and tools needed to manage the system efficiently and reliably. One-in-three (35%) think that North Bay Hydro should find ways to make do with the buildings, equipment and IT systems it already has.

- Residential respondents struggling with the cost of their electricity bill (57%) are less likely to believe it is important that North Bay Hydro has proper equipment and tools than those who are unaffected financially by the electricity bill (73%).

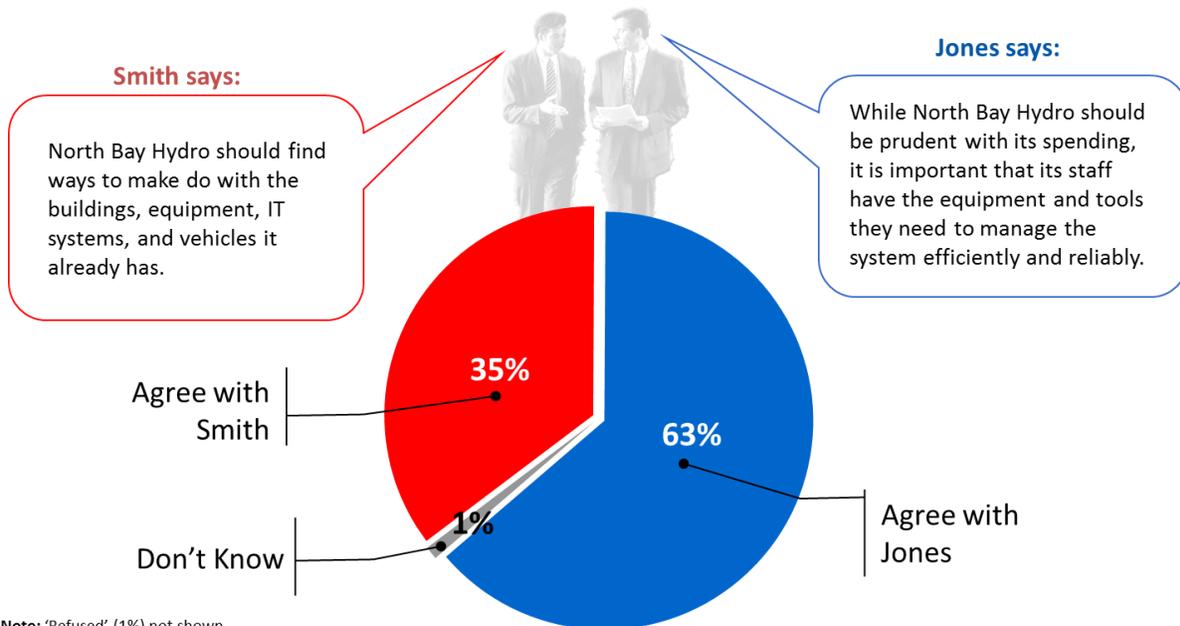
Figure RS.12: Investment in Equipment and Tools



As a company, North Bay Hydro needs buildings to house its staff, vehicles and tools to service the power lines, and IT systems to manage both the electric system and customer information effectively.

Customers have made number of statements about this sort of investment. Which of the following statements best represents your point of view?

[asked of all respondents; Residential n=505]



Less than two-in-five (39%) General Service respondents believe that, while North Bay Hydro should be wise with its spending, it is important that North Bay Hydro's staff have the equipment and tools they need to manage the system efficiently and reliably.

- The support for investment in equipment and tools is unaffected by the extent to which the GS respondents are struggling with the cost of their electricity bill (52% for those who are struggling and those who are not).

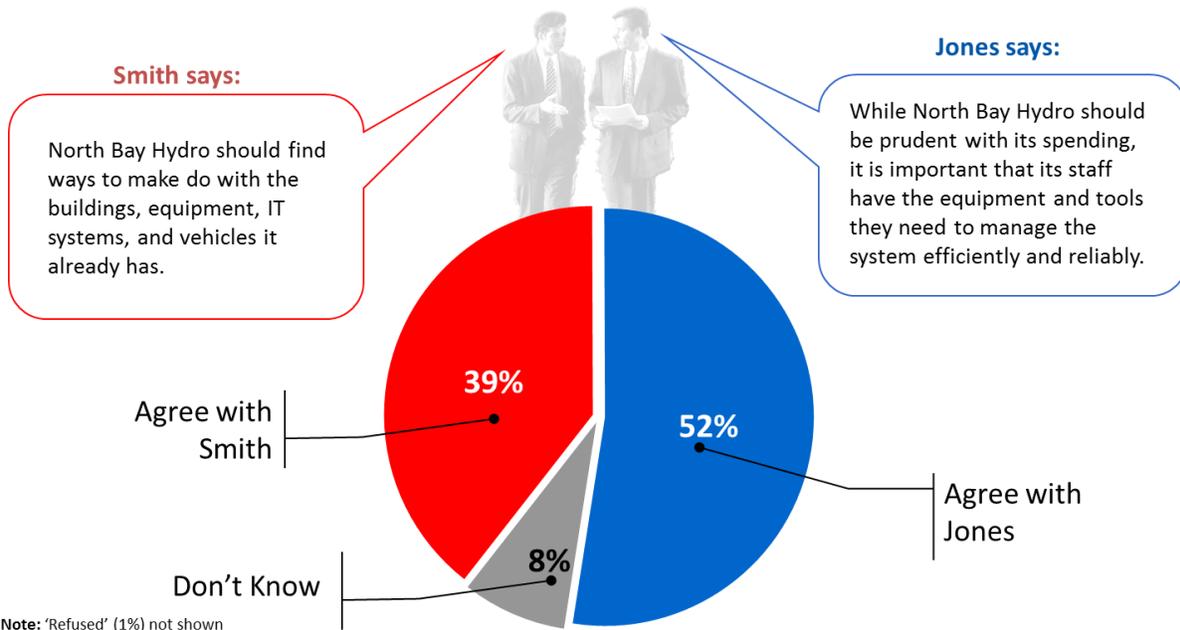
Figure GS.12: Investment in Equipment and Tools



As a company, North Bay Hydro needs buildings to house its staff, vehicles and tools to service the power lines, and IT systems to manage both the electric system and customer information effectively.

Customers have made number of statements about this sort of investment. Which of the following statements best represents your point of view?

[asked of all respondents; GS n=100]



Preamble for Budgeting for Labour Cost Increase

Before the follow-up question on how North Bay Hydro should address labour cost increases, respondents were read the following preamble:

*“In addition to its capital investment budget, North Bay Hydro also needs to consider its **operating budget** which also has an impact on customer bills. The operating budget pays for the day-to-day costs for managing and maintaining the system, including labour costs, customer services and maintenance.”*

Budgeting for Labour Cost Increase

Three-in-five (59%) residential respondents believe that it is important for North Bay Hydro to retain and attract experienced and qualified workers to operate the system by paying a wage that is competitive but within industry benchmarks.

- Residential respondents who consume the most (49%) are least likely to support North Bay Hydro paying a competitive wage. (Low: 65%; Medium-low: 60%; Medium-high: 62%).
- Residential respondents who are financially affected by their electricity bill (53%) are less likely to support paying a competitive wage than those who are financially unaffected by the bill (67%).

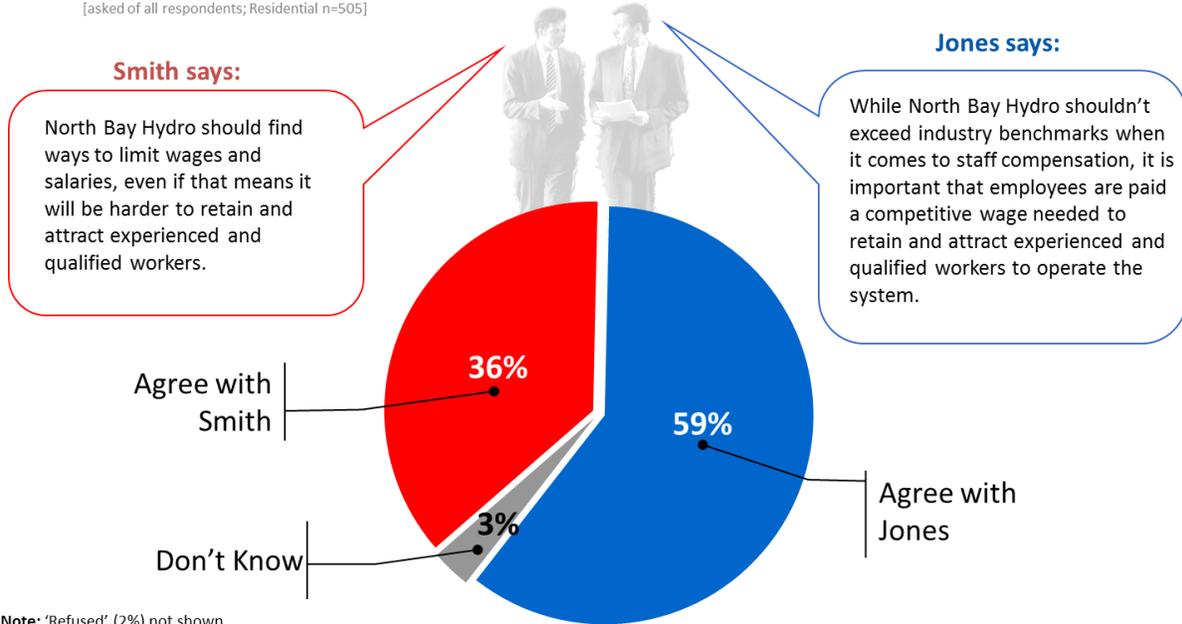
Figure RS.13: Budgeting for Labour Costs Increase



With an increased workload on staff from growing customer demands, new provincial policies and regulations, as well as operating and maintenance needs of the system, North Bay Hydro's proposed plan would see labour costs increasing next year, in line with industry standards.

Again, customers have made number of statements about this sort of budgeting. Which of the following statements best represents your point of view?

[asked of all respondents; Residential n=505]



About half (49%) of GS respondents believe that it is important for North Bay Hydro to retain and attract experienced and qualified workers to operate the system by paying a wage that is competitive but within industry benchmarks.

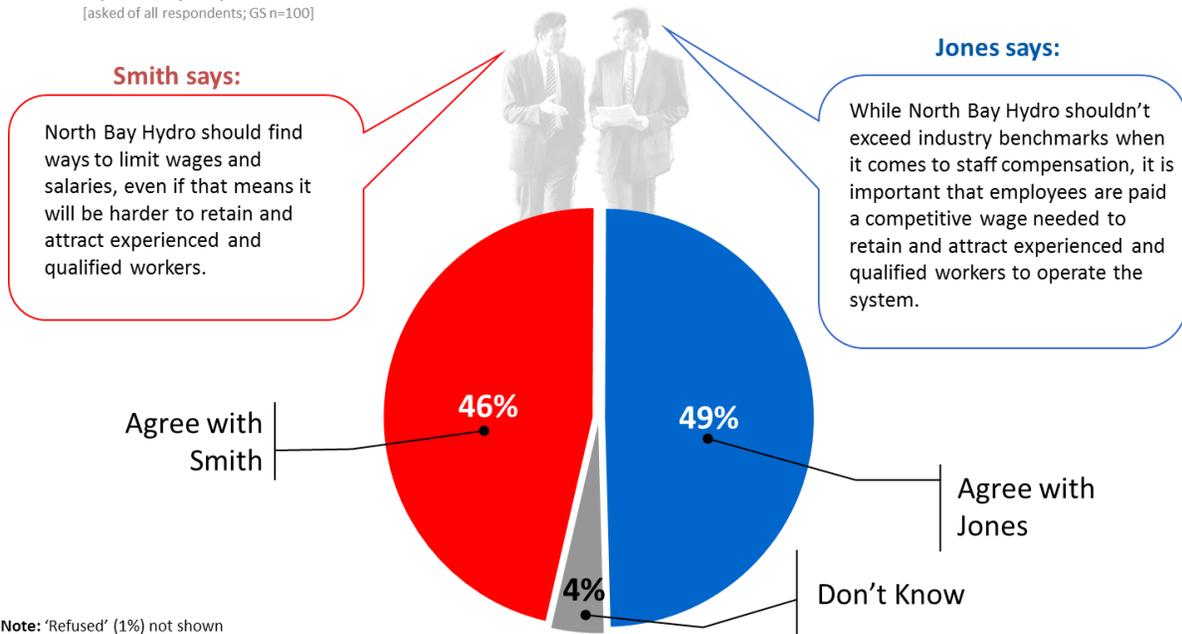
- GS respondents who consume the least (60%) are most likely to support North Bays Hydro paying a competitive wage (Medium-low: 48%; Medium-high: 41%; High: 46%).
- GS respondents' support for paying a competitive wage is unaffected by the extent to which they are financially affected by their electricity bill.

Figure GS.13: Budgeting for Labour Costs Increase



With an increased workload on staff from growing customer demands, new provincial policies and regulations, as well as operating and maintenance needs of the system, North Bay Hydro's proposed plan would see labour costs increasing next year, in line with industry standards.

Again, customers have made number of statements about this sort of budgeting. Which of the following statements best represents your point of view?
[asked of all respondents; GS n=100]



Preamble for Vegetation Management Policy

For the following question on tree clearance policy, respondents were read this brief preamble:

"It's estimated that up to 25% of all power outages among North Bay Hydro customers are caused by wire contact with trees. Furthermore, close proximity of branches to wires can pose a risk to the public and North Bay Hydro workers that need to perform maintenance on the system.

Due to this reality, North Bay Hydro has recently made it a policy of establishing a 15 foot tree clearance from either side of its overhead power lines."

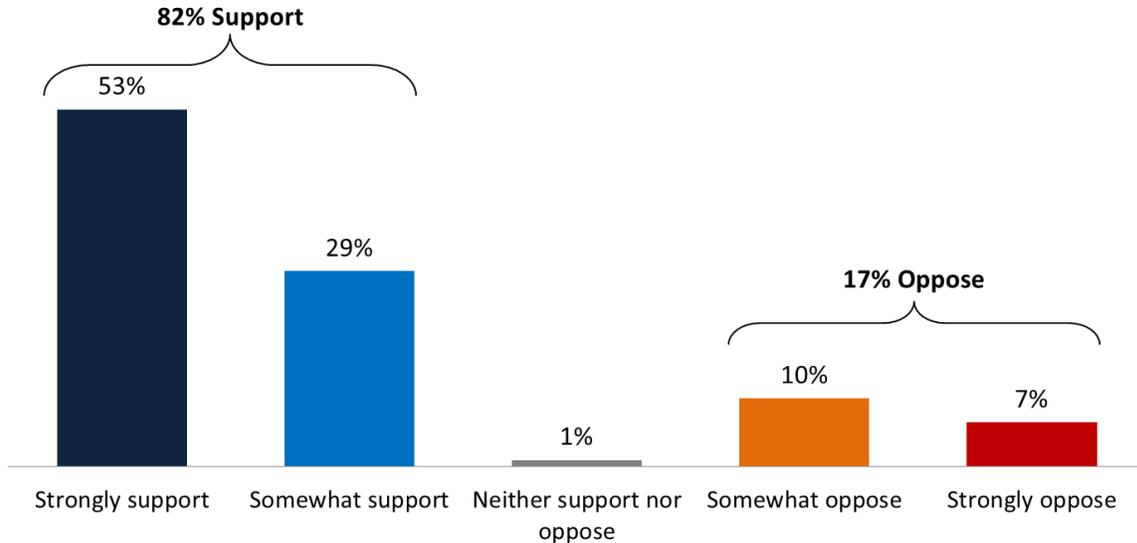
Vegetation Management Policy

North Bay Hydro's tree clearance policy received majority support from both residential (82%) and GS (81%) respondents.

Figure RS.14: Vegetation Management Policy



Although this policy may have an impact on North Bay's tree line, do you strongly support, somewhat support, somewhat oppose or strongly oppose this policy?
[asked of all respondents; RS n= 505]

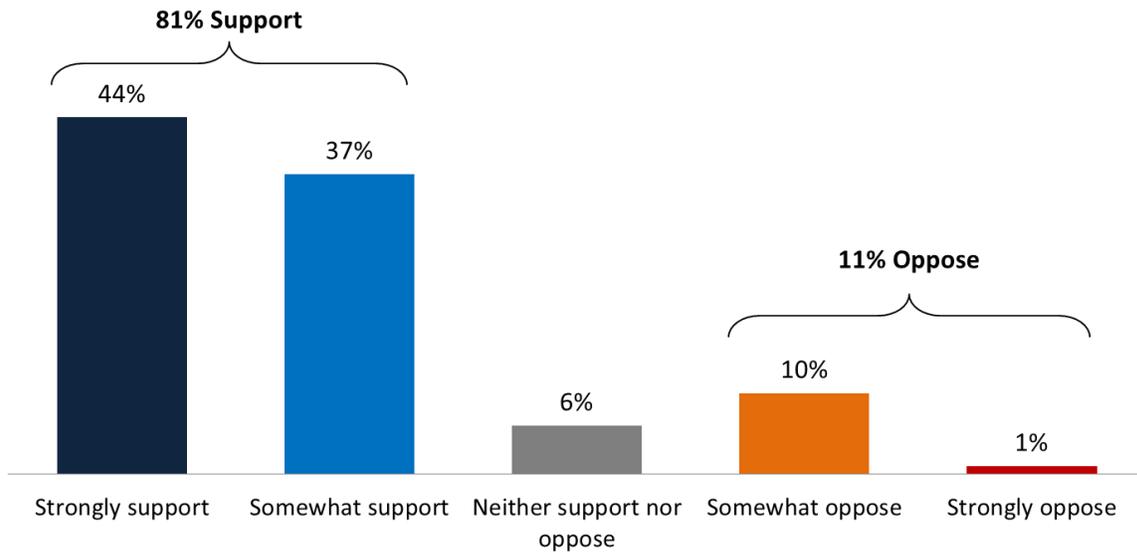


Note: 'Don't know'/'Refused' (1%) not shown

Figure GS.14: Vegetation Management Policy



Although this policy may have an impact on North Bay's tree line, do you strongly support, somewhat support, somewhat oppose or strongly oppose this policy?
[asked of all respondents; GS n= 100]



Note: 'Don't know'/'Refused' (2%) not shown

Reaction to Previous Customer Consultation Input

This section measures agreement with some of the key opinion statements provided by North Bay Hydro's customers in previous phases of the consultation.

Customer Reaction Statements

Of the 11 customer input statements provided in the questionnaire, the statement with the most support among residential customers is "nobody likes to pay more for electricity, but I think we have an obligation to maintain the reliability of our local electrical system for future generation".

Among General Service customers, the most supported statement was "we should invest in our electricity system infrastructure now or we will end up paying more the longer we delay our system renewal".

The statement with the lowest level of agreement among residential respondents is "while North Bay Hydro's policy of tree trimming and tree removal is designed to lower the number of customer power outages, they're going too far in removing the City's tree canopy".

The statement with the lowest level of General Service agreement is "My organization would be willing to pay a bit more for electricity if it means better service reliability."

Residential Customer Reaction

A majority of residential respondents agree with all of the customer input statements provided in the questionnaire except one: "while North Bay Hydro's policy of tree trimming and tree removal is designed to lower the number of customer power outages, they're going too far in removing the City's tree canopy" (18% strongly agree; 23% agree; 29% disagree; 27% strongly disagree).

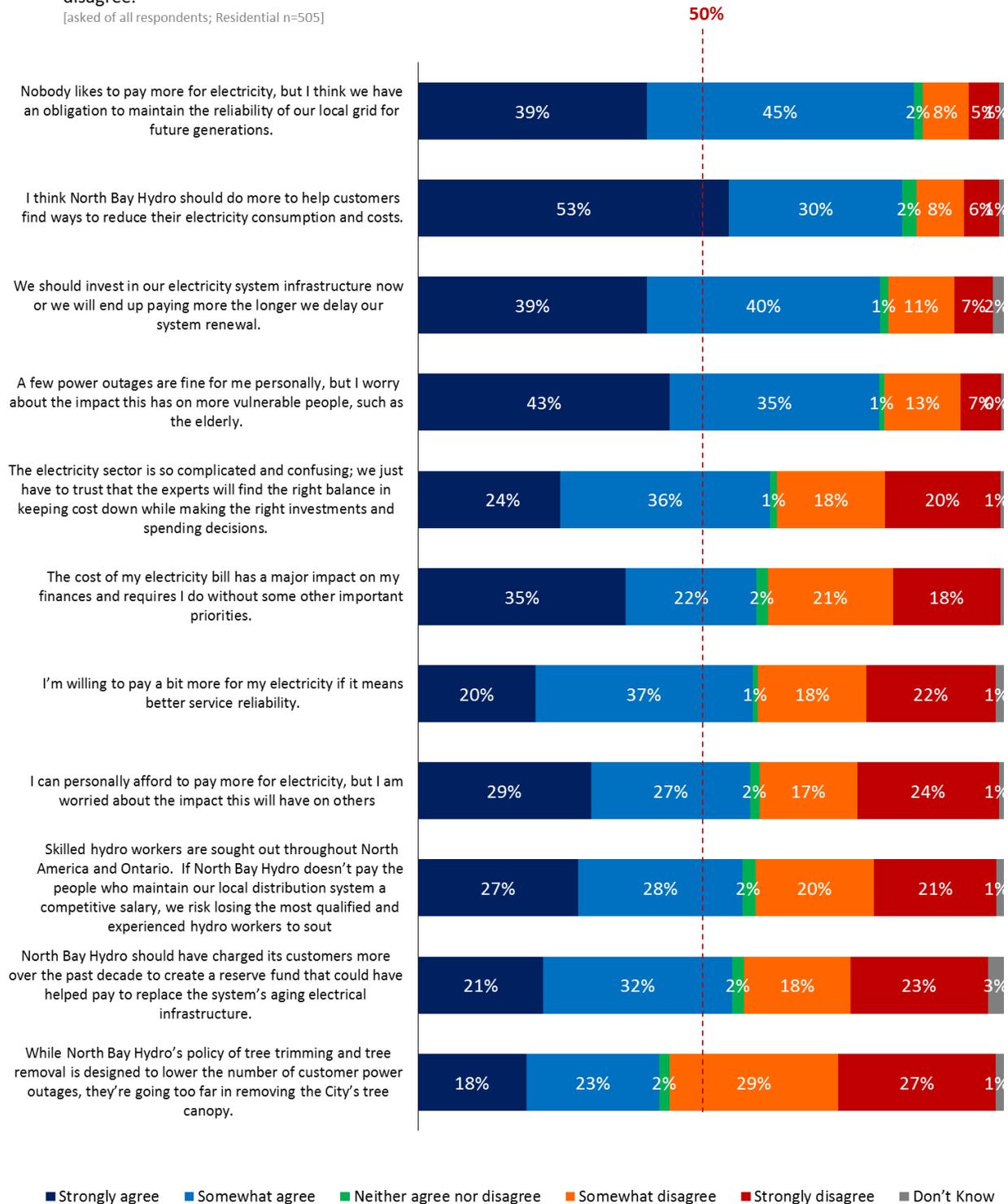
Of the eleven statements put forth to residential customers, two of them have at least 80% support. The statements focus on the future of infrastructure and cost. In the statement with the most support, more than eight-in-ten (84%) agree that "Nobody likes to pay more for electricity, but I think we have an obligation to maintain the reliability of our local grid for future generations" (45% strongly agree).

Slightly fewer (82%) residential customers also agree that "I think North Bay Hydro should do more to help customers find ways to reduce their electricity consumption and costs". This statement elicits strong intensity of agreement (53% strongly agree).

Figure RS.15: Reaction to Customer Input

Q The following statements have been made by customers throughout North Bay Hydro's community consultation process. For each statement, please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree.

[asked of all respondents; Residential n=505]



GS Customer Reaction

Though General Service respondents agree with all eleven statements provided in the questionnaire, none of the statements elicited strong intensity of agreement. The statement that elicited the strongest intensity of agreement is “I think North Bay Hydro should do more to help customers find ways to reduce their electricity consumption and costs” (38% strongly agree).

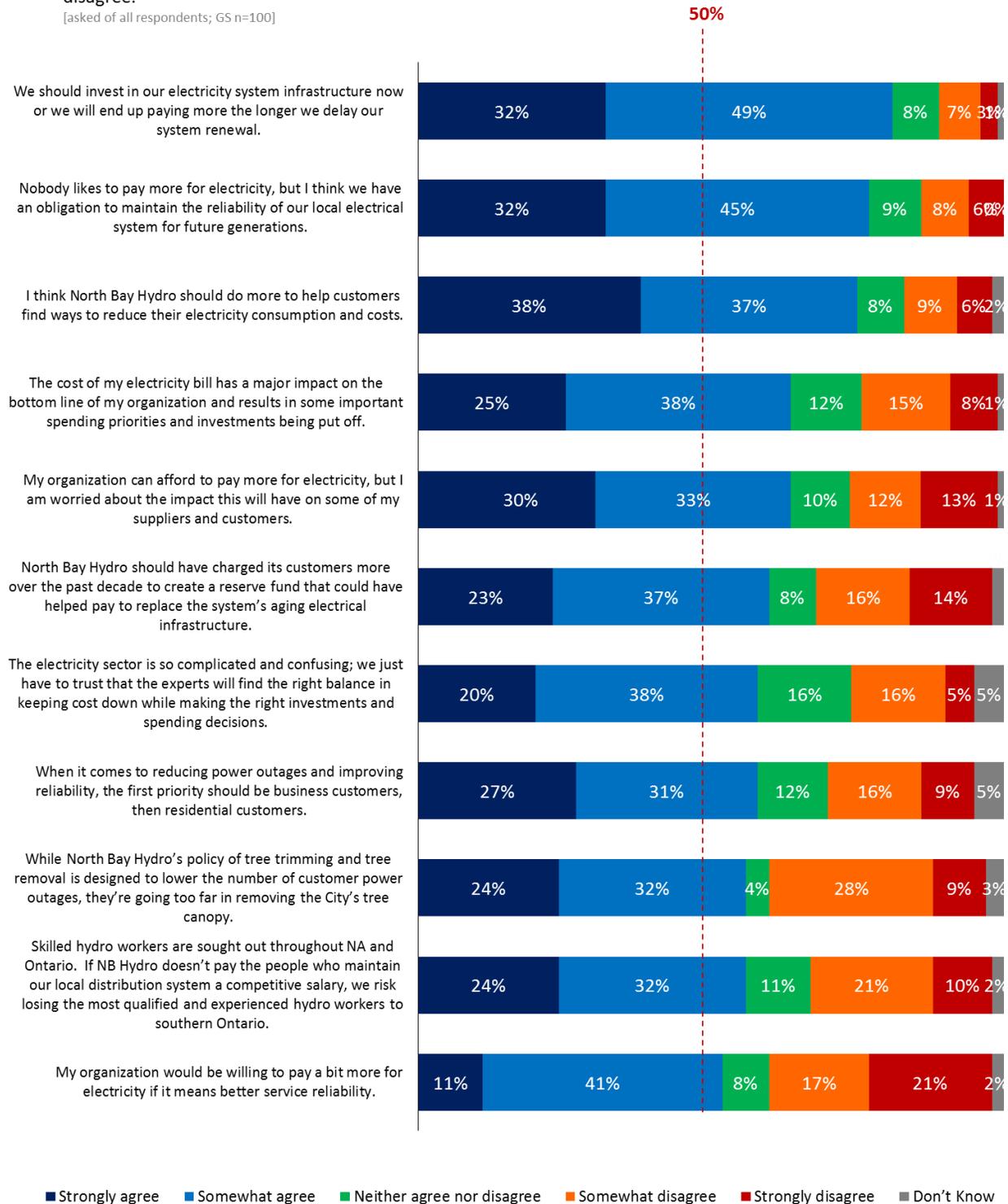
The statement with strongest overall agreement is “We should invest in our electricity system infrastructure now or we will end up paying more the longer we delay our system renewal”.

The statement that received the second highest level of agreement is “nobody likes to pay more for electricity, but I think we have an obligation to maintain the reliability of our local electrical system for future generations”.

Figure GS.15: Reaction to Customer Input

Q The following statements have been made by customers throughout North Bay Hydro's community consultation process. For each statement, please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree.

[asked of all respondents; GS n=100]



Assessment of Plan

This section explores the degree of acceptance that North Bay Hydro's customers express for a rate increase. Acceptance is defined as either support for a rate increase or agreeing that it is necessary. This section also explores the underlying reasons for acceptance and opposition to a rate increase, probing more specifically through open-ended questions.

Acceptance of Rate Increase Summary

About three-quarters of residential (73%) respondents accept the rate increase. However, most of these respondents offer reluctant acceptance: they don't like the increase, but feel it's necessary to maintain the grid (48%). Only a quarter (25%) thinks the rate increase is unreasonable.

- Residential customers who feel their electricity bills have a major impact on their finances (64%) are much less likely to accept a rate increase.

General Service respondents are slightly less willing to accept the rate increases than residential respondents: close to seven-in-ten (68%) of organizational customers support the proposed North Bay Hydro plan. Much of that acceptance appears to be reluctant: they "don't like the rate increase, but feel it is necessary" (48%). Slightly more than a quarter (28%) think the proposed rate increase is unreasonable and oppose it.

- GS respondents whose bottom line is affected by the cost of their electricity bill (62%) are less likely to support the proposed rate increase than those who are unaffected (87%).

Financial Flexibility and Level of Acceptance

The level of acceptance differs among respondents depending on the extent to which they are financially impacted by their electricity bill. Among residential respondents who are financially strained, about three-in-five (64%) accept the proposed rate increase. Among residential respondents who are financially flexible, their level of acceptance increased to more than four-in-five (86%).

The change in level of acceptance is similar among GS respondents. For GS respondents whose organizations' are financially strained, 62% accept the proposed rate increase. For those whose organizations' are financially flexible, 87% accept the proposed rate increase.

Reasons why customers accept or oppose North Bay Hydro's proposed DSP:

- In the residential breakdown, those who are most strongly accepting of the rate increase cite "Invest/necessary to maintain/keep up for future" (35%) and "\$4.60-\$5.00 not a lot of money/can afford" (33%) as their key reasons.
- Those who reluctantly accept the increase cite "don't want to pay more but must be maintained" (34%) as the main reason.
- One-in-two (50%) of those against the rate increase cite "pay too much already" as the reason for their disapproval.

- In the GS breakdown, similar reasons emerge. Those who are most strongly accepting of the rate increase cite “rate increase is acceptable/affordable” as their main reason (30%).
- Those who reluctantly accept the increase cite "must be necessary / has to be done" (19%) as the main reason.
- One-in-five (21%) of those against the rate increase cite "rates already too high" as the reason for their disapproval.

Preamble for Assessment of Plan Section

Prior to the questions given in the Assessment of Plan Section, residential customers were presented with a preamble concerning the breakdown of pricing for North Bay Hydro's 5-year plan:

*According to North Bay Hydro's proposed plan, the total required funding to manage the day-to-day operations and required capital investment is estimated to be **\$14.7 million** in 2015.*

- **53%** of these funds or approximately **\$7.8 million** is budgeted for capital investments required to replace aging infrastructure; to connect new customers to the electricity system; to invest in tools, IT systems, vehicles and facilities needed to manage the electricity system; and for new technologies to make the system more efficient, reliable and safe.*
- **47%** of these funds or approximately **\$7.0 million** of this proposed plan is budgeted for the day-to-day management of the company as a whole, salaries and wages, customer service and on-going maintenance of the distribution system.*

*To fund this plan, **North Bay Hydro** is proposing the **average residential household's rate increase by 92 cents (\$0.92)** on the distribution portion of their bill over the next five years. So, by 2019, the average residential household will be paying an **estimated \$4.60 more per month** on the distribution portion of its electricity bill.*

*(Note: in the GS Survey, the two bolded phrases in the last paragraph were replaced with "**average small and medium-sized business' rate increase by \$1.10**" and "**estimated \$5.49 more per month**", respectively. The rest of the preamble remained the same for organizational customers.)*

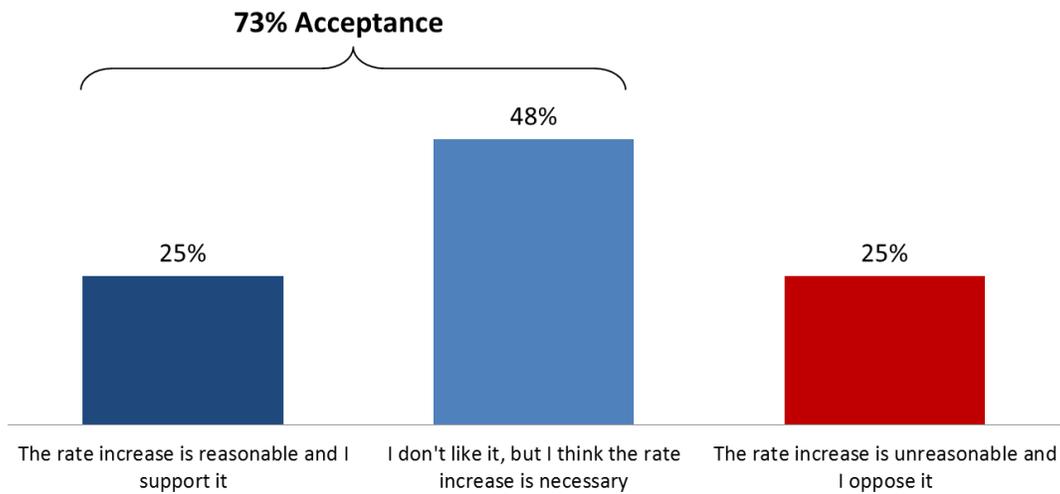
Acceptance of Rate Increase

When residential respondents were asked the “acceptance question” on rate increases, close to three-quarters (73%) agree to the rate increase. One-in-four residential respondents (25%) oppose the rate increase and think it is unreasonable. Close to half of the respondents (48%) don’t like the rate increase, but think it is necessary.

Figure RS.16 - Acceptance of Rate Increase



Considering the cost of the North Bay Hydro plan, which point of view is closest to your own? Would you say...
[asked of all respondents; Residential n=505]



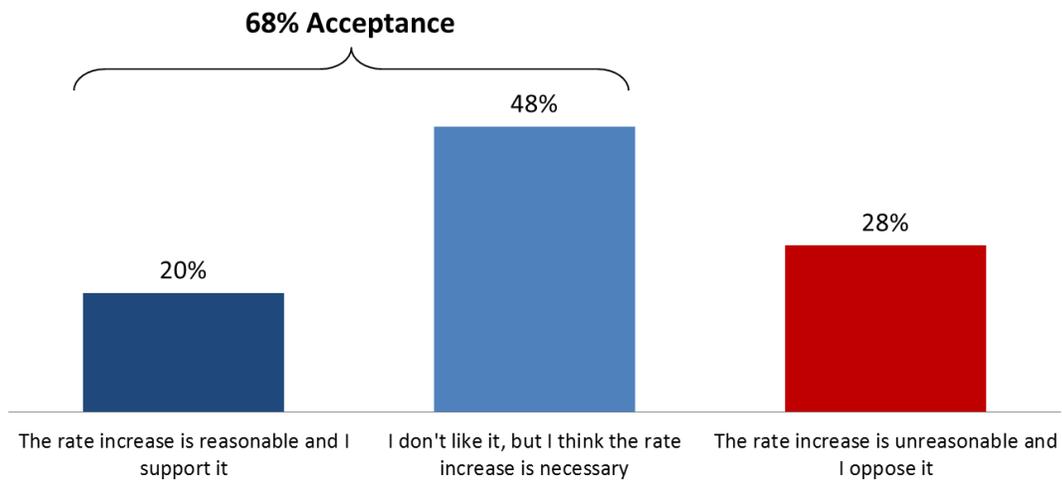
Note: 'Not sure'/'Refused' (2%) not shown

General Service respondents, on the other hand, are slightly less likely to support rate increases: about two-thirds (68%) of GS respondents accept the increase.

As noted with residential respondents, close to half (48%) of GS respondents do not like the proposed rate increase but believe it is necessary. The proportion of GS respondents (28%) that oppose the rate increase is slightly higher than the residential respondents (25%).

Figure GS.16 - Acceptance of Rate Increase

Q Considering the cost of the North Bay Hydro plan, which point of view is closest to your own? Would you say...
[asked of all respondents; GSn =100]



Note: 'Not sure'/'Refused' (4%) not shown

Financial Flexibility and Level of Acceptance

It is expected that the proposed rate increase would have greater financial impact on some respondents than others; consequently, the respondents' level of acceptance for rate increase could differ depending on their level of financial flexibility. That is, the extent to which the cost of electricity bill has on the respondents' personal finances or business bottom line.

For residential respondents whose electricity bill has major impact on their finances and requires them do without some other important priorities, the level of their acceptance for the proposed rate increase (64%) is lower than those whose finances are less impacted by their electricity bill (86%).

Figure RS.17 - Financial Flexibility and Level of Acceptance

| | Financially Strained | Financially Flexible |
|---|-----------------------------|-----------------------------|
| The rate increase is reasonable and I support it | 17% | 38% |
| I don't like it, but I think the rate increase is necessary | 47% | 48% |
| The rate increase is unreasonable and I oppose it | 34% | 11% |
| Overall Level of Support | 64% | 86% |

For GS respondents whose electricity bill has major impact on their organizations' bottom line and requires them to put off some important spending priorities and investments, the level of their acceptance for the proposed rate increase (62%) is lower than those whose bottom line are less impacted by their electricity bill (87%).

Figure GS.17 - Financial Flexibility and Level of Acceptance

| | Financially Strained | Financially Flexible |
|---|-----------------------------|-----------------------------|
| The rate increase is reasonable and I support it | 13% | 35% |
| I don't like it, but I think the rate increase is necessary | 49% | 52% |
| The rate increase is unreasonable and I oppose it | 35% | 13% |
| Overall Level of Acceptance | 62% | 87% |

Opinions on Proposed Rate Increase

For residential respondents who chose “the rate increase is reasonable and I support it”, 35% hold their position because they believe the investment is necessary for the future. About one-in-three (33%) of the same group of respondents believe the proposed rate increase is affordable.

For residential respondents who chose “I don’t like it but believe the rate increase is necessary”, 34% hold their position because they believe maintenance is necessary.

For residential respondents who chose “the rate increase is unreasonable and I oppose it”, half of them (50%) hold their position because they believe they “pay too much already”.

Figure RS.18 – Opinion on Proposed Rate Increase

Q And why do you say that? [Asked of RS respondents who had an opinion on NBH’s proposed rate increase]

| ACCEPTANCE: INCREASE REASONABLE | % RS |
|---|------|
| Invest/necessary to maintain/keep up for future | 35% |
| \$4.60-\$5.00 not a lot of money/can afford | 33% |
| Cost of everything going up | 19% |
| Is going to happen anyway | 5% |
| Good service | 2% |
| Other | 8% |

n=123

| ACCEPTANCE: DON'T LIKE BUT NECESSARY | % RS |
|--|------|
| Don't want to pay more but must be maintained | 34% |
| Invest/necessary to maintain/keep up for future | 14% |
| Pay too much already | 11% |
| Will cost more down the road if not updated now | 10% |
| Management/employee salaries/bonuses too high | 5% |
| Cost of everything going up | 4% |
| On fixed income/pension | 4% |
| Financial accountability/where's the money going | 4% |
| Need better management | 3% |
| Eliminate/reduce retirement,debt & delivery fees | 3% |
| \$4.60-\$5.00 not a lot of money/can afford | 2% |
| Other | 5% |

n=236

| NO ACCEPTANCE: INCREASE UNREASONABLE | % RS |
|---|------|
| Pay too much already | 50% |
| Eliminate/reduce retirement,debt & delivery fees | 9% |
| Management/employee salaries/bonuses too high | 9% |
| Financial accountability/where's the money going | 7% |
| Need better management | 6% |
| On fixed income/pension | 6% |
| Can find other ways to save/reduce costs | 5% |
| Developers should pay for initial costs of new system | 2% |
| Other | 7% |

n=123

For GS respondents who chose “the rate increase is reasonable and I support it”, 34% hold their position because they believe the rate increase is affordable. One-in-four hold their position because they believe the increase is a necessary long-term investment in infrastructure.

For GS respondents who chose “I don’t like it but believe the rate increase is necessary”, 19% hold their position because they believe maintenance is necessary.

For GS respondents who chose “the rate increase is unreasonable and I oppose it”, about one-in-five (21%) hold their position because they believe the “rates already too high”.

Figure GS.18 – Opinion on Proposed Rate Increase

Q And why do you say that? [Asked of GS respondents who had an opinion on NBH’s proposed rate increase]

| ACCEPTANCE: INCREASE REASONABLE | % RS |
|---|------|
| Rate increase is acceptable/affordable | 30% |
| Necessary for long-term investment/infrastructure | 25% |
| Must be necessary/has to be done | 20% |
| Other | 5% |
| Don't Know / Refused | 20% |

n=20

| NO ACCEPTANCE: INCREASE UNREASONABLE | % RS |
|--------------------------------------|------|
| Rates already too high | 21% |
| Should find other ways to cut costs | 18% |
| Rising costs will affect my business | 14% |
| No one likes an increase | 11% |
| Don't Know / Refused | 36% |

n=28

| ACCEPTANCE: DON'T LIKE BUT NECESSARY | % RS |
|---|------|
| Must be necessary/has to be done | 19% |
| No one likes an increase | 15% |
| Rates already too high | 15% |
| Should find other ways to cut costs | 10% |
| Rate increase is acceptable/affordable | 8% |
| Necessary for long-term investment/infrastructure | 6% |
| Other | 10% |
| Don't Know / Refused | 16% |

n=48

Survey Instruments

Residential Survey Instrument

A. Introduction

Introduction

INTRO

Hello, my name is _____ and I'm calling from **Innovative Research Group** on behalf of **North Bay Hydro**, your local distributor.

Innovative Research Group is a national public opinion research firm. We have been commissioned by **North Bay Hydro** to help them better understand the needs and preferences of its customers.

North Bay Hydro – which distributes electricity to residential and business customers in the City of North Bay– is in the process of developing its **spending and investment plan for the coming year** and wants to hear from customers, like you, to help inform this plan.

Because **North Bay Hydro** is entirely funded by the fees that its customers pay on their electricity bills, it wants to know *how much or how little* its customers want it to spend and invest to manage and maintain the local electrical system.

A1. Would you mind if I had ten minutes of your time to ask you some questions? All your responses will be kept strictly confidential.

- | | | |
|-----------------------------|---|--------------------|
| Yes | 1 | [continue] |
| No – NOT PRIMARY BILL PAYER | 2 | [go to TRANSFER-1] |
| No – BAD TIME | 3 | ARRANGE CALLBACK |
| No – HARD REFUSAL | 4 | [Terminate] |

MONIT

This call may be monitored or audio taped for quality control and evaluation purposes.

- | | |
|-------------------|---|
| PRESS TO CONTINUE | 1 |
|-------------------|---|

A2. Have I reached you at your home phone number?

INTERVIEWER NOTE; IF "NO" ASK: May I speak to someone who does live there?

- | | | |
|---|---|------------------|
| Yes - SPEAKING, CONTINUE | 1 | [continue to A3] |
| YES - TRANSFERRED – (GO BACK TO INTRODUCTION) | 2 | [back to INTRO] |
| No - NOT AVAILABLE – (ARRANGE CALLBACK) | 3 | ARRANGE CALLBACK |
| Refused – LOG (THANK AND TERMINATE) | 9 | [Terminate] |

A3. Are you the person primarily responsible for paying the electricity bill in your household?

Yes
No
Don't know (DNR)

1 [continue to A4]
2 [go to TRANSFER-1]
98 [Terminate]

TRANSFER-1

Can I speak with the person in your household who usually pays the electricity bill?

- | | | |
|--|----|--------------------|
| Yes – transferred to electricity bill payer | 1 | [BACK TO INTRO] |
| No – NOT AVAILABLE/BAD TIME – (ARRANGE CALLBACK) | 2 | [ARRANGE CALLBACK] |
| No – HARD REFUSAL | 3 | [Terminate] |
| Don't know (DNR) | 98 | [Terminate] |

A4. Can you confirm that your household receives an electricity bill from **North Bay Hydro**?

- | | | |
|------------------|----|-------------|
| Yes | 1 | [continue] |
| No | 2 | [Terminate] |
| Don't know (DNR) | 98 | [Terminate] |

B. General Satisfaction & Background Info

We need respondents to think about electricity and the part of the system that North Bay Hydro operates.

B5. PREAMBLE-1

To start, I'd like to ask you a few questions about the electricity system ...

As you may know, Ontario's electricity system has three key components: **generation, transmission and distribution.**

- **Generating stations** convert various forms of energy into electric power;
- **Transmission lines** connect the power produced at generating stations to where it is needed across the province; and
- **Distribution lines** carry electricity to the homes and businesses in our communities.

Today we're going to talk about your **local distribution system** which is maintained and operated by **North Bay Hydro.**

That said ...

B6. How familiar are you with your local electricity distribution system?
Would you say ... **[READ LIST]**

| | |
|---------------------|----|
| Very familiar | 1 |
| Somewhat familiar | 2 |
| Not very familiar | 3 |
| Not familiar at all | 4 |
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

B7. Generally speaking, how satisfied are you with the job North Bay Hydro is doing running your local distribution system? Would you say ... **[READ LIST]**

| | |
|-----------------------|----|
| Very satisfied | 1 |
| Somewhat satisfied | 2 |
| Somewhat dissatisfied | 3 |
| Very dissatisfied | 4 |
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

B8. Is there anything in particular **North Bay Hydro** can do to improve their service to you? [OPEN]

| | |
|------------------|----|
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

B9. **North Bay Hydro** is 100% owned by the City of North Bay and has an independent board of directors. This voluntary board is made up of members of North Bay's business community and is responsible for overseeing the operations and management of the utility.

Before this survey, did you know that North Bay Hydro was owned by the City of North Bay?

[DO NOT READ LIST]

| | |
|------------------|----|
| Yes | 1 |
| No | 2 |
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

C. *Bill Knowledge & Impact*

I'd now like to talk with you about your electricity bill ...

C10. While some customers pay more and other pay less, the average residential customer pays **about \$130 a month** for electricity of **which \$30 or approximately 20% goes to North Bay Hydro**. The rest of the bill goes to power generation companies, transmission companies, the provincial government and regulatory agencies.

Before this survey, how familiar were you with the amount of your electricity bill that went to North Bay Hydro? Would you say ... [READ LIST]

| | |
|-------------------|----|
| Very familiar | 1 |
| Somewhat familiar | 2 |
| Not very familiar | 3 |
| Not familiar | 4 |
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

D. System Reliability

These questions are about getting the respondent to think about their experience with system reliability.

READ PREAMBLE: Despite best efforts, no electrical distribution system can deliver *perfectly reliable* electricity. As a general rule, the more reliable the system, the more expensive the system is to build and maintain.

With that said, the average **North Bay Hydro** customer experiences **between one and three power outages** per year.

D11. Have you experienced any power outages **in the past 12 months**, and if so, approximately how many? **[DO NOT READ LIST]**

| | | |
|-------------------|----|----------------------|
| No outages | 0 | [SKIP to D13] |
| 1 outage | 1 | [CONTINUE] |
| 2 outages | 2 | [CONTINUE] |
| 3 outages | 3 | [CONTINUE] |
| 4 outages | 4 | [CONTINUE] |
| 5 outages | 5 | [CONTINUE] |
| 6 outages | 6 | [CONTINUE] |
| 7 outages | 7 | [CONTINUE] |
| 8 or more outages | 8 | [CONTINUE] |
| Don't know (DNR) | 98 | [SKIP to D13] |
| Refused (DNR) | 99 | [SKIP to D13] |

READ ONLY IF D11 = 1 thru 8

D12. And approximately how many minutes did the **most recent power outage** last? **[DO NOT READ LIST; select category accordingly]**

| | | |
|--------------------------------|----|--|
| Less than 15 minutes | 1 | |
| 15 to less than 30 minutes | 2 | [specify if less than 15 minutes, if stated "less than 30 minutes"] |
| 30 minutes to less than 1 hour | 3 | |
| 1 hour to less than 3 hours | 4 | |
| 3 hours to less than 6 hours | 5 | |
| 6 hours to less than 12 hours | 6 | |
| 12 to less than 24 hours | 7 | |
| More than 24 hours | 8 | |
| Don't know (DNR) | 98 | |
| Refused (DNR) | 99 | |

D13. Thinking back to the **most recent** power outage you experienced as a North Bay Hydro customer, would you say the power outage ...

[READ LIST; ROTATE 1 and 3]

| | |
|---|----|
| Was a major inconvenience | 1 |
| Was a minor inconvenience | 2 |
| Was no inconvenience at all | 3 |
| Have never experienced an outage with North Bay Hydro (DNR) | 97 |
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

D14. In your view, how do you think **North Bay Hydro** should address the **number** of customer power outages? Would you say ... **[READ LIST]**

[Rotate response codes 1 and 3]

| | |
|---|----|
| Spend what is needed to reduce the number of power outages | 1 |
| Spend what is needed to maintain the current level of outages | 2 |
| Accept more power outages in order to help keep customer costs from rising | 3 |
| Don't Know (DNR) | 98 |
| Refused (DNR) | 99 |

D15. The average **North Bay Hydro** customer is without power for "**one-and-a-half**" to "**three**" hours per year.

In your view, how do you think North Bay Hydro should address the **length of time** customers are without power? Would you say ... **[READ LIST]**

[Rotate response codes 1 and 3]

| | |
|---|----|
| Spend what is needed to reduce the length of power outages | 1 |
| Spend what is needed to maintain the current length of power outages | 2 |
| Accept longer power outages in order to help keep customer costs from rising | 3 |
| Don't Know (DNR) | 98 |
| Refused (DNR) | 99 |

E. System Challenges & Priorities

[PREAMBLE]

Much of North Bay's electrical infrastructure was built in the 1950s and 60s. While North Bay Hydro believes it has done its best to prolong the life of these assets, today many of these assets are now approaching the end of their useful life and are beginning to pose a threat to system reliability.

As part of its investment plan, North Bay Hydro is proposing a significant infrastructure renewal program. The estimated cost of this system renewal program is **\$24 million** over the next 5 years.

Although this plan will allow North Bay Hydro to make, what independent studies suggest are, the necessary investments to maintain system reliability, **it will have an impact on customer bills.**

System Renewal Question

E17. Prior to this survey, North Bay Hydro has conducted a number consultations with a diverse cross-section of its customers.

That said, customers have made a number of statements about its proposed investment plan. Which of the following statements best represents your point of view?

[Read and Rotate statements 1 and 2]

Some customers have said ...

North Bay Hydro should invest what it takes to replace the system's aging infrastructure to maintain system reliability; even if that means my monthly electricity bill increases by a few dollars over the next few years. 1

Others have said ...

North Bay Hydro should lower its investment in renewing the system's aging infrastructure to lessen the impact of any electricity bill increase; even if that means a few more or longer power outages. 2

Don't know (DNR) 98
Refused (DNR) 99

General Plant Question

E18. As a company, North Bay Hydro needs buildings to house its staff, vehicles and tools to service the power lines, and IT systems to manage both the electric system and customer information effectively.

Customers have made number of statements about this sort of investment. Which of the following statements best represents your point of view?

[Read and Rotate statements 1 and 2]

Some customers have said ...

North Bay Hydro should find ways to make do with the buildings, equipment, IT systems, and vehicles it already has. 1

Others have said ...

While North Bay Hydro should be prudent with its spending, it is important that its staff have the equipment and tools they need to manage the system efficiently and reliably. 2

Don't know (DNR) 98

Refused (DNR) 99

E19. [PREAMBLE]

In addition to its capital investment budget, North Bay Hydro also needs to consider its **operating budget** which also has an impact on customer bills. The operating budget pays for the day-to-day costs for managing and maintaining the system, including labour costs, customer services and maintenance.

Operating Question: Labour Costs

E20. With an increased workload on staff from growing customer demands, new provincial policies and regulations, as well as operating and maintenance needs of the system, North Bay Hydro’s proposed plan would see labour costs increasing next year, in line with industry standards.

Again, customers have made number of statements about this sort of budgeting. Which of the following statements best represents your point of view?

[Read and Rotate statements 1 and 2]

Some customers have said ...

North Bay Hydro should find ways to limit wages and salaries, even if that means it will be harder to retain and attract experienced and qualified workers. 1

Others have said ...

While North Bay Hydro shouldn’t exceed industry benchmarks when it comes to staff compensation, it is important that employees are paid a competitive wage needed to retain and attract experienced and qualified workers to operate the system. 2

Don’t know (DNR) 98
Refused (DNR) 99

Operating Question: Vegetation Management

E21. It’s estimated that up to **25% of all power outages** among North Bay Hydro customers are caused by wire contact with trees. Furthermore, close proximity of branches to wires can pose a risk to the public and North Bay Hydro workers that need to perform maintenance on the system.

Due to this reality, North Bay Hydro has recently made it a policy of establishing a **15 foot tree clearance** from either side of its overhead power lines.

Although this policy may have an impact on North Bay’s tree line, do you strongly support, somewhat support, somewhat oppose or strongly oppose this policy?

Strongly support 1
Somewhat support 2
Neither support nor oppose (DNR) 3
Somewhat oppose 4
Strongly oppose 5
Don’t know (DNR) 98
Refused (DNR) 99

F. Reaction to Customer Input

Below are the common themes that have come out of the customer focus groups.

The following statements have been made by customers throughout North Bay Hydro's community consultation process.

For each statement, please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree.

| | |
|----------------------------------|----|
| Strongly agree | 1 |
| Somewhat agree | 2 |
| Neither agree nor disagree (DNR) | 3 |
| Somewhat disagree | 4 |
| Strongly disagree | 5 |
| Don't Know (DNR) | 98 |
| Refused (DNR) | 99 |

RANDOMIZE QUESTIONS

Willingness / Ability to Pay

- F22. The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities.
- F23. I'm willing to pay a bit more for my electricity if it means better service reliability.

Impact of rate increase on others

- F24. I can personally afford to pay more for electricity, but I am worried about the impact this will have on others.

Pay Now or Later

- F25. We should invest in our electricity system infrastructure **now** or we will end up paying more the longer we delay our system renewal.

Deferring to the experts

- F26. The electricity sector is so complicated and confusing; we just have to trust that the experts will find the right balance in keeping cost down while making the right investments and spending decisions.

System Reliability

- F27. A few power outages are fine for me personally, but I worry about the impact this has on more vulnerable people, such as the elderly.

Labour Costs

F28. Skilled hydro workers are sought out throughout North America and Ontario. If North Bay Hydro doesn't pay the people who maintain our local distribution system a competitive salary, we risk losing the most qualified and experienced hydro workers to southern Ontario.

Vegetation Management

F29. While North Bay Hydro's policy of tree trimming and tree removal is designed to lower the number of customer power outages, they're going too far in removing the City's tree canopy.

CDM

F30. I think North Bay Hydro should do more to help customers find ways to reduce their electricity consumption and costs.

Reserve Fund

F31. North Bay Hydro should have charged its customers more over the past decade to create a **reserve fund** that could have helped pay to replace the system's aging electrical infrastructure.

Legacy

F32. Nobody likes to pay more for electricity, but I think we have an obligation to maintain the reliability of our local electrical system for future generations.

G. Assessment of Plan

G33. PREAMBLE

According to North Bay Hydro's proposed plan, the total required funding to manage the day-to-day operations and required capital investment is estimated to be **\$14.7 million** in 2015.

- **53%** of these funds or approximately **\$7.8 million** is budgeted for capital investments required to replace aging infrastructure; to connect new customers to the electricity system; to invest in tools, IT systems, vehicles and facilities needed to manage the electricity system; and for new technologies to make the system more efficient, reliable and safe.
- **47%** of these funds or approximately **\$7.0 million** of this proposed plan is budgeted for the day-to-day management of the company as a whole, salaries and wages, customer service and on-going maintenance of the distribution system.

To fund this plan, **North Bay Hydro** is proposing the **average residential household's rate increase by 92 cents (\$0.92)** on the distribution portion of their bill over the next five years. So, by 2019, the average residential household will be paying an **estimated \$4.60 more per month** on the distribution portion of its electricity bill.

G34. Considering the cost of the North Bay Hydro plan, which point of view is closest to your own?
Would you say [READ LIST] ...

Rotate response codes "1 "and "3"

| | |
|---|----|
| The rate increase is reasonable and I support it | 1 |
| I don't like it, but I think the rate increase is necessary | 2 |
| The rate increase is unreasonable and I oppose it | 3 |
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

Ask only if G34 = 1, 2, 3 or 4

G35. And why do you say that? [OPEN]

| | |
|------------------|----|
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

H. Demographics

These last few questions are for statistical purposes only and we remind you again that all of your responses are completely confidential.

H36. Counting yourself, how many people live in your household?

| | | |
|------------------------|-------|-------------|
| 1 person | 1 | SKIP TO END |
| Enter number of people | 2---7 | |
| 8 or more | 8 | |
| Refused (DNR) | 99 | SKIP TO END |

Ask only if H36 = 2 thru 8

H37. And how many of them are under 18?

| | |
|--------------------------|-------|
| None | 0 |
| Enter number of children | 1---7 |
| 8 or more | 8 |
| Refused (DNR) | 99 |

THANK and END SURVEY

Thank you very much for taking the time to complete this survey.

General Service Survey Instrument

A. Introduction

Introduction

INTRO.

Hello, my name is _____ and I'm calling from **Innovative Research Group**, a national public opinion research firm. We have been hired by **North Bay Hydro** to help them better understand the needs and preferences of its customers.

Can I please speak to the person who is in-charge of managing the electricity bill at your organization?

- 1) Yes, speaking <contact on the line> [skip to A1]
- 2) Yes <transferred to contact> [skip to A1]
- 3) No <not the right contact person> [GO to "NEW"]
- 4) No <busy> "When is a good time to callback?" [record callback time]
- 5) Maybe <may I ask who is calling?> [skip to GATE]

NEW. And ... can I have their ...

First Name _____

Last Name _____

Title/Position _____

Phone Number _____

ASK to be transferred ...

- if transferred → go to A1
- if not transferred → Thank & Add to Callback List

GATE. My name is _____ and I'm calling on behalf of your local electricity distributor, **North Bay Hydro**.

INTERVIEWER NOTE: If gatekeeper asks the purpose of call → I'd like to ask the person in-charge of managing the electricity bill at your organization a few questions concerning a **North Bay Hydro** customer consultation.

- 1) Yes <transferred to contact> [skip to A1]
- 2) No <not available> "When is a good time to callback?" [record callback time and GO to "NEW"]
- 3) No <not interested in talking> [Thank & Terminate]

A1 QUAL PREAMBLE:

Read preamble again, if transferred to new person:

Hello, my name is _____ and I'm calling from **Innovative Research Group**, a national public opinion research firm. We have been hired by **North Bay Hydro** to help them better understand the needs and preferences of its customers.

North Bay Hydro – which distributes electricity to residential and business customers in the City of North Bay– is in the process of developing its **spending and investment plan for the coming year** and wants to hear from customers, like you, to help inform this plan.

Because **North Bay Hydro** is entirely funded by the fees that its customers pay on their electricity bills, it wants to know *how much or how little* its customers want it to spend and invest to manage and maintain the local electrical system.

A1. Would you mind if I had ten minutes of your time to ask you some questions? All your responses will be kept strictly confidential.

- | | | |
|-----------------------------|---|--------------------|
| Yes | 1 | [continue] |
| No – NOT PRIMARY BILL PAYER | 2 | [go to TRANSFER-1] |
| No – BAD TIME | 3 | ARRANGE CALLBACK |
| No – HARD REFUSAL | 4 | [Terminate] |

MONIT

This call may be monitored or audio taped for quality control and evaluation purposes.

PRESS TO CONTINUE 1

A2. Just to confirm, does your organization receive an electricity bill from **North Bay Hydro**?

- | | | | |
|-----------|-------------------------|----|-------------|
| 01 | YES | 1 | [continue] |
| 02 | NO | 2 | [Terminate] |
| 98 | DK (DO NOT READ) | 98 | [Terminate] |

A3. As part of your job, are you in-charge of managing or overseeing your organization's electricity bill?

- | | | |
|-----|---|---|
| Yes | 1 | [Continue to A4] |
| No | 2 | CAN I SPEAK TO THE PERSON WHO MANAGES YOUR ORGANIZATION'S ELECTRICITY BILL?[Return to NEW] |
| DK | 3 | CAN I SPEAK TO THE PERSON WHO MANAGES YOUR ORGANIZATION'S ELECTRICITY BILL?
[Return to NEW] |

B. General Satisfaction & Background Info

We need respondents to think about electricity and the part of the system that North Bay Hydro operates.

B4. PREAMBLE-1

To start, I'd like to ask you a few questions about the electricity system ...

As you may know, Ontario's electricity system has three key components: **generation, transmission** and **distribution**.

- **Generating stations** convert various forms of energy into electric power;
- **Transmission lines** connect the power produced at generating stations to where it is needed across the province; and
- **Distribution lines** carry electricity to the homes and businesses in our communities.

Today we're going to talk about your **local distribution system** which is maintained and operated by **North Bay Hydro**.

That said ...

B5. How familiar are you with your **local electricity distribution system**?

Would you say ... **[READ LIST]**

| | |
|---------------------|----|
| Very familiar | 1 |
| Somewhat familiar | 2 |
| Not very familiar | 3 |
| Not familiar at all | 4 |
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

B6. Generally speaking, how satisfied are you with the job **North Bay Hydro** is doing running your local distribution system? Would you say ... **[READ LIST]**

| | |
|-----------------------|----|
| Very satisfied | 1 |
| Somewhat satisfied | 2 |
| Somewhat dissatisfied | 3 |
| Very dissatisfied | 4 |
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

B7. Is there anything in particular **North Bay Hydro** can do to improve their service to your organization? **[OPEN]**

| | |
|------------------|----|
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

B8. **North Bay Hydro** is 100% owned by the City of North Bay and has an independent board of directors. This voluntary board is made up of members of North Bay's business community and is responsible for overseeing the operations and management of the utility.

Before this survey, did you know that North Bay Hydro was owned by the City of North Bay?

[DO NOT READ LIST]

| | | |
|----|--------------------------|----|
| 01 | Yes | 1 |
| 02 | No | 2 |
| 98 | Don't know (DO NOT READ) | 98 |
| 99 | Refused (DO NOT READ) | 99 |

C. *Bill Knowledge & Impact*

I'd now like to talk with you about your organization's electricity bill ...

C9. While some customers pay more and other pay less, the **average small and medium-sized business pays about \$315 a month** for electricity of **which about \$70 or approximately 20% goes to North Bay Hydro**. The rest of the bill goes to power generation companies, transmission companies, the provincial government and regulatory agencies.

Before this survey, how familiar were you with the amount of your electricity bill that went to North Bay Hydro? Would you say ... **[READ LIST]**

| | | |
|----|--------------------------|----|
| 01 | Very familiar | 1 |
| 02 | Somewhat familiar | 2 |
| 03 | Not very familiar | 3 |
| 04 | Not familiar | 4 |
| 98 | Don't know (DO NOT READ) | 98 |
| 99 | Refused (DO NOT READ) | 99 |

D. System Reliability

These questions are about getting the respondent to think about their experience with system reliability.

READ PREAMBLE: Despite best efforts, no electrical distribution system can deliver *perfectly reliable* electricity. As a general rule, the more reliable the system, the more expensive the system is to build and maintain.

With that said, the average **North Bay Hydro** customer experiences **between one and three power outages** per year.

D10. Have your **organization** experienced any power outages **in the past 12 months**, and if so, approximately how many? [**DO NOT READ LIST**]

| | | |
|-------------------|----|---------------|
| No outages | 0 | [SKIP to D13] |
| 1 outage | 1 | [CONTINUE] |
| 2 outages | 2 | [CONTINUE] |
| 3 outages | 3 | [CONTINUE] |
| 4 outages | 4 | [CONTINUE] |
| 5 outages | 5 | [CONTINUE] |
| 6 outages | 6 | [CONTINUE] |
| 7 outages | 7 | [CONTINUE] |
| 8 or more outages | 8 | [CONTINUE] |
| Don't know (DNR) | 98 | [SKIP to D13] |
| Refused (DNR) | 99 | [SKIP to D13] |

READ ONLY IF D11 = 1 thru 8

D11. And approximately how many minutes did the **most recent power outage** last? [**DO NOT READ LIST; select category accordingly**]

| | | |
|--------------------------------|----|---|
| Less than 15 minutes | 1 | |
| 15 to less than 30 minutes | 2 | [specify if less than 15 minutes, if stated "less than 30 minutes"] |
| 30 minutes to less than 1 hour | 3 | |
| 1 hour to less than 3 hours | 4 | |
| 3 hours to less than 6 hours | 5 | |
| 6 hours to less than 12 hours | 6 | |
| 12 to less than 24 hours | 7 | |
| More than 24 hours | 8 | |
| Don't know (DNR) | 98 | |
| Refused (DNR) | 99 | |

D12. Thinking back to the **most recent** power outage you experienced as a North Bay Hydro **business** customer, would you say the power outage ...

[READ LIST; ROTATE 1 and 3]

| | |
|--|----|
| Had a significant cost to my business | 1 |
| Had a minor cost to my business | 2 |
| Had barely any cost to my business, just a bit of inconvenience | 3 |
| Have never experienced an outage with North Bay Hydro (DNR) | 97 |
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

D13. In your view, how do you think **North Bay Hydro** should address the **number** of customer power outages? Would you say ... **[READ LIST]**

[Rotate response codes 1 and 3]

| | |
|---|----|
| Spend what is needed to reduce the number of power outages | 1 |
| Spend what is needed to maintain the current level of outages | 2 |
| Accept more power outages in order to help keep customer costs from rising | 3 |
| Don't Know (DNR) | 98 |
| Refused (DNR) | 99 |

D14. The average **North Bay Hydro** customer is without power for "**one-and-a-half**" to "**three**" hours per year.

In your view, how do you think North Bay Hydro should address the **length of time** customers are without power? Would you say ... **[READ LIST]**

[Rotate response codes 1 and 3]

| | |
|---|----|
| Spend what is needed to reduce the length of power outages | 1 |
| Spend what is needed to maintain the current length of power outages | 2 |
| Accept longer power outages in order to help keep customer costs from rising | 3 |
| Don't Know (DNR) | 98 |
| Refused (DNR) | 99 |

E. System Challenges & Priorities

[PREAMBLE]

Much of North Bay's electrical infrastructure was built in the 1950s and 60s. While North Bay Hydro believes it has done its best to prolong the life of these assets, today many of these assets are now approaching the end of their useful life and are beginning to pose a threat to system reliability.

As part of its investment plan, North Bay Hydro is proposing a significant infrastructure renewal program. The estimated cost of this system renewal program is **\$24 million** over the next 5 years.

Although this plan will allow North Bay Hydro to make, what independent studies suggest are, the necessary investments to maintain system reliability, **it will have an impact on customer bills.**

System Renewal Question

E16. Prior to this survey, North Bay Hydro has conducted a number of consultations with a diverse cross-section of its **business and residential** customers.

That said, customers have made a number of statements about its proposed investment plan. Which of the following statements best represents your point of view?

[Read and Rotate statements 1 and 2]

Some customers have said ...

North Bay Hydro should invest what it takes to replace the system's aging infrastructure to maintain system reliability; even if that means my monthly electricity bill increases by a few dollars over the next few years. 1

Others have said ...

North Bay Hydro should lower its investment in renewing the system's aging infrastructure to lessen the impact of any electricity bill increase; even if that means a few more or longer power outages. 2

Don't know (DNR) 98
Refused (DNR) 99

General Plant Question

E.17 As a company, North Bay Hydro needs buildings to house its staff, vehicles and tools to service the power lines, and IT systems to manage both the electric system and customer information effectively.

Customers have made number of statements about this sort of investment. Which of the following statements best represents your point of view?

[Read and Rotate statements 1 and 2]

Some customers have said ...

North Bay Hydro should find ways to make do with the buildings, equipment, IT systems, and vehicles it already has. 1

Others have said ...

While North Bay Hydro should be prudent with its spending, it is important that its staff have the equipment and tools they need to manage the system efficiently and reliably. 2

Don't know (DNR) 98

Refused (DNR) 99

[PREAMBLE]

In addition to its capital investment budget, North Bay Hydro also needs to consider its **operating budget** which also has an impact on customer bills. The operating budget pays for the day-to-day costs for managing and maintaining the system, including labour costs, customer services and maintenance.

Operating Question: Labour Costs

E19. With an increased workload on staff from growing customer demands, new provincial policies and regulations, as well as operating and maintenance needs of the system, North Bay Hydro’s proposed plan would see labour costs increasing next year, in line with industry standards.

Again, customers have made number of statements about this sort of budgeting. Which of the following statements best represents your point of view?

[Read and Rotate statements 1 and 2]

Some customers have said ...

North Bay Hydro should find ways to limit wages and salaries, even if that means it will be harder to retain and attract experienced and qualified workers. 1

Others have said ...

While North Bay Hydro shouldn’t exceed industry benchmarks when it comes to staff compensation, it is important that employees are paid a competitive wage needed to retain and attract experienced and qualified workers to operate the system. 2

Don’t know (DNR) 98
Refused (DNR) 99

Operating Question: Vegetation Management

E20. It’s estimated that up to **25% of all power outages** among North Bay Hydro customers are caused by wire contact with trees. Furthermore, close proximity of branches to wires can pose a risk to the public and North Bay Hydro workers that need to perform maintenance on the system.

Due to this reality, North Bay Hydro has recently made it a policy of establishing a **15 foot tree clearance** from either side of its overhead power lines.

Although this policy may have an impact on North Bay’s tree line, do you strongly support, somewhat support, somewhat oppose or strongly oppose this policy?

Strongly support 1
Somewhat support 2
Neither support nor oppose (DNR) 3
Somewhat oppose 4
Strongly oppose 5
Don’t know (DNR) 98
Refused (DNR) 99

F. Reaction to Customer Input

Below are the common themes that have come out of the customer focus groups

The following statements have been made by customers throughout North Bay Hydro's community consultation process.

For each statement, please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree.

| | |
|----------------------------------|----|
| Strongly agree | 1 |
| Somewhat agree | 2 |
| Neither agree nor disagree (DNR) | 3 |
| Somewhat disagree | 4 |
| Strongly disagree | 5 |
| Don't Know (DNR) | 98 |
| Refused (DNR) | 99 |

RANDOMIZE QUESTIONS

Willingness / Ability to Pay

- F21. The cost of my electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being put off.
- F22. My organization would be willing to pay a bit more for electricity if it means better service reliability.

Impact of rate increase on others

- F23. My organization can afford to pay more for electricity, but I am worried about the impact this will have on some of my suppliers and customers.

Pay Now or Later

- F24. We should invest in our electricity system infrastructure now or we will end up paying more the longer we delay our system renewal.

Deferring to the experts

- F25. The electricity sector is so complicated and confusing; we just have to trust that the experts will find the right balance in keeping cost down while making the right investments and spending decisions.

System Reliability

- F26. When it comes to reducing power outages and improving reliability, the first priority should be business customers, then residential customers.

Labour Costs

- F27. Skilled hydro workers are sought out throughout North America and Ontario. If North Bay Hydro doesn't pay the people who maintain our local distribution system a competitive salary, we risk losing the most qualified and experienced hydro workers to southern Ontario.

Vegetation Management

- F28. While North Bay Hydro's policy of tree trimming and tree removal is designed to lower the number of customer power outages, they're going too far in removing the City's tree canopy.

CDM

- F29. I think North Bay Hydro should do more to help customers find ways to reduce their electricity consumption and costs.

Reserve Fund

- F30. North Bay Hydro should have charged its customers more over the past decade to create a **reserve fund** that could have helped pay to replace the system's aging electrical infrastructure.

Legacy

- F31. Nobody likes to pay more for electricity, but I think we have an obligation to maintain the reliability of our local electrical system for future generations.

G. Assessment of Plan

G32. PREAMBLE

According to North Bay Hydro's proposed plan, the total required funding to manage the day-to-day operations and required capital investment is estimated to be **\$14.7 million** in 2015.

- **53%** of these funds or approximately **\$7.8 million** is budgeted for capital investments required to replace aging infrastructure; to connect new customers to the electricity system; to invest in tools, IT systems, vehicles and facilities needed to manage the electricity system; and for new technologies to make the system more efficient, reliable and safe.
- **47%** of these funds or approximately **\$7.0 million** of this proposed plan is budgeted for the day-to-day management of the company as a whole, salaries and wages, customer service and on-going maintenance of the distribution system.

To fund this plan, **North Bay Hydro** is proposing the **average small to medium sized business' rate increase by \$1.10** on the distribution portion of their bill over the next five years. So, by 2019, the average **small to medium sized business** will be paying an **estimated \$5.49 more per month** on the distribution portion of its electricity bill.

G33. Considering the cost of the North Bay Hydro plan and what it means for your business, which point of view is closest to your own? Would you say [READ LIST] ...

Rotate response codes "1 "and "3"

| | |
|---|----|
| The rate increase is reasonable and I support it | 1 |
| I don't like it, but I think the rate increase is necessary | 2 |
| The rate increase is unreasonable and I oppose it | 3 |
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

Ask only if G34 = 1, 2, 3 or 4

G34. And why do you say that? [OPEN]

| | |
|------------------|----|
| Don't know (DNR) | 98 |
| Refused (DNR) | 99 |

H. Firmographics

These last few questions are for statistical purposes only. Again, all of your responses are completely confidential.

H35. Which of the following best describes the **hours of operation** of your business?

Would you say ... [READ LIST]

| | |
|---|----|
| You are open 24/7 | 1 |
| You operate several shifts each day, but are not open 24/7 | 2 |
| You operate during regular business hours only | 3 |
| You operate outside of regular business hours, but do not have shifts | 4 |
| (DNR) Other (please specify): _____ | 88 |
| (DNR) Refused | 99 |

H36. And, which of the following best describes **when your business operates** throughout the week?

Would you say ... [READ LIST]

| | |
|--------------------------------------|----|
| You operate on weekdays only | 1 |
| You operate on weekdays and weekends | 2 |
| (DNR) Other (please specify): _____ | 88 |
| (DNR) Refused | 99 |

THANK and END SURVEY

Thank you very much for taking the time to complete this survey.

Workbook Appendix:

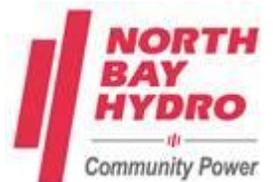
North Bay Hydro's 2015 Application Review



2015 Rate Application Review

Residential Customer Consultation Workbook

October 9, 2014



North Bay Hydro is the local distribution company responsible for electricity distribution in the City of North Bay.

With 48 employees, North Bay Hydro operates and maintains a distribution system serving a population of approximately 54,000 with almost 24,000 residential and business customers.

North Bay Hydro is 100% owned by the City of North Bay.

Table of Contents

| | |
|----------------------------------|---------|
| What is this Consultation About? | page 4 |
| Electricity 101 | page 8 |
| North Bay Hydro's Grid Today | page 11 |
| Cost Pressures | page 15 |
| What the Plan Means for You | page 22 |



What's this consultation about?

The purpose of this customer consultation is to collect your feedback on North Bay Hydro's investment and spending plan to maintain the local distribution system over the next year (2015).

North Bay Hydro's goal is to deliver safe and reliable electricity to homes and local businesses as efficiently as possible and at an affordable price. However, there is a balancing act that all utilities must consider when planning for the future: system reliability vs. the cost to consumers. No distribution system delivers perfectly reliable electricity. Generally, the more reliable the system, the more expensive the system is to build and maintain.

This customer consultation is designed to collect your feedback on the reliability of the electricity distribution system and the spending decisions North Bay Hydro will need to make over the next year. Ultimately, this consultation will help North Bay Hydro ensure alignment between its operational and capital investment plans and customers needs and preferences.

As a North Bay Hydro customer, this is an opportunity for you to tell North Bay Hydro what you think about the plan and the cost implications for you. This is also an opportunity for North Bay Hydro to explain to its customers the challenges in operating and maintain the local electricity distribution system, and more importantly how North Bay Hydro intends to meet those challenges.

To participate in this review, you do not need to be an expert. The workbook explains key parts of the electrical distribution system, the challenges facing the system, North Bay Hydro's recent work to maintain the system, and the company's budgetary plan for the next year.

North Bay Hydro does not expect you to make electrical engineering decisions. North Bay Hydro wants to hear about the electricity issues that matter most to you and whether or not you feel the company's spending and investing priorities seem reasonable.

This workbook is designed to give you enough background about these issues for you to develop an informed opinion.

What's the process that North Bay Hydro must follow?

How are electricity rates determined in Ontario?

The electricity industry in Ontario is regulated by the Ontario Energy Board (OEB), which recently developed a new regulatory requirement for electricity distributors, such as North Bay Hydro, to gather customer preferences on distribution system investments.

North Bay Hydro is funded by the distribution rates paid by its customers. Periodically, North Bay Hydro is required to file an application with the OEB to determine the funding available to operate and maintain the distribution system. North Bay Hydro must submit evidence to justify the amount of funding it needs to safely and reliably distribute electricity to its customers.

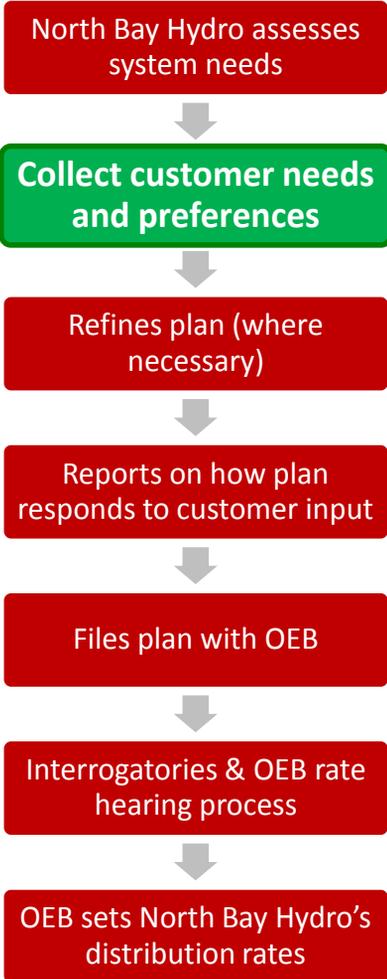
As a customer, how are my interests protected?

North Bay Hydro's evidence is assessed in an open and transparent public process known as a rate hearing. A number of public intervenors with electricity industry expertise submit their own evidence, in some cases challenging North Bay Hydro's plans and assumptions. At the end of the process, the OEB weighs the evidence and decides on the rates North Bay Hydro can charge for distribution.

Why is my feedback important?

Your feedback will be presented to the OEB and public intervenors (who represent various ratepayer groups) when North Bay Hydro files its rate application for 2015. As part of the rate hearing process, the OEB will be reviewing how North Bay Hydro acquired and responded to customer feedback in its planning process.

Rate Application Process



Innovative Research Group Inc. has been engaged by North Bay Hydro to collect participant feedback and will deliver it to North Bay Hydro to assist them in shaping their rate application and distribution system plan.

Consumer feedback on Ontario's electricity system

There are a number of ways for consumers to voice their opinions on provincial, regional and local electricity issues. However, this consultation is about your local distribution system and your preferences on how North Bay Hydro uses your money.

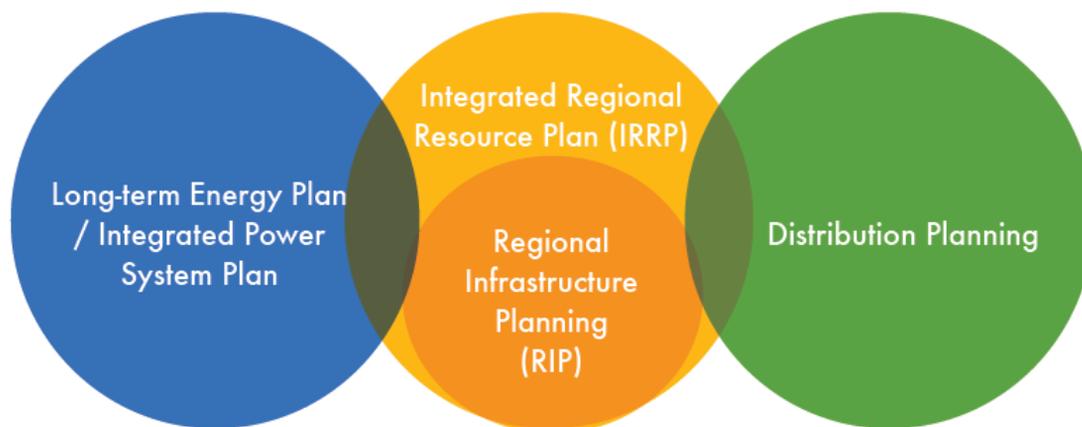
Distribution Planning: This workbook and consultation concentrates on the short-term plan for North Bay Hydro's distribution system over the next year. The graphic below shows the various planning initiatives ongoing across Ontario's electricity system. In addition to the short-term distribution plan being discussed in this workbook, there are other planning initiatives undertaken to ensure that the distribution system maintains reliability and works efficiently for the benefit of customers.

If you're interested in broader medium- and long-term electricity issues such as Ontario's Long-Term Energy Plan, regional planning, conservation planning and general energy policy in the province, there are other opportunities to provide your feedback.

Ontario's Long Term Energy Plan: The Ontario Government's plan details how electricity will be generated and the longer-term conservation strategy for the province. It can be found at this website: <http://www.energy.gov.on.ca/en/ltep/>

Regional Planning: The Ontario Power Authority (OPA) looks ahead to the future electricity needs of your region and how those needs can be addressed through CDM, local generation, and electricity from outside the region. You can follow the OPA's regional planning process at this website: <http://www.powerauthority.on.ca/power-planning/regional-planning>

Electricity System Planning in Ontario



Provincial System Planning

This involves more long-term planning on how Ontario's electricity system is designed and operated.

This includes planning on:

- Provincial electricity supply mix (e.g. greening the grid and phasing out coal power generation)
- System supply and demand forecasting
- Interconnections and grid design

Regional Planning

Regional planning involves near- and medium-term plans to meet the needs of a region of the province, and ensure all key players (i.e. transmission and distribution operators) are coordinated moving forward.

This planning process is focused on considering whether CDM & local generation options have been considered, in addition to core infrastructure ("wires") solutions.

Distribution Network Planning

Distribution planning involves plans, both near- and longer-term, to ensure the local distribution systems has the adequate infrastructure to meet required reliability and safety standards, and to otherwise meet the needs of customers.

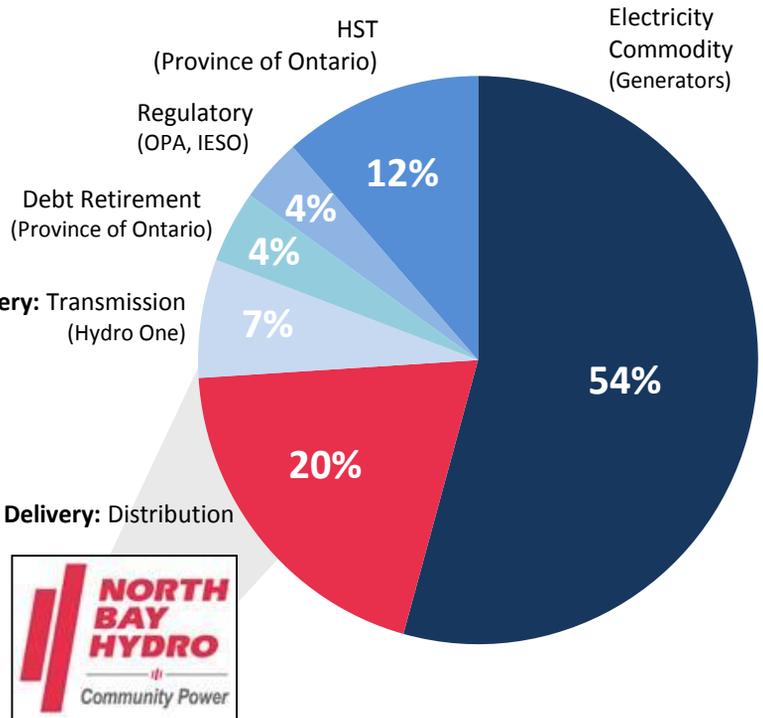


Customer Electricity Bills

Your Electricity Bill: Every item and charge on your bill is mandated by the provincial government or regulated by the OEB. There are two distinct cost areas that make up the “Delivery” charge on your bill: **distribution** and **transmission**. While North Bay Hydro collects both, it remits the transmission charge to Hydro One. The distribution charges are what North Bay Hydro uses to fund its utility needs. Distribution costs make up about 20% of the typical residential customer’s (800 kWh per month) total electricity bill.

North Bay Hydro’s distribution rates are subject to the review and approval of the OEB. The revenues collected from customers covers North Bay Hydro’s capital investments and operating expenses.

About 20% of the average residential electricity bill goes to North Bay Hydro



| MONTHLY BILL STATEMENT | |
|---------------------------------------|------------------------|
| UTILITY | |
| Account Number: | 000 000 000 000 0000 0 |
| Meter Number: | 0000000 |
| Your Electricity Charges | |
| Electricity | x.xx |
| 300 kWh On-peak @ X.X ¢ /kWh | |
| 300 kWh Mid-peak @ X.X ¢ /kWh | |
| 200 kWh Off-peak @ X.X ¢ /kWh | |
| Delivery | x.xx |
| Regulatory | x.xx |
| Debit Retirement Charge | x.xx |
| Your Total Electricity Charges | x.xx |
| H.S.T. | x.xx |
| Ontario Clean Energy Benefit (-10%) | (-x.xx) |
| Total Amount | \$x.xx |

Current monthly distribution charges are approximately **\$30** for a typical North Bay Hydro residential customer who consumes 800 kWh in a month.

It is estimated that an additional **\$0.92** per month each year or approximately **2.9%** per year will be required over the next five years to operate, maintain, and modernize North Bay Hydro’s electricity distribution system.

Electricity Grid 101

Who Does What in Ontario's Power System?

Ontario's electricity system is owned and operated by public, private and municipal corporations across the province. It is made up of three components: **generation**, **transmission** and **distribution**.



GENERATION

Generating facilities convert various forms of energy into electric power.

EXAMPLE

Ontario Power Generation
TransCanada Energy Ltd
Bruce Power
Samsung Renewable



TRANSMISSION

Transmission lines connect the power produced at generating facilities to substations.

EXAMPLE

Hydro One



DISTRIBUTION

Distribution lines carry electricity to homes and businesses.

EXAMPLE

North Bay Hydro
Lakeland Power
Greater Sudbury Hydro
Hydro Ottawa



CONSUMERS

Electricity is delivered to homes and businesses.

EXAMPLE

Residential
Commercial
Industrial

Electricity Grid 101: How is Ontario's Electricity System Regulated?

Ontario Ministry of Energy:

The Ontario Ministry of Energy sets energy policy. It sets the rules and establishes key planning and regulatory agencies through legislation.

Ontario Energy Board:

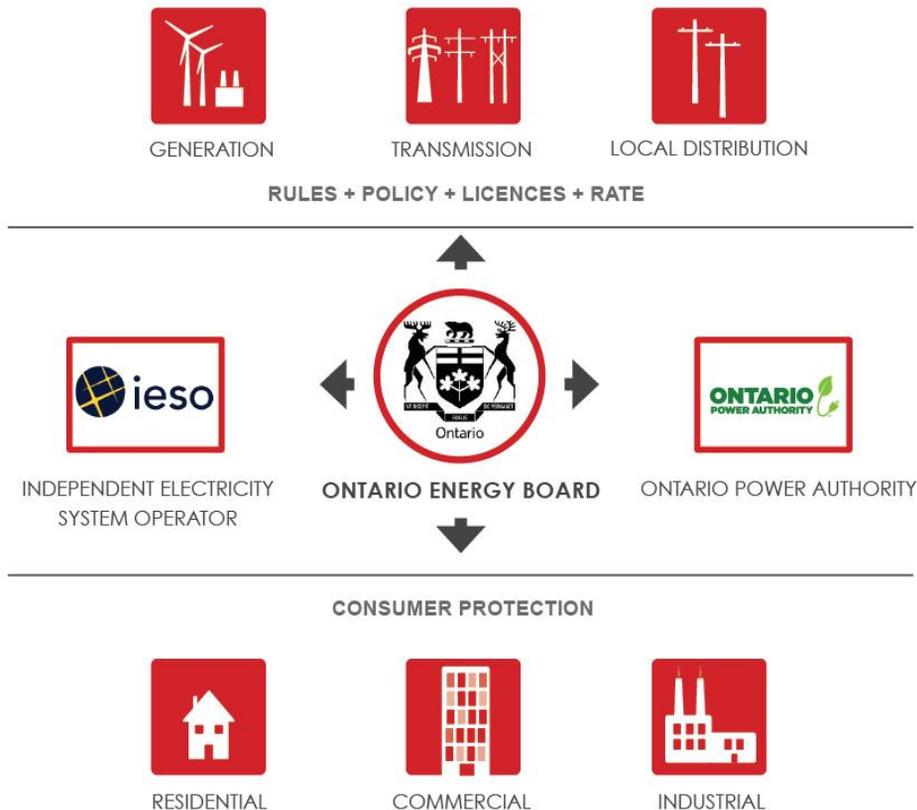
The mission of the Ontario Energy Board (OEB) is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services at reasonable cost. It is an independent body established by legislation that sets the rules and regulations for the provincial electricity sector. One of the OEB's roles is to review the distribution plans of all electricity distributors and set their rates.

Ontario Power Authority:

The Ontario Power Authority (OPA) is responsible for medium and long-term electricity planning to ensure an adequate supply of electricity is available for Ontario residents and businesses. The OPA receives directives from the Ministry of Energy (i.e. energy supply mix, Green Energy Act), but otherwise works at arm's-length from the government.

The Independent Electricity System Operator:

The Independent Electricity System Operator (IESO) is responsible for electricity supply over the short-term. It operates the grid in real-time to ensure that Ontario has the electricity it needs, where and when it needs it.



Customer Feedback

1. Given what you know and what you have read so far, how well do you feel you understand the parts of the electricity system, how they work together and which services North Bay Hydro is responsible for?
 - Very well
 - Somewhat well
 - Not very well
 - I don't understand at all
2. Generally, how satisfied are you with the service you receive from North Bay Hydro?
 - Very satisfied
 - Somewhat satisfied
 - Somewhat dissatisfied
 - Very dissatisfied
 - Don't know
3. Is there anything in particular that North Bay Hydro can do to improve its service to you?

North Bay Hydro's Grid Today

This section describes the construction of North Bay Hydro's distribution grid including its substations, overhead and underground systems. It also explains the company's historical growth and current electrical infrastructure.

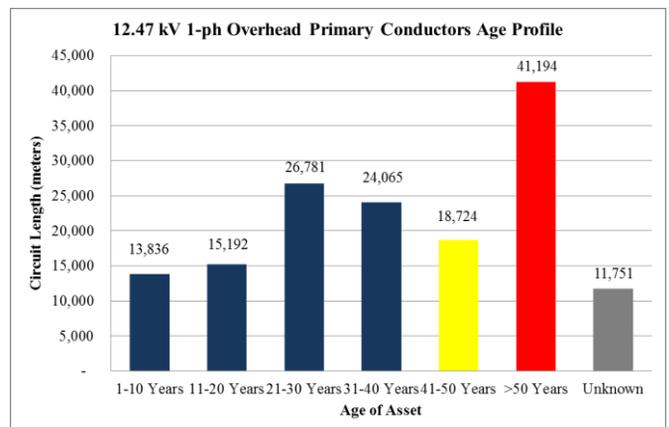
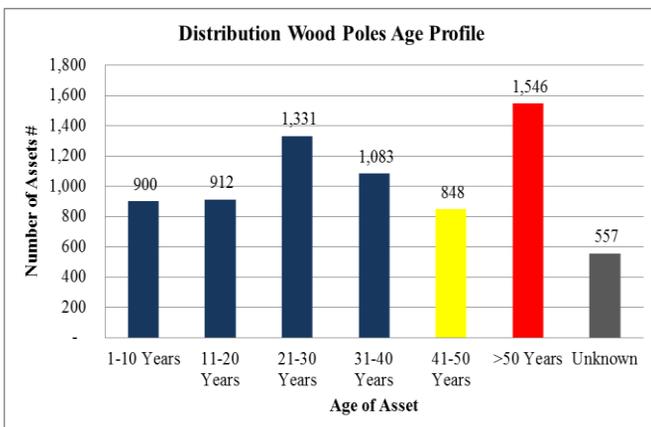
Background on North Bay Hydro's Distribution System

The current distribution system was created from the amalgamation of three different distribution companies in 1968; **Widdifield Hydro**, **West Ferris Hydro**, and **North Bay Hydro**, each of which had their own unique system design standards and distribution equipment.

Of particular concern, the amalgamated North Bay Hydro had three different distribution voltage systems. Due to the inefficiencies and inflexibility of operating such a system, a voltage conversion project, spanning over multiple decades, was undertaken. Converting the system to a single standard would improve voltage regulation, decrease pole line congestion by minimizing number of feeders, lower electricity line loss, improve system security, reliability and operational flexibility. From a long-term perspective, the number of required substations would also be minimized.

Harmonizing the entire system to one distribution voltage standard has been the main driver behind all capital expenditures for the past 20 years. The voltage conversion program has targeted the replacement of some of North Bay Hydro's oldest assets that are at the end of their life, those built in the early to mid-1900's, and allowed conversion of the voltage at the same time. This infrastructure has served the city of North Bay well beyond its expected lifespan and the full conversion to a single standard will be complete by 2017. North Bay Hydro will then turn its attention to replacing the remaining aging assets found in the existing 12kV system; doing nothing will result in service reliability issues.

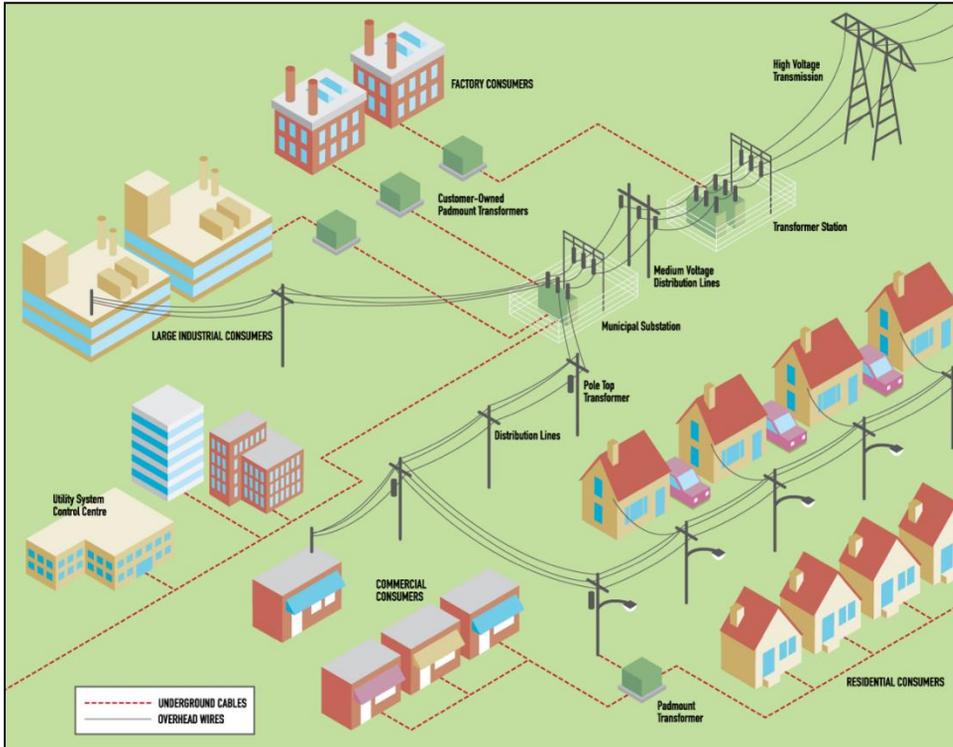
In May 2014, North Bay Hydro commissioned an asset condition assessment report to document the condition of all major assets. This report will help guide North Bay Hydro's infrastructure spending from 2015 through 2019. The charts below illustrate the age profiles of wooden poles and overhead conductors.



North Bay Hydro's Grid Today

Every distribution system is unique with its own history and challenges. In order to better understand the current North Bay Hydro system, we first have to understand all of the different components and how they impact the way in which you receive electricity when you need it. The diagram below and following terms will help guide you through the system.

North Bay Hydro's distribution system is made up of a number of components which work together to transport electricity to homes and businesses across the city.



The system is predominantly made up of overhead wires as opposed to underground cables, largely as a result of the high concentration of Canadian Shield in the area which often makes underground digging cost prohibitive.

The service area served covers approximately 310 square kilometers, of which 270 square kilometers is rural. The distribution network consists of **16 municipal substations**, approximately 511 km of overhead distribution wires and 73 km of underground distribution cables.

North Bay Hydro receives all of its power from **2 transformer stations** which are owned and operated by Hydro One.

Hydro One's Transmission System:

High Voltage Transmission – Connects our distribution system to electricity generating stations across the province.

Transmission Station – Reduces high voltage electricity from transmission lines to medium voltage which is fed into North Bay Hydro's distribution stations.

North Bay Hydro's Distribution System:

Municipal Substations: Municipal substations are a critical element of the electricity distribution system—they are the local hubs from where electricity is distributed to an area. Municipal substations stations contain:

Transformers - Important pieces of equipment that reduce the voltage of electricity from a high level to a level that can be safely distributed to your area.

Feeder Circuits - The wires that connect the transformer station to the broader distribution system in order to deliver electricity to customers.

Breakers - Devices that protect the distribution system by interrupting a circuit if a higher than normal amount of electricity is detected.

Switches - Control the flow of electricity and steer the current to the correct circuits.

North Bay Hydro's Grid Today: Distribution System

North Bay Hydro's Distribution System:

Overhead System: The overhead system includes the wires that are commonly seen across North Bay Hydro's service area. The voltage of the overhead system can range from 4 kV (4,000 volts) to 12kV.

Wires – There are 511 km of wire that carry electricity across the overhead distribution system.

Poles – Wires are suspended from these, usually wooden (sometimes concrete), poles.

Pole Top Transformers – These transformers are mounted near the top of utility poles and are needed to further step-down the voltage from the lines to the final connection to customers.

Underground System: The underground system includes 73 km of cable, some of which is directly buried and or installed in ducts. At certain intervals, underground service chambers (with manholes) are required to permit cables to be spliced together and to allow underground equipment such as switches to be housed.

An advantage of underground systems is that they are affected to a lesser extent by extreme weather. The disadvantage is that they are more expensive to install and maintain, and when there is a power outage it often takes longer to locate and repair a problem compared to overhead wires.

Underground Cables – Convey the electricity in the underground system. Cables that connect the distribution stations and major industrial users to the distribution station are significantly larger than cables used to connect residential neighbourhoods.

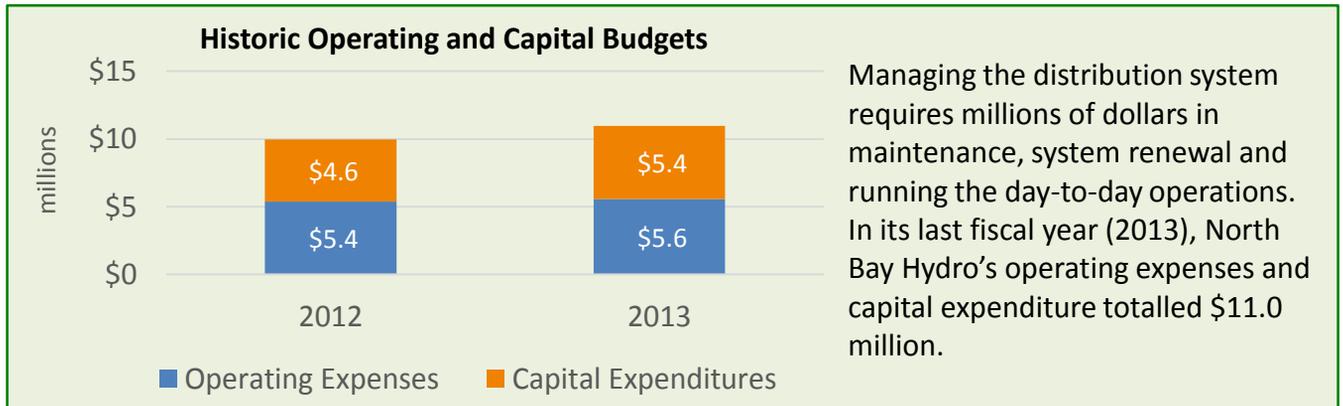
Padmount Transformers – Similar to transformers in the overhead system, these reduce the voltage to a lower level before final connection to customers. In the underground system there are concrete padmounted transformers, which are above ground transformers that are supplied by underground cable, and vault transformers, which are housed in underground chambers.

Paying for the Distribution System?

As anyone who runs their own business would expect, North Bay Hydro manages its spending in two budgets – an operating budget and a capital budget.

North Bay Hydro's **operating budget** covers regularly recurring expenses such as the costs of running service vehicles, the payroll for employees, and the maintenance of distribution equipment and buildings.

Its **capital budget** covers items that, when purchased, do not need to be repurchased for some time and that have lasting benefits over many years. This can include much of the equipment that is part of the distribution system, such as poles, wires and transformers, major computer systems, and vehicles.



Customer Feedback

4. How well do you feel you understand the important parts of the electricity system, how they work together, and which services North Bay Hydro is responsible for?
- Very well
 - Somewhat well
 - Not very well
 - I don't understand at all
5. The average North Bay Hydro customer experiences between 1 and 3 power outages per year. Do you recall how many outages you experience in the past year?
- Once
 - Twice
 - Three times
 - More than three times
 - Don't know
6. How acceptable were the number of power outages you experienced over the last 12 months?
- Very acceptable
 - Somewhat acceptable
 - Not very acceptable
 - Not acceptable at all
 - Don't know
7. Overall, how satisfied are you with the reliability and quality of electricity services provided by North Bay Hydro?
- Very satisfied
 - Somewhat satisfied
 - Somewhat dissatisfied
 - Very dissatisfied
 - Don't know

Cost Pressures



From the day-to-day to major storm events, there are a variety of ever-present pressures on North Bay Hydro’s operating and capital budget.

Many of these expenditures are items over which North Bay Hydro has little or no control – major storms, and the implementation of Smart Meters, for example.

Other costs are associated with preventative maintenance like replacing aging equipment. Since 2010, North Bay Hydro has undertaken several large scale projects, and more are planned.

Why hasn’t North Bay Hydro anticipated the need to fix aging infrastructure?

North Bay Hydro monitors the health of its electric infrastructure very closely. As part of its rate application, it must show the OEB third party audits of the health of its system’s assets. These asset health audits help North Bay Hydro prioritize which parts of its system get upgraded or rebuilt first.

Why hasn’t North Bay Hydro set aside funds to pay for required upgrades?

The OEB does not allow utilities in Ontario (including North Bay Hydro) to create reserve funds. If reserve funds were allowed, a utility would have to charge customers a premium on their rates to set money aside. Under OEB issued *Cost of Service* licenses, a utility can only charge customers the rate required to run the distribution system at a reliability standard set by regulatory bodies.



Paying for North Bay Hydro's Distribution System: *Capital Investment Drivers*

North Bay Hydro has developed a list of capital investment drivers and proposes investment programs based on these key drivers.

Reliability: There are two main measures of reliability in the distribution system:

- 1) How often does the power go out?
- 2) How long does it stay out?

To achieve maintained or improved reliability, projects are developed to improve asset performance and decrease the frequency and duration of power outages.

Service Requests: North Bay Hydro has a legal obligation to connect customers to its distribution system. This includes both traditional demand customers (new homes and businesses) and distributed generation customers (e.g. micro-FIT customers who have contracts to sell electricity back to the grid such as rooftop solar panels). Requests can also include system modifications to support infrastructure development by government agencies, road authorities and developers.

Support Capacity Delivery: Where there are forecasted changes in demand that will limit the ability of the system to provide consistent service delivery or where it is incapable of meeting the demand requirements, new builds or expansion is required. This is the fundamental infrastructure that allows new customers to be hooked up to the distribution system and is paid for by new customers served over time.

System Efficiency: To provide customers with the best service possible, there is always a need to improve power outage restoration capability.

Mandated Compliance: Compliance with all legal and regulatory requirements and government directives, such as compliance with the Ministry of Energy, the Ontario Energy Board, the Independent Electricity System Operator and other regulations.

Obsolescence:

Asset installations that no longer align with North Bay Hydro's current operating practices or current standards. This can include those assets that:

- are no longer manufactured,
- lack spare parts,
- cannot be accessed,
- lack the ability to have maintenance performed on them,
- have operational constraints or conflicts, which can result in increased reliability and/or safety related risks.

Aging or Poor Performing Equipment: Where there is the imminent risk of failure due to age or condition deterioration, and these potential failures will result in severe reliability impacts to customers as well as potential safety risks to crew workers or to the public, remediation, through refurbishment or replacement, is required.

Business Support Costs: North Bay Hydro is not just the local electricity distribution system itself, but a company that operates the system. As a company, it needs buildings to house its staff, vehicles and tools to service the power lines and IT systems to manage the system and customer information.



Paying for North Bay Hydro's Distribution System: Capital Investments

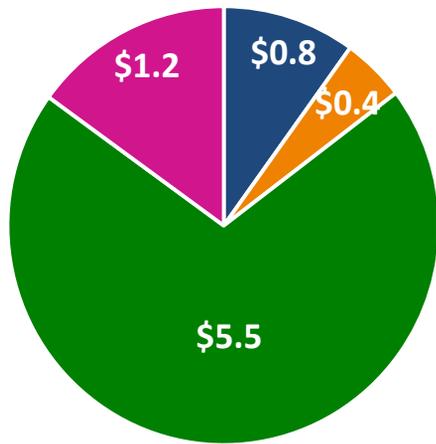
What are the major issues we need to address?

Over the years, North Bay Hydro has worked hard to keep its equipment working well beyond its originally expected life, to get maximum value for money. However, North Bay Hydro's key challenge still comes from the need to replace aging equipment.

In 2015, the capital expenditures required to address system renewal, maintain system reliability and invest in other infrastructure priorities are estimated by North Bay Hydro to be **\$7.8 million**.

To assist us in prioritizing what needs to be replaced and by when, North Bay Hydro uses an asset management model to drive replacement decisions. Using the information provided by the asset management model, North Bay Hydro plans for four types of capital investment costs:

2015 Forecasted* Capital Expenditures (millions)



- General Plant
- System Service
- System Renewal
- System Access

System Access

Definition: Projects that respond to customer requests for new connections or new infrastructure development. These are usually a high priority, "must do" type of request

Programs (e.g.): Customer Connections, Relocating assets based on infrastructure needs

System Renewal

Definition: Projects focused on replacing aging equipment in poor condition

Programs (e.g.): Distribution Station Refurbishment, Voltage Conversion, Underground Cable Replacement, Overhead Wire Replacement

System Service

Definition: Primarily consisting of projects that improve system reliability

Programs (e.g.): Automated Switches, better distribution system monitoring equipment

General Plant

Definition: Investments in supporting assets, such as tools, vehicles, buildings and information technology (IT) equipment that are needed so that we may perform our task to operate and maintain the distribution system

Programs (e.g.): IT, facilities, fleet

*These figures are subject to change upon final rate application submission.



Cost Drivers

Capital Investments

Specific projects that are driving North Bay Hydro’s capital investments include:

Aging Infrastructure

- Inventory of assets and asset health to determine what equipment needs to be replaced, and what can safely stay in place until it no longer works.
- An extensive underground rebuild to maintain system reliability.
- The construction of a new substation to replace the current one which is in poor condition, is becoming a safety hazard and is the last substation in North Bay that requires automation.

Day-to-Day Reliability

- The voltage conversion program to bring equipment up to the current single standard, which will result in greater flexibility to respond to local power outages.

New Technology

- North Bay Hydro will be extending SCADA into the new substation – this will control the breakers at the station and allow for remote operation, monitoring and provide access to a vast amount of decision making data. This automation will save on truck rolls and reduce outage times

Required New Equipment

- North Bay Hydro plans to purchase a new “bucket” truck to replace an existing truck that is well beyond it’s useful life.

The following five project areas represent approximately 85% of North Bay Hydro’s estimated 2015 Capital Investment budget*:

| | |
|--|-------------|
| 1) Municipal substation rebuild, including new power transformers | |
| Project Cost | \$2,511,617 |
| 2) Projected system access demand work: i.e. new connections, upgraded services, road relocations, and new subdivision developments | |
| Project Cost | \$1,109,300 |
| 3) Underground system rebuild: Wickstead/Melina Close/Madlena | |
| Project Cost | \$1,247,860 |
| 4) Overhead system rebuild: Main St. W/Ferguson/McIntyre | |
| Project Cost | \$938,733 |
| 5) Replacement of bucket truck | |
| Project Cost | \$453,285 |

The remaining 15% of the capital investment plan is earmarked for a number of smaller projects including voltage conversion initiatives and productivity investments such as IT system upgrades.

*These figures are subject to change upon final rate application submission.

Cost Drivers

Operating Expenses



In addition to its capital budget, North Bay Hydro also needs to consider its operating budget which also impacts customer bills.

Cost drivers contributing to the operating budget can largely be attributed to on-going maintenance and management of the distribution system. An example of this cost driver is North Bay Hydro's tree trimming program, designed to lessen the impact of failing tree branches on power lines.

Labour Costs:

- Increased workload from customer demand, provincial polices and the operating and maintenance needs of the system.
- Annual wage and benefit increases - compensation at North Bay Hydro is in line with industry benchmarks.

Customer Engagement:

- The OEB now requires all local distribution companies to demonstrate that they have consulted customers before applying for a rate increase. North Bay Hydro agrees with this new practice, but these programs add to operating costs.

Business & Strategic Planning:

- Since 2010, there has been an unprecedented amount of change in the electricity sector. Changes are occurring at every level (government, regulatory, municipal) and they impact how North Bay Hydro operates.
- Changing technology offers new applications for efficiency and service improvements.

Smart Meters:

- The Province requires all local distribution companies, including North Bay Hydro, to implement Smart Meters.

IT Systems & Maintenance:

- North Bay Hydro is minimizing IT costs by maintaining existing IT systems. New modules are being added to meet new functional requirements on an as-needed basis only.
- New applications have been implemented for locates, collection processes and to improve customer service on the website.

Operational Review:

- North Bay Hydro plans to conduct a formal review of its Engineering and Operations departments.

Vegetation Management:

- 30%-50% of outages are tree related and are a safety hazard.
- A local certified arborist has reviewed North Bay Hydro's service territory and provided an assessment and recommendation based on sound arboricultural advice.
- North Bay Hydro has now made it a policy of establishing 15 feet of clearance from either side of centre line of its overhead circuits
- Based on customer feedback North Bay Hydro will also begin a stump removal and re-greening program within the City.

Change between 2010 Approved Operating Budget and 2015 Request:

| 2010 OEB Approved Operating Budget* | \$5,680,410 |
|---------------------------------------|--------------------|
| Salaries, Wages & Benefits | 747,263 |
| Customer Focus: | |
| Customer Engagement | 82,000 |
| Bad Debts | (78,921) |
| Operations Effectiveness | |
| Business & Strategic Planning | 100,000 |
| IT Systems & Maintenance | 97,392 |
| Smart Meters | 106,753 |
| Operational Review | 208,000 |
| Vegetation Management | 346,655 |
| Substation Preventative Maintenance | (171,607) |
| Other miscellaneous programs | 38,301 |
| 2015 Request to OEB | \$7,156,244 |

*These figures are subject to change upon final rate application submission. 19



Finding Efficiencies and Cost Savings

To set the context of North Bay Hydro's (NBH) operations, below are some examples of the other things they do on top of construction and maintenance of the physical distribution system.

- In 2010 NBH handled 2,367 underground cable locates and in 2013 this had increased 55% to 3,678.
- In 2013 handled 39,805 telephone calls, a 66% increase from 23,967 telephone calls in 2010.
- Collection work orders have increased 60% - from 1,454 in 2010 to 2,326 in 2013.
- Disconnection notices increased from 9,680 in 2010 to 13,588 in 2013, up 40%.
- 15,000 – 20,000 walk-ins per year.
- Approximately 289,000 bills issued each year.
- 565 trouble calls in 2013.
- Receive over 300 requests from customers for connection to its system or upgrades/changes to existing connections (service spots).

NBH achieves continuous improvement by implementing measures that directly reduce costs, improve productivity and improve levels of service to customers.

Cost Reduction Measures: Examples of some of the cost reduction measures that NBH has implemented are:

- *Just-in-time* delivery of hardware and equipment reduced inventory levels by \$340k in 2013.
- NBH purchases its materials through a joint Northern LDC Buying Group to obtain economies of scale. It is estimated NBH saved approximately \$70k in products and an additional \$45k in freight.
- Substation maintenance activities performed in-house has saved \$60k per year in contractor costs and fees.
- A bulk purchase of 3 station transformers made through a competitive purchase process resulted in cost savings of over \$25k.

Productivity Improvement Measures: NBH has implemented the following productivity improvement measures:

- NBH has invested and continues to invest in remotely operable SCADA switches to restore power more quickly and reduce the costs of sending a crew to manually operate the switch.
- Investments in new automation technology allowed NBH to handle a 55% increase in the number of locates completed within required timelines.
- NBH re-organized its Customer Accounts operation including consolidating three different job functions into one, introducing standardized work processes and training staff on customer service skills.
- Bill production and printing brought in-house reducing external purchases by \$60k per year.

Customer Service Improvements:

- NBH received many requests for paperless billing and began offering an eBilling option in 2012 - paperless billing together with the Customer Portal is leveraging existing technology on the website to make doing business easier for the customer and has resulted in savings of \$53k per year in reduced postage, paper and printing costs.
- Based on feedback, a new website design and content was launched with many built-in enhancements including easy to use online forms, focus on conservation information and information on system status. Major un-planned outages are updated on the website and customers are informed that NBH is responding. NBH also uses social media to advise customers on system status.
- NBH is working with local environmental groups to understand whether the current approach to the vegetation management program can be enhanced to improve customer education on the need for tree trimming and removals and how we can work cooperatively to maintain the green canopy of North Bay.

Customer Feedback

8. With regards to projects focused on replacing aging equipment in poor condition, which of the following statements best represents your point of view?
- North Bay Hydro should invest what it takes to replace the system's aging infrastructure to maintain system reliability, even if that increases my monthly electricity bill by a few dollars over the next few years.
 - North Bay Hydro should lower its investment in renewing the system's aging infrastructure to lessen the impact of any bill increase, even if that means more or longer power outages.
 - Don't know
9. As a company, North Bay Hydro needs buildings to house its staff, vehicles and tools to service the power lines and IT systems to manage the system and customer information. Which of the following statements best represents your point of view?
- North Bay Hydro should find ways to make do with the buildings, equipment and IT systems it already has.
 - While North Bay Hydro should be wise with its spending, it is important that its staff have the equipment and tools they need to manage the system efficiently and reliably.
 - Don't know
10. How well do you feel you understand the cost drivers that North Bay Hydro is responding to?
- Very well
 - Quite well
 - Not very well
 - Not at all
 - Don't know
11. How well do you think North Bay Hydro is managing these cost drivers while meeting customer expectations and keeping rates reasonable?
- Very acceptable
 - Somewhat acceptable
 - Not very acceptable
 - Not acceptable at all
 - Don't know
12. Now that you have a better sense of the operations of North Bay Hydro, including the cost drivers, do you feel the proposed budget is reasonable?
- Yes
 - No
 - Don't know

What North Bay Hydro's Plan Means for You?

In 2015, residential customers with an average monthly consumption of 800 kWh will actually see an estimated decrease of \$2.30 per month on the distribution portion of their electricity bills.

Although there is a reduction in the forecasted 2015 rates, this is a reflection of changes to accounting standards rather than a decrease in North Bay Hydro's projected revenue needs.

However, North Bay Hydro's forecasted increase over the next five years may see an average annual increase of \$0.92 per month or 2.8% on the distribution portion of the bill for a residential customers with an average monthly consumption of 800 kWh.

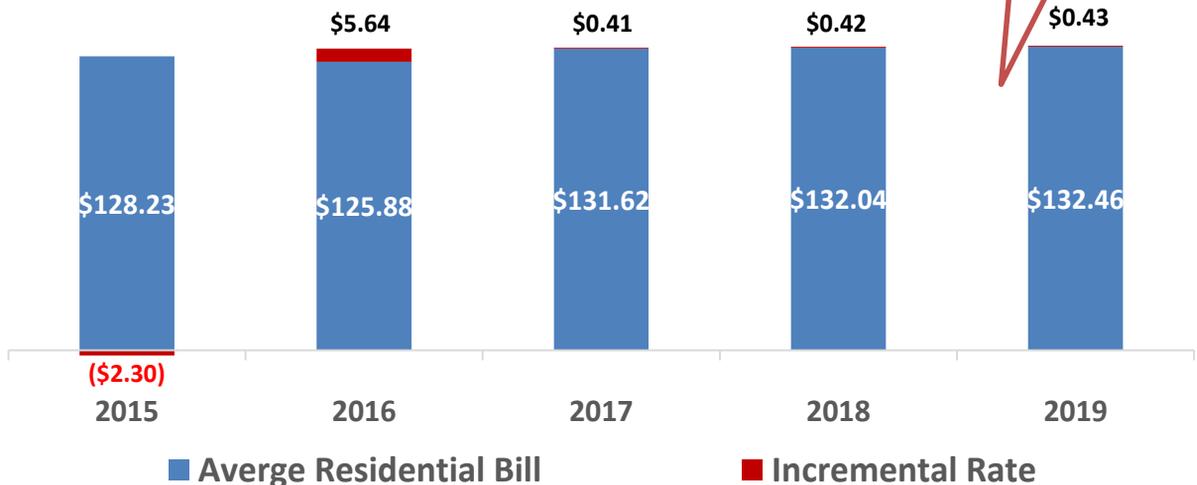
As such by 2019, North Bay Hydro forecasts that the average residential household will be paying an estimated \$4.60 more per month on the distribution portion of their electricity bill.

The table below illustrates the 5 year forecasted change in rates.

Estimated Typical Residential Annual Increase in Monthly Bill (5 year forecast)

| Year | Average Residential Bill | Distribution Proportion of bill | Incremental Rate Change | % Change |
|------|--------------------------|---------------------------------|-------------------------|----------|
| 2015 | \$125.88 | \$28.29 | (\$2.30) | -1.8% |
| 2016 | \$131.62 | \$33.93 | \$5.64 | 4.5% |
| 2017 | \$132.04 | \$34.34 | \$0.41 | 0.3% |
| 2018 | \$132.46 | \$34.76 | \$0.42 | 0.3% |
| 2019 | \$132.89 | \$35.19 | \$0.43 | 0.3% |

Estimated average annual increase in monthly bill will be \$0.92



Customer Feedback

13. Did North Bay Hydro's Plan cover the topics you expected?

- Very well
- Somewhat well
- No, not very well

If no, what is missing?

14. How well do you think North Bay Hydro is planning for the future?

- Very well
- Somewhat well
- Not very well
- I don't know

15. Considering what you know about the local distribution system, which of the following best represents your point of view?

- The rate increase is reasonable and I support it
- I don't like it, but I think the rate increase is necessary
- The rate increase is unreasonable and I oppose it
- Don't know

Final Thoughts

North Bay Hydro values your feedback. This is the first time the utility has conducted a review about its upcoming investment plan in this type of format.

Overall Impression: What did you think about the workbook?

Volume of Information: Did NBH provide too much information, not enough, or just the right amount?

Content Covered: Was there any content missing that you would have liked to have seen included?

Outstanding Questions: Is there anything that you would still like answered?

Suggestions for Future Consultations: How would you prefer to participate in these consultations?

Glossary

Breakers: Devices that protect the distribution system by interrupting a circuit if a higher than normal amount on power flow is detected.

Distribution Station: These substations are located near to the end-users. Distribution station transformers change the voltage to lower levels for use by end-users.

Feeder Circuit: Is a wire that connects the transformer station to the broader distribution system in order to deliver electricity to customers.

Generation Station: A facility designed to produce electric energy from another form of energy, such as fossil fuel, nuclear, hydroelectric, geothermal, solar thermal, and wind.

Kilowatt (kW): 1000 watts.

Local Distribution Company (LDC): In Ontario, these are the companies that take electricity from the transmission grid and distribute it around a community.

OM&A: Operations, Maintenance and Administration or operating budget.

Substations: These include transmission stations and distribution stations. They are used to switch generators, equipment, and circuits or lines in and out of a system. It also is used to change AC voltages from one level to another.

Switches: These control the flow of electricity—they direct which supply of electricity is used and which circuits are energized. Distribution systems have switches installed at strategic locations to redirect power flows for load balancing or sectionalizing.

System Access: Projects required to respond to customer requests for new connections or new infrastructure development. These are usually a regulatory requirement to complete.

System Renewal: Projects to replace aging infrastructure in poor condition.

System Service: Primarily projects that improve reliability.

General Plant: Investments in things like tools, vehicles, buildings and information technology (IT) equipment that are needed to support the distribution system.

Switches: Control the flow of electricity and steer the current to the correct circuits.

Transmission lines: Transmit high-voltage electricity from the generation source or substation to another substation in the electricity grid.

Transformer: Is an important piece of equipment that reduces the voltage of electricity from a high level to a level that can be safely distributed to your area or to your residence/business.

Underground Cable: A conductor with insulation, or a stranded conductor with or without insulation and other coverings (single-conductor cable), or a combination of conductors insulated from one another (multiple-conductor cable).

Volt (V): A unit of measure of the force, or 'push,' given the electrons in an electric circuit. One volt produces one ampere of current when acting on a resistance of one ohm.

Watt (W): The unit of electric power, or amount of work (J), done in a unit of time. One ampere of current flowing at a potential of one volt produces one watt of power.

Wire: A conductor wire or combination of wires not insulated from one another, suitable for carrying electric current.

1 **Appendix 1-B 2011 Audited Financial Statements**

2

**North Bay Hydro
Distribution Limited
Financial Statements
For the year ended December 31, 2011**

North Bay Hydro Distribution Limited
Financial Statements
For the year ended December 31, 2011

Contents

| | |
|---|----------------|
| Independent Auditor's Report | 2 |
| Financial Statements | |
| Balance Sheet | 3 |
| Statement of Operations and Retained Earnings | 4 |
| Statement of Cash Flows | 5 |
| Summary of Significant Accounting Policies | 6 - 13 |
| Notes to Financial Statements | 14 - 36 |

Independent Auditor's Report

To the Shareholder of North Bay Hydro Distribution Limited

We have audited the accompanying financial statements of North Bay Hydro Distribution Limited, which comprise the balance sheet as at December 31, 2011, and the statement of operations and retained earnings and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Bay Hydro Distribution Limited as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

North Bay, Ontario
April 4, 2012

North Bay Hydro Distribution Limited Balance Sheet

December 31

2011

2010

Assets

Current

| | | |
|---|--------------|--------------|
| Cash and cash equivalents (Notes 1 and 2) | \$ 6,321,661 | \$ 5,900,680 |
| Accounts receivable (Notes 3 and 13) | 5,481,406 | 6,456,194 |
| Unbilled service revenue | 7,890,803 | 6,713,535 |
| Inventory | 758,471 | 786,111 |
| Prepaid expenses | 603,019 | 755,276 |
| Payments in lieu of taxes receivable | 174,261 | - |

| | | |
|---|-------------------|-------------------|
| Property, plant and equipment (Note 4) | 21,229,621 | 20,611,796 |
| Future income taxes (Note 17b) | 43,191,832 | 37,624,056 |
| Regulatory assets (Note 5) | 7,053,341 | 7,279,073 |
| | 5,539,947 | 4,676,972 |

\$ 77,014,741 **\$ 70,191,897**

Liabilities and Shareholder's Equity

Current

| | | |
|---|---------------|--------------|
| Accounts payable and accrued liabilities (Notes 6 and 13) | \$ 10,559,713 | \$ 8,132,979 |
| Payments in lieu of taxes payable | - | 143,348 |
| Current portion of customer deposits | 107,543 | 115,264 |
| Deferred revenue | 158,518 | - |
| Payable to North Bay Hydro Services Inc | 129,310 | 66,567 |
| Loan payable (Note 20) | 1,314,110 | - |
| Current portion of long term debt (Note 8 b) | 350,000 | - |

| | | |
|--|-------------------|-------------------|
| Long-term debt (Note 8b) | 12,619,194 | 8,458,158 |
| Customer deposits | 2,916,667 | 2,785,974 |
| Employee future benefits (Note 7) | 869,613 | 950,211 |
| Regulatory liabilities (Note 5) | 4,321,598 | 4,208,039 |
| Payable to Corporation of the City of North Bay (Note 8a) | 9,420,807 | 9,485,909 |
| | 19,511,601 | 19,511,601 |

49,659,480 **45,399,892**

Contingencies (Note 9)
Commitments (Note 10)
Subsequent events (Note 21)

Shareholder's equity

| | | |
|-------------------------|------------|------------|
| Share capital (Note 11) | 19,511,601 | 19,511,601 |
| Retained earnings | 7,843,660 | 5,280,404 |

27,355,261 **24,792,005**

\$ 77,014,741 **\$ 70,191,897**

On behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Hydro Distribution Limited Statement of Operations and Retained Earnings

| For the year ended December 31 | 2011 | 2010 |
|---|---------------------|---------------------|
| Revenue | | |
| Distribution revenue (Note 12) | \$ 11,118,450 | \$ 10,721,300 |
| Other operating revenue (Note 13) | 1,089,304 | 924,306 |
| | <u>12,207,754</u> | <u>11,645,606</u> |
| Expenses | | |
| Operations | 2,316,164 | 2,292,622 |
| Finance | 1,554,443 | 1,387,538 |
| Human resources | 569,106 | 382,489 |
| Administration | 791,090 | 813,436 |
| Amortization | 2,956,995 | 2,789,533 |
| | <u>8,187,798</u> | <u>7,665,618</u> |
| Income before items below | 4,019,956 | 3,979,988 |
| Interest expense (Note 13) | 1,146,402 | 1,028,552 |
| Capital tax expense | - | 27,633 |
| Property tax expense (Note 13) | 58,586 | 60,827 |
| | <u>2,814,968</u> | <u>2,862,976</u> |
| Income before other items and provision for income taxes | 2,814,968 | 2,862,976 |
| Other items | | |
| Charitable donation | (107,153) | (7,000) |
| Gain on disposal of property, plant and equipment | 3,647 | 950 |
| Loss on foreign exchange | 8,378 | (4,522) |
| Gain on regulatory assets | 1,244,278 | - |
| | <u>3,964,118</u> | <u>2,852,404</u> |
| Income before provision for income taxes | 3,964,118 | 2,852,404 |
| Provision for payment in lieu of taxes (Note 17) | 709,731 | 734,285 |
| | <u>3,254,387</u> | <u>2,118,119</u> |
| Net income for the year | \$ 3,254,387 | \$ 2,118,119 |
| Retained earnings, beginning of year | \$ 5,280,404 | \$ 4,512,285 |
| Net income for the year | 3,254,387 | 2,118,119 |
| Dividends paid during the year | (691,131) | (1,350,000) |
| | <u>7,843,660</u> | <u>5,280,404</u> |
| Retained earnings, end of year | \$ 7,843,660 | \$ 5,280,404 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Hydro Distribution Limited Statement of Cash Flows

For the year ended December 31

2011

2010

Cash provided by (used in)

Operating activities

| | | |
|--|------------------|------------------|
| Net income for the year | \$ 3,254,387 | \$ 2,118,119 |
| Items not involving cash | | |
| Amortization of property, plant and equipment
(net of amortization of contributions in aid of construction) | 2,956,995 | 2,789,533 |
| Gain on sale of property, plant and equipment | (3,647) | (950) |
| Accrual for employee future benefits | - | 244,923 |
| Gain on regulatory assets | (1,244,278) | - |
| | <u>4,963,457</u> | <u>5,151,625</u> |
| Net change in non-cash working capital balances (Note 16) | 2,307,369 | (2,091,649) |
| | <u>7,270,826</u> | <u>3,059,976</u> |

Investing activities

| | | |
|---|--------------------|--------------------|
| Purchase of property, plant and equipment | (8,993,317) | (6,990,070) |
| Contributions received in aid of construction | 464,129 | 905,001 |
| Proceeds on sale of property, plant and equipment | 8,281 | - |
| Decrease (increase) in regulatory assets
net of regulatory liabilities | 541,933 | (46,827) |
| | <u>(7,978,974)</u> | <u>(6,131,896)</u> |

Financing activities

| | | |
|---|------------------|------------------|
| Increase in loan payable | 1,314,327 | - |
| Proceeds from Ontario Infrastructure Projects Inc. loan | 480,693 | 874,694 |
| (Decrease) increase in customer deposits | (88,320) | 355,422 |
| Employee benefits expense paid | 113,560 | (305,919) |
| Dividends paid in cash | (691,131) | (1,350,000) |
| | <u>1,129,129</u> | <u>(425,803)</u> |

Increase (decrease) in cash and cash equivalents during the year

420,981 (3,497,723)

Cash and cash equivalents, beginning of year

5,900,680 9,398,403

Cash and cash equivalents, end of year

\$ 6,321,661 \$ 5,900,680

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2011

Nature of Business

The company is incorporated under the laws of Ontario and is licensed by the Ontario Energy Board (the "OEB") as an electricity distributor. The principal business activity of the company is to distribute electricity to the residents of the City of North Bay.

The company is regulated by the OEB under authority of the Ontario Energy Board Act, 1998.

Basis of Accounting

The financial statements of North Bay Hydro Distribution Limited have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and accounting policies provided by its regulator, the OEB, as set forth in the Accounting Procedures Handbook for Electric Distribution Utilities ("AP Handbook"), issued by the Ontario Energy Board under the authority of the Ontario Energy Board Act, 1998.

Due to the regulatory framework, the timing of recognition of revenues and expenses and the measurement of certain assets and liabilities may differ from that otherwise expected under Canadian generally accepted accounting principles (GAAP) for non-rate regulated enterprises. Please refer to accounting policies for Spare Transformers and Meters, Contributions in Aid of Construction, Regulatory Assets and Liabilities and Payments in Lieu of Corporate Income Taxes and Capital Taxes.

The financial statements reflect the significant accounting policies summarized below.

Industry Restructuring and Regulation, Rate Setting

The Ontario government enacted the Energy Competition Act, 1998 to introduce competition to the Ontario Energy Market effective May 1, 2002. Under the terms of this legislation, the Ontario Energy Board regulates the industry participants by issuing licenses for the right to generate, transmit, distribute or retail electricity. These licences require compliance with established market rules.

The company is required to follow regulations as set by the OEB. The OEB approves and sets rates for the transmission and distribution of electricity, ensures distribution companies fulfill their obligations to connect and service consumers and has the authority to provide rate protection for certain consumers.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2011

**Industry Restructuring and
Regulation, Rate Setting
(continued)**

The company is subject to rate regulation on the sale of electricity to its consumers. Rates are set by the OEB on an annual basis for the May 1 to April 30 period. The OEB is responsible for regulating transmission and distribution rates of electricity in the Province of Ontario. The regulation and monitoring of Ontario's Energy Sector is completed by the OEB through the application of codes, rules and guidelines, the licensing of market participants, assisting firms with the management of regulatory requirements, monitoring and enforcing compliance and adjudication.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments with maturities of three months or less. Investments are valued at the lower of cost and net realizable value.

Inventory

Inventory consists of parts, supplies and materials held for future capital expansion or maintenance and is valued at the lower of cost, determined by the weighted average method, and replacement cost.

**Property, Plant
and Equipment**

Property, plant and equipment are stated at cost less accumulated amortization. Costs may include direct material, labour, contracted services, overhead, engineering costs and interest on funds used during construction, that are considered applicable to construction.

Amortization is recorded over the asset's estimated useful life as disclosed in Note 4.

Upon disposal the cost and accumulated amortization of general assets disposed of are relieved from the respective accounts and any gain or loss is reflected in operations.

**Contributions in Aid
of Construction**

Contributions in aid of construction are treated as a reduction of capital spending and are amortized at the same rates as the assets to which they relate. Canadian GAAP provides no specific guidelines for the accounting treatment of this type of contribution.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2011

Spare Transformers and Meters

Spare transformers and meters are held to back up plant in service and are expected to substitute for original distribution plant transformers and meters when these original plant assets are being repaired. According to the criteria prescribed by the OEB in the AP Handbook the spare transformers and meters are treated as property, plant and equipment. Under Canadian GAAP for unregulated businesses the spare transformers and meters would be treated as inventory.

Regulated Assets and Liabilities

The company has adopted the CICA's Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation". Based on OEB regulations, certain costs and variance account balances are recorded as regulatory assets or regulatory liabilities and are reflected in the balance sheet until the OEB determines the manner and timing of their disposition.

Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior period(s), that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory liabilities represent future expenses associated with the collection of certain revenues, earned in the current period or in prior period(s), that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory assets and liabilities can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002.

These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges. In the absence of rate regulation, these rate regulated assets and liabilities would be recognized in income in the period to which they relate. See Note 5 for further details.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2011

**Payment in Lieu of
Corporate Income Taxes
and Capital Taxes**

The company is a Municipal Electricity Utility ("MEU") for purposes of the PIL's regime contained in the Electricity Act, 1998. As a MEU the company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the company is required to make payments in lieu of corporate income taxes each year to Ontario Electricity Financial Corporation ("OEF"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

The company uses the liability method of accounting for taxes, following the recommendations of the CICA and OEB. Under this method, current income taxes are the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between tax and accounting bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Customer Deposits

Customer deposits are cash collections from customers to guarantee the payment of energy bills. Customer deposits includes interest credited to customers' deposit accounts, with interest expense recorded to offset this amount. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability.

Deferred Revenue

Deferred revenue consists of funds received from the Ontario Power Authority for power conservation programs. Revenue is recognized in the period in which the corresponding expenses are incurred.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2011

Pension Plans

The company accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer, contributory, public sector pension fund, established for employees of municipalities, local boards and school boards in Ontario, as a defined contribution plan. Both participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The company recognizes the expense related to this plan as contributions are made.

Post-employment Benefits

Employee future benefits other than pension provided by the company include medical and insurance benefits. These benefit plans provide benefits to certain employees when they are no longer providing active service.

Standards issued by the CICA with respect to accounting for employee future benefits require the company to accrue for its obligations under other employee benefit plans and related costs, net of plan assets.

The cost of post employment benefits offered to employees are actuarially determined using the projected benefit method, prorated on service and based on assumptions that reflect management's best estimate. Under this method, the projected post retirement benefit is deemed to be earned on pro rata basis over the years of service in the attribution period commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

The current service cost for the period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period.

Past service costs from plan amendments are amortized on a straight line basis over the average remaining service period of the employees active at the date of the amendment.

The excess of the net actuarial gains (losses) over 10% of the accrued benefit obligation are amortized into expense on a straight line basis over the average remaining service period of active employees to full eligibility.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2011

Revenue Recognition

Revenue from the sale and distribution of electricity is recognized on an accrual basis. Distribution revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the fiscal year. Actual results could differ from estimates made of customer electricity usage.

Other revenues, which include revenues from pole use rental, collection charges, carrying charges on regulatory assets, investment income and other miscellaneous revenues are recognized at the time services are provided or when the revenues have been earned.

Use of Estimates and Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes as well as the disclosure of contingent assets and liabilities at the financial statement date.

Accounts receivable, unbilled service revenue, regulatory assets, regulatory liabilities and employee future benefits are reported based on amounts expected to be recovered or incurred and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Amounts recorded for amortization of property, plant and equipment are based on estimates of useful service life.

Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates, including changes as a result of future decisions made by the OEB or the Minister of Energy or the Minister of Finance. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2011

Financial Instruments

The company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The company's accounting policy for each category is as follows:

Held-for-trading

Financial instruments classified as held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income (loss) in the period during which the change occurs. Transaction costs are expensed when incurred.

In these financial statements cash and cash equivalents have been classified as held-for-trading.

Loans and Receivables

Financial instruments classified as loans and receivables are carried at amortized cost using the effective interest method. Interest income or expense is included in net income (loss) over the expected life of the instrument. Transaction costs are expensed when incurred.

In these financial statements accounts receivable have been classified as loans and receivables.

Other Financial Liabilities

Financial instruments classified other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in net income (loss) over the expected life of the instrument. Transaction costs are expensed when incurred.

In these financial statements accounts payable and accrued liabilities, customer deposits, long-term debt and payable to North Bay Hydro Services Inc and the Corporation of the City of North Bay are classified as other financial liabilities.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2011

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the company, are as follows:

International Financial Reporting Standards

The Company did not adopt IFRS for the year ended December 31, 2011 as the mandatory adoption for entities with activities subject to rate regulation was deferred to fiscal years beginning on or after January 1, 2012. The Accounting Standards Board has recently decided that the mandatory adoption of IFRS for such entities will be deferred an additional year. The Company is still considering its options and has not yet decided whether it will adopt IFRS in 2012 or 2013.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

1. Cash and Cash Equivalents

Cash and cash equivalents includes \$2,441,938 (2010 - \$2,421,099) in short-term investments with maturities of less than 90 days. These amounts are investments in fixed income assets bearing interest at effective rates between 0.5 and 2% per annum.

The interest rate on the bank account is prime less 1.75%.

2. Investment Subject to Restrictions

As security for the letter of credit provided to the IESO to secure its hydro purchase obligations (see Note 14), the company has provided its financial institution with an assignment in the amount of \$2,000,000 of its short-term investments.

3. Accounts Receivable

| | <u>2011</u> | <u>2010</u> |
|---------------------------------|---------------------|---------------------|
| Electrical energy | \$ 5,201,622 | \$ 6,054,782 |
| Street lighting | 135,774 | 56,103 |
| Sundry | 849,724 | 832,751 |
| Allowance for doubtful accounts | <u>(705,714)</u> | <u>(487,442)</u> |
| | <u>\$ 5,481,406</u> | <u>\$ 6,456,194</u> |

The company's accounts receivables are made up of a large number of small balances from residential customers and commercial customers in a number of different industries.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

4. Property, Plant and Equipment

| | | 2011 | | 2010 | |
|---|--------------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
| | Estimated
useful life (yrs) | Cost | Accumulated
Amortization | Cost | Accumulated
Amortization |
| Electrical Distribution Assets | | | | | |
| Land | | \$ 446,493 | \$ - | \$ 440,188 | \$ - |
| Buildings | 30-50 | 769,641 | 306,963 | 769,641 | 293,474 |
| Substation equipment | 25-30 | 11,844,406 | 4,156,526 | 9,391,662 | 3,887,377 |
| Poles, towers and fixtures | 25 | 18,921,361 | 10,904,838 | 17,775,889 | 10,338,245 |
| Overhead conductor
and devices | 25 | 14,818,361 | 8,332,106 | 14,004,544 | 7,876,482 |
| Underground conduit
and conductor | 25 | 7,522,233 | 4,563,580 | 7,075,206 | 4,302,340 |
| Distribution transformers | 25 | 15,372,657 | 8,975,516 | 14,725,760 | 8,525,252 |
| Overhead and
underground services | 25 | 16,921,975 | 6,143,321 | 16,033,280 | 5,532,292 |
| Distribution meters | 25 | 4,010,477 | 2,619,365 | 3,865,453 | 2,504,910 |
| Total electrical distribution assets | | 90,627,604 | 46,002,215 | 84,081,623 | 43,260,372 |
| General Assets | | | | | |
| Land | | 86,551 | - | 86,551 | - |
| Buildings | 30-50 | 2,182,429 | 1,186,395 | 2,039,691 | 1,118,842 |
| Office equipment | 10 | 339,217 | 288,404 | 315,127 | 281,247 |
| Computer equipment | 5 | 1,847,047 | 1,527,478 | 1,618,849 | 1,444,300 |
| Transportation equipment | 5-8 | 2,395,854 | 1,371,589 | 2,364,816 | 1,492,514 |
| Small tools and miscellaneous
equipment | 10 | 1,401,099 | 1,156,726 | 1,329,852 | 1,117,856 |
| Load management controls | 6 | 622,142 | 590,717 | 622,142 | 588,671 |
| System supervisory equipment | 15 | 1,294,866 | 1,011,760 | 1,243,680 | 963,524 |
| Total general assets | | 10,169,205 | 7,133,069 | 9,620,708 | 7,006,954 |
| Work in Process | | | | | |
| Merrick landfill project | | 1,512,229 | - | - | - |
| | | 102,309,038 | 53,135,284 | 93,702,331 | 50,267,326 |
| Less: Contributions in aid
of construction | 25 | 7,560,942 | 1,579,020 | 7,096,812 | 1,285,863 |
| | | \$ 94,748,096 | \$ 51,556,264 | \$ 86,605,519 | \$ 48,981,463 |
| Net book value | | | \$ 43,191,832 | | \$ 37,624,056 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

5. Regulatory Assets and Liabilities

All amounts deferred as regulatory assets are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators, at which time any resulting change would be reflected in the financial statements. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the company has recorded the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory assets (liabilities) are comprised of:

| | Remaining recovery
period (years) | 2011 | 2010 |
|--|--------------------------------------|---------------------|---------------------|
| Regulatory Assets | | | |
| Connection (i) | 3 | \$ 466,125 | \$ 320,707 |
| Network (i) | 2 - 4 | 879,279 | 590,978 |
| Rural rate assistance (i) | 2 - 4 | 9,312 | 9,747 |
| Power (i) | 2 - 4 | 628,777 | 505,332 |
| Low voltage (i) | 2 - 4 | 36,600 | 30,070 |
| Carrying charges - power (ii) | 2 - 4 | 22,110 | 9,360 |
| Carrying charges - other (ii) | 2 - 4 | 274,146 | 334,575 |
| Carrying charges - 2010 recovery (ii) | 1 | 699,055 | 697,028 |
| Smart meter initiatives (vi) | 2 - 4 | 1,885,501 | 1,993,697 |
| 2008 HONI regulatory Asset | 1 | 994 | 995 |
| Deferred payments in lieu of taxes (iii) | 2 | 554,291 | - |
| IFRS (viii) | 4 | 42,850 | 67,064 |
| Special purpose assessment (ix) | 1 | 6,809 | 86,626 |
| Conservation and demand initiatives (x) | 2 - 4 | 34,098 | 30,793 |
| | | \$ 5,539,947 | \$ 4,676,972 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

5. Regulatory Assets and Liabilities (continued)

Regulatory Liabilities

| | Remaining recovery
period (years) | 2011 | 2010 |
|--|--------------------------------------|-----------------------|-----------------------|
| Wholesale market services (i) | 2 - 4 | (1,367,583) | (759,586) |
| Deferred payments in lieu of taxes (iii) | 2 | (197) | (690,149) |
| Retail cost variances (v) | 2 - 4 | (281,503) | (229,080) |
| 2006 storm costs (vii) | 2 - 4 | (1,868) | (1,865) |
| Disposition/recovery - 2010 (xi) | 1 | (664,619) | (515,837) |
| Smart grid initiatives (xii) | 4 | (31,769) | (9,031) |
| Hydro One regulatory asset recovery (xiii) | 2 - 4 | (3,642) | (1,288) |
| Tax savings (xiv) | 2 - 4 | (16,285) | - |
| Future income taxes (xv) | 5-25 | (7,053,341) | (7,279,073) |
| | | (9,420,807) | (9,485,909) |
| Net Regulatory (Liabilities) Assets | | \$ (3,880,860) | \$ (4,808,937) |

In the absence of rate regulation, these rate regulated assets and liabilities would be recognized in income in the year in which they relate. As a result, the net effect on income would be a decrease to net income for the period of \$928,077 (2010 - increase to net income of \$479,756).

i. Post-market opening retail settlement variances

Post-market opening retail settlement variances represent the amounts that have accumulated since Market Opening and are comprised of variances between amounts charged by the Independent Electric Service Organization (IESO) for the operation of the wholesale electricity market and grid, various wholesale market settlement charges and transmission charges and the amounts collected from customers by the company based on the OEB approved wholesale market service rate. Under the OEB's direction, the company has deferred the settlement variances that have occurred since May 1, 2002. Accordingly, the company has deferred these recoveries in accordance with the AP Handbook.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under Canadian GAAP. In absence of rate regulation, revenues in 2011 would have been higher by \$44,738 (2010 - lower by \$634,483, excluding the write-off below). As a component of the yearly IRM, "Group 1" account balances (which are composed of Low Voltage, Wholesale Market, Network, Connection and Power) are reviewed and will qualify for disposition if balances, including carrying charges, exceed a preset threshold per kWh.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

5. Regulatory Assets and Liabilities (continued)

ii. Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specific interest rate as outlined by the OEB. The company did not recognize carrying charge income related to the retail settlement variance accounts for external reporting purposes prior to December 31, 2003. In the absence of rate regulation, the net of other revenues and interest expense would have been lower by \$99,205 (2010 - \$14,426).

iii. Deferred payments in lieu of taxes (PILs)

Deferred payments in lieu of taxes variance account tracks and records the variances that result from the differences between the OEB approved PILs amount and the amount of actual billings that relates to the recovery of PILs. On June 24, 2011 the OEB released a combined proceeding decision that established guiding principles for the determination of the amount of variance account and its subsequent disposition. The OEB advised hydro distribution companies in Ontario to include the disposition of the variance account as part of the 2012 IRM application process following the methodology set out in the combined proceeding. Following the established methodology, the Company had requested the disposition of \$1,776,381, including \$523,419 in carrying charges. On April 4, 2012 the OEB released its decision in the Company's proceeding and deemed a portion of the application not recoverable. As a result of the decision, the Company has recorded a \$554,291 regulatory asset related to PILs, and carrying charges of \$238,855. The result of this change in methodology has resulted in an increase to net income of \$1,224,278 and a reduction of \$78,702 related to carrying charges.

iv. Other regulatory assets

Other regulatory assets consist of miscellaneous rebate costs, OEB assessment differences and pension contribution amounts. In 2004 the OEB authorized entities to record the variance between the OEB annual cost assessment fees previously captured in 2001 rates and amounts charged in 2004 and subsequent years. Pension contribution amounts consist of cash pension costs associated with the OMERS pension plan for the year. In the absence of rate regulation, net income would have been lower in 2011 by \$Nil (2010 - higher by \$257,372).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

5. Regulatory Assets and Liabilities (continued)

v. Retail cost variances

Retail cost variances were established to record the difference between the amount billed and the incremental costs of providing retail services and to record the difference between the amount billed in relation to a service transaction request and the incremental costs of providing the initial screening and actual processing services for the service transaction request. Under the OEB's direction, the company has deferred the settlement variances that have occurred since May 1, 2002. Accordingly, the company has deferred these recoveries in accordance with the AP Handbook.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under Canadian GAAP. In absence of rate regulation, revenues in 2011 would have been higher by \$52,423 (2010 - lower by \$2,807). The deferred balance for unapproved settlement variances continues to be calculated in accordance with the OEB's direction. The manner and timing of disposition of the variance has not been determined by the OEB.

vi. Smart Meter Initiatives

During 2006, the OEB adopted recommendations on smart meters with regard to cost recovery during the phase-in period of this equipment. The OEB stated that given the increased need for electricity and the importance of conservation, specific funding for smart meters should be included in 2006 rates by all Ontario electric LDC. Variance accounts were established to track revenues collected with respect to smart meters and associated costs of the initiatives.

In connection with its smart meter initiatives, the company has incurred costs amounting to \$311,703 for the year ended December 31, 2011 (2010 - \$511,368). As at December 31, 2011, smart meter capital expenditures, net of accumulated depreciation, totalling \$2,410,024 have been recorded to regulatory assets (December 31, 2010 - \$2,467,324). These expenditures would otherwise have been recorded as property, plant and equipment and intangible assets under Canadian GAAP for unregulated businesses. In the absence of rate regulation, net income would have been higher in 2011 by \$50,895 (2010 higher by \$156,686) and net capital assets would have been lower by \$57,301 (2010 - higher by \$237,905).

vii. 2006 Storm Costs

During 2006 the company was affected by a significant storm which disrupted services in the area for approximately one week. The company applied for rate approval to recover costs associated with this disruption. Accordingly, the company has deferred these costs against which, future revenues will be applied. In the absence of rate regulation, net income would have been higher in 2011 by \$3 (2010 - higher by \$73,113).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

5. Regulatory Assets and Liabilities (continued)

viii. IFRS

During 2008, the OEB consultation process (EB-2008-0408) was set up to determine the effect of IFRS on LDC companies. The consultation concluded that prudently incurred administrative costs directly related to IFRS transition would be recoverable from ratepayers on the same basis as other administrative costs. The Board then established a deferral account for the distributors for incremental one-time administrative costs related to the transition to IFRS. Accordingly, the company has deferred an additional \$25,786 (2010 - \$52,859) of incremental one-time administrative costs. The Board, in determining the disposition of the account, will consider the criteria of causation, materiality and prudence. In the 2010 cost of service application, the Company was approved to recover \$100,000 over four years in distribution rates. In the absence of rate regulation, net income would have been lower in 2011 by \$24,214 (2010 - lower by \$52,859).

ix. Special purpose assessment

On April 9, 2010, the OEB informed electricity distributors of a Special Purpose Charge ["SPC"] assessment under Section 26.1 of the Ontario Energy Board Act, 1998, for the Ministry of Energy and Infrastructure conservation and renewable energy program costs. The OEB has assessed the company the amount of \$221,575 for its apportioned share of the total provincial amount of the SPC of \$53,695,000 in accordance with the rules set out in Ontario Regulation 66/10 [the "SPC Regulation"]. In accordance with Section 9 of the SPC Regulation, the company will be allowed to recover this balance. The recovery is to be achieved over a one-year period, starting May 1, 2010.

This variance account relates to the difference between the amount remitted to the Ministry of Finance for the company's SPC assessment, and the amounts recovered from customers, which commenced on May 1, 2011. Carrying charges shall apply to the monthly opening balance in the variance account. The SPC Regulation states that the company shall apply to the OEB no later than April 15, 2012 for an order authorizing the disposition of any remaining debit or credit balance in the SPC variance account. The Company applied for disposition in its 2012 IRM application for the balance owing as at December 31, 2011. As at December 31, 2011, the account consists of the company's assessment offset by twelve months of recoveries. In the absence of rate regulation, net income would have been lower by \$6,809 (2010 - lower by \$86,626).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

5. Regulatory Assets and Liabilities (continued)

x. Conservation and demand initiatives

On September 16, 2010, the OEB issued the Conservation and Demand Management ("CDM") Code for Electricity Distributors. The new code requires all LDCs to achieve preset conservation targets as a condition of its license. In addition, LDCs were required to file a CDM strategy with the OEB for approval. Accordingly, the company filed its strategy with the OEB and received a letter of acknowledgement on January 24, 2011.

Per OEB FAQ guidelines, costs related to Board-Approved CDM programs are to be tracked in this variance account; disposition shall be made at the time specified by the Board and in the manner specified by the Board. Carrying charges following the OEB prescribed methodology and related rates are applicable. In the absence of rate regulation, net income would have been lower by \$3,305 (2010 - lower by \$30,793).

xi. Disposition/recovery - 2010

On October 26, 2009, the company filed a Cost of Service application for 2010 distribution rates with the OEB which included a request seeking disposition of the balances for regulatory assets and liabilities for a net disposition of \$456,003. On April 8, 2010, the OEB approved the disposition of net regulatory assets of \$2,559,106 and net regulatory liabilities of \$2,103,102 over a one-year period commencing May 1, 2010 and ending April 30, 2011.

xii. Smart grid initiatives

In its April 8, 2010 decision on 2010 distribution rates, the OEB approved the company's proposal to charge customers a fixed monthly funding adder for spending related to two Real-Time Operating Pilot programs; both a Residential and Industrial pilot program. The spending and funding adder are to be tracked in a deferral account. Spending will take place over 2010 and through the IRM period until the next Cost of Service application up to a maximum approved amount of \$100,000. Upon request for disposition, the OEB will consider the prudence of the company's expenditures and make a determination at that time of whether recovery will be approved.

In connection with its smart grid initiatives, the company has incurred costs amounting to \$124 for the year ended December 31, 2011 (2010 - \$6,730). As at December 31, 2011, smart grid capital expenditures, net of accumulated depreciation, totaling \$125 (2010 - \$2,465) have been recorded to regulatory liabilities; the company has collected \$22,861 (2010 - \$15,761) from the funding adder to offset spending which has resulted in a liability. These expenditures would otherwise have been recorded as property, plant and equipment and intangible assets under Canadian GAAP for unregulated businesses. In the absence of rate regulation, net income would have been higher in 2011 by \$22,861 (2010 - \$11,496) and net capital assets would have been higher by \$2,589 (2010 - \$2,465).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

5. Regulatory Assets and Liabilities (continued)

xiii. Hydro One regulatory asset recovery

The Hydro One RAR consists of balances of regulatory assets or regulatory liabilities approved for disposition by the OEB through rate riders billed to all Hydro One customers. The RAR is subject to carrying charges following the OEB prescribed methodology and related rates. The OEB approved the disposition (EB-2009-0096) over a 20 month period beginning May 2010, expiring December 2011. In the absence of rate regulation, net income would have been higher in 2011 by \$2,354 (2010 - \$1,288).

xiv. Tax Savings

In its supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors dated September 17, 2008, the OEB determined that a 50/50 sharing of the impact of currently known legislative changes, as applied to the tax level reflected in the Board approved base rates for a distributor, is appropriate for the 3rd Generation IRM applications. The model provided to distributors calculates the amount of change caused by the tax rate reductions and adjusts distribution rates by 50% if the total change from those taxes included in the most recent cost of service base distribution rates.

In the Company's 2011 IRM application, the OEB issued decision (OEB-2010-010) and found that a 50/50 sharing of changes from the tax level reflected in the Board approved base rates to the currently known legislated tax level for 2011 is appropriate. The OEB ordered the Company to record the tax sharing refund amount of \$16,285 in variance account 1595 as the amount was deemed immaterial. In the absence of rate regulation, net income would have been higher in 2011 by \$16,285.

xv. Future Income Taxes

As a result of amendments to the CICA Handbook, the removal of a temporary exemption in Handbook Section 1100 pertaining to the application of that section resulted in the recognition and measurement of assets and liabilities arising from rate regulation. This change required the recognition of future income tax liabilities and assets in accordance with Handbook Section 3465 as well as a separate regulatory asset or liability balance for the amount of future income taxes expected to be included in future rates and recovered from or paid to customers, and retain existing requirements to disclose the effects of rate regulation. As a result of these changes, the company has recorded a regulatory liability in connection with its future tax asset in the amount of \$7,053,341 (2010 - \$7,279,073).

For certain of the regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the regulator in determining the item's treatment for rate-setting purposes. Management continually assesses the likelihood of recovery of regulatory assets and realization of regulatory liabilities. If recovery and realization through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

North Bay Hydro Distribution Limited
Notes to Financial Statements

December 31, 2011

6. Accounts Payable and Accrued Liabilities

| | <u>2011</u> | <u>2010</u> |
|-----------------------------|----------------------|---------------------|
| Power | \$ 4,985,633 | \$ 4,207,180 |
| Trade payables and accruals | 4,735,326 | 3,200,325 |
| Customer credit balances | 838,754 | 725,474 |
| | <u>\$ 10,559,713</u> | <u>\$ 8,132,979</u> |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

7. Employee Future Benefits

The company has a defined benefit life insurance and health care plan covering substantially all unionized employees and most retirees. Information about the company's defined benefit life insurance and health care plan is as follows:

| | 2011 | 2010 |
|--|--------------|--------------|
| Prepaid benefit liability , beginning of year | \$ 4,208,039 | \$ 4,269,035 |
| Expense for the year | 453,050 | 244,923 |
| Benefits paid during the year | (339,491) | (305,919) |
| Prepaid benefit liability , end of year | \$ 4,321,598 | \$ 4,208,039 |
|
Fair value of plan assets |
\$ - |
\$ - |

| | 2011 | 2010 |
|---|--------------|--------------|
| Prepaid benefit liability , end of year | \$ 4,321,598 | \$ 4,208,039 |
| Unamortized net actuarial losses | 1,877,272 | 1,820,433 |
| Projected accrued benefit obligation , end of year | \$ 6,198,870 | \$ 6,028,472 |

Included in wages and employee benefits is a net benefit expense as follows:

| | 2011 | 2010 |
|---|------------|------------|
| Total service cost of the plan for the year | \$ 84,155 | \$ 43,243 |
| Interest on average liabilities | 267,430 | 227,042 |
| Settlement | 101,465 | (25,362) |
| | \$ 453,050 | \$ 244,923 |

Actual payments during the year were \$339,491 (2010 - \$305,919).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

7. Employee Future Benefits (continued)

The main actuarial assumptions employed for the valuations are as follows:

Expected average remaining service life of active employees 7 years

a. General Inflation

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.0% per annum (2010 - 2.0%).

b. Interest (Discount) Rate

The obligation at year end, of the present value of future liabilities and the expense for the year ended, were determined using a discount rate of 4.25% (2010 - 4.5%). The discount rate for 2011 reflects the assumed long term yield on high quality bonds as at January 1, 2010 (most recent valuation date). The next valuation is expected to be completed for fiscal 2013.

c. Salary Levels

Future general salary and wage levels were assumed to increase at 3.3% (2010 - 3.3%) based on expected CPI adjusted for productivity, merit and promotion as at January 1, 2010.

d. Medical Costs

Medical costs were assumed to increase 8% in 2010, 9.0% in 2011, 7.63% in 2012, 7.25% in 2013, 6.88% in 2014 and 6.5% thereafter.

e. Dental Costs

Dental costs were assumed to increase at 5.0% annually.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

8. Long-term Debt

a. Payable to Corporation of the City of North Bay

The balance payable to the Corporation of the City of North Bay bears interest at 5% per year, and is payable upon twelve month's written notice.

The fair value and future expected repayment schedules for these amounts has not been disclosed due to the fact that the cash flow streams are not determinable.

b. Ontario Infrastructure Projects Corporation

The company negotiated a loan with the Ontario Infrastructure Projects Corporation to provide funding for the Smart Meter project. The loan is a 10 year serial loan at an interest rate of 3.90% calculated on a semi-annual basis. The loan will be repaid in 120 monthly installments which will include both principal and interest. The loan balance at the end of the year was \$3,266,667, of which \$350,000 is repayable within one year (2010 - \$2,785,974).

The company's agreement with the Ontario Infrastructure Projects Corporation requires a debt service coverage ratio of 1:1, a debt to capital ratio lower than 60%, and a current ratio of 1.1:1 or higher. The agreement also prevents the company from making loans or paying dividends that would cause the violation of these covenants. As at December 31, 2011 the company's debt service coverage ratio calculated under the terms of the agreement was 0.95:1, the debt to capital ratio was 54%, and the current ratio was 1.68:1. As part of the financing proposal, the OIPC agreed to waive the debt service coverage ratio violation if working capital surplus was greater than the loan amount. As at December 31, 2011 the working capital surplus calculated under the terms of the contract was \$5,329,556 greater than the loan amount.

Principal repayments for the next five years and thereafter are as follows:

| | |
|------------|---------------------|
| 2012 | 350,000 |
| 2013 | 350,000 |
| 2014 | 350,000 |
| 2015 | 350,000 |
| 2016 | 350,000 |
| Thereafter | <u>1,516,667</u> |
| | <u>\$ 3,266,667</u> |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

9. Contingent Liabilities

The company belongs to the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self-insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2011, the company has not been made aware of any assessments for losses. The company has one claim outstanding against it and expects that any potential liability under this claim to be covered under the MEARIE liability policy.

10. Commitments

On October 9, 2009 the company entered into a 15 year contract with Sensus Metering Systems Inc. to maintain and further develop the AMI system that meets the MEU functional specifications related to the Smart Meter Project. The contract contains 3 renewal terms of 5 years each. The company elected to have the monthly fees billed in USD, instead of having the currency rate set on an annual basis in October of each year. Termination penalties apply if the company cancels the contract without cause, the related fees are based on a sliding scale for the year this takes place and the fees associated with the service option selected.

11. Share Capital

Authorized:

Unlimited Common shares

The issued share capital is as follows:

| | <u>2011</u> | <u>2010</u> |
|---------------------|----------------------|----------------------|
| 1,001 Common shares | <u>\$ 19,511,601</u> | <u>\$ 19,511,601</u> |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

12. Distribution Revenue

| | 2011 | 2010 |
|---|---------------|---------------|
| Customer billings for electricity
and distribution service charges | \$ 64,067,720 | \$ 59,369,024 |
| Less: Pass through charges billed by the company for: | | |
| Electricity charges | (39,461,790) | (35,834,625) |
| Network and connection | (5,635,297) | (5,215,898) |
| Wholesale market service charges | (3,205,998) | (3,199,425) |
| Debt retirement charges | (4,054,633) | (3,894,509) |
| Less: Regulatory asset recovery | (148,782) | (73,113) |
| Less: Smart meter rider recovery | (419,906) | (430,154) |
| Less: Smart grid rider recovery | (22,864) | - |
| | \$ 11,118,450 | \$ 10,721,300 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

13. Related Party Transactions

The Corporation of the City of North Bay (the "City") is the 100% owner of North Bay Hydro Holdings Inc. which is the parent company of North Bay Hydro Distribution Limited and North Bay Hydro Services Inc.

The company provides electricity and services to the City. A summary of the amounts charged by the company to the City is as follows:

| | <u>2011</u> | <u>2010</u> |
|--------------------------|--------------|--------------|
| Electrical energy | \$ 1,918,511 | \$ 1,450,209 |
| Street light energy | 764,610 | 520,542 |
| Construction activity | 62,344 | 147,828 |
| Street light maintenance | 158,299 | 143,416 |

At December 31, 2011, accounts payable and accrued liabilities include \$155,942 due to the City (2010 - \$148,317) and accounts receivable include \$335,125 due from the City (2010 - \$350,047). The company purchased goods and services from the City totaling \$234,970 in 2011 (2010 - \$201,120). In 2011, the company also provided CDM incentives to the City of North Bay totalling \$400 (2010 - \$59,942).

Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Streetlight maintenance services are provided at rates determined in relation to other service providers. Other construction services are provided at cost.

During the year, the company paid municipal taxes to the City in the amount of \$58,586 (2010 - \$60,827).

The company is also indebted to the City for a \$19,511,601 (2010 - \$19,511,601) promissory note (see Note 8). Included in interest expense for the year is interest paid on this promissory note in the amount of \$975,580 (2010 - \$975,580).

The company provides administrative and other services to an affiliated company, North Bay Hydro Services Inc ("Services"). Administrative fees charged for 2011 were \$38,660 (2010 - \$38,048). Salaries charged to Services were \$175,224 (2010 - \$166,666) and contracted services totalling \$82,509 were also charged to Services in 2011 (2010 - \$86,986). In 2011 the company paid annual fibre rental of \$Nil (2010 - \$12,658). Pursuant to the OEB's decision and order with respect to joint use pole attachment rates the company charges North Bay Hydro Services Inc joint use pole rental in the amount of \$22.35 per attachment which amounted to \$12,520 (2010 - \$12,520).

The above transactions are in the normal course of operations and are measured at exchange amounts.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

14. Credit Facility / Letters of Credit

The company has an authorized line of credit under a credit facility agreement with a Canadian chartered bank. The maximum draw permitted under this agreement is \$1,000,000. At year end the company had drawn \$NIL (2010 - \$NIL) under this facility.

The company has available a revolving term facility to a maximum draw of \$1,000,000 to finance the purchase of capital assets. At year end the company had drawn \$NIL under this facility.

The company has a \$2.5 million letter of credit with its bank provided to the IESO to secure the company's hydro purchase obligations (see Note 2). The company has provided its financial institution with an assignment in the amount of \$2,000,000 of its investments as security for this obligation (see Note 2). The fair value of these investments approximates their carrying value given the short-term maturity of these investments.

The company's general banking agreements which encompass the line of credit, revolving term facility and the letter of credit contains financial covenants which include a debt to capital ratio lower than 60% and a debt service coverage ratio of not less than 1.2:1. As at December 31, 2011, the company's debt to capital ratio was 54% and the debt service coverage ratio calculated under the terms of the agreement was 3:1.

15. Pension Agreements

The company makes contributions to the OMERS, which is a multi-employer pension plan, on behalf of all full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 409,000 active and retired members and approximately 931 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2011. The results of this valuation disclosed an actuarial deficit of \$7,290 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the company does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2011 was \$265,827 (2010 - \$235,734).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

16. Net Change in Non-cash Working Capital Balances

The net change in non-cash working capital balances consists of:

| | 2011 | 2010 |
|--|--------------|----------------|
| Accounts receivable | \$ 974,788 | \$ (175,743) |
| Unbilled service revenue | (1,177,268) | (630,630) |
| Inventory | 27,640 | 10,387 |
| Prepaid expenses | 152,257 | (477,637) |
| Accounts payable and accrued liabilities | 2,426,300 | (1,179,937) |
| Payments in lieu of taxes | (317,609) | 318,400 |
| Deferred revenue | 158,518 | - |
| Payable to North Bay Hydro Services Inc | 62,743 | 43,511 |
| | \$ 2,307,369 | \$ (2,091,649) |

Supplementary cash flow information consists of the following:

| | 2011 | 2010 |
|------------------------------------|--------------|--------------|
| Cash paid during the year for: | | |
| Interest | \$ 1,146,402 | \$ 1,028,552 |
| Payments in lieu of taxes | \$ 1,027,339 | \$ 618,970 |
| Cash received during the year for: | | |
| Interest | \$ 103,554 | \$ 77,335 |
| Payments in lieu of taxes | \$ - | \$ 173,571 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

17. Payments in Lieu of Corporate Income Taxes, Capital Taxes, and Future Income Taxes

a. Expense

The company's provision for PILs is calculated as follows:

| | 2011 | 2010 |
|---|--------------|--------------|
| Income before provision for income taxes and other item | \$ 3,964,118 | \$ 2,852,404 |
| Regulatory assets added (deducted) for tax purposes | (822,626) | 194,681 |
| Net change in reserves | 113,609 | (60,996) |
| Capital cost allowance (greater than) less than
amortization expense | (623,427) | (469,051) |
| Other items | 57,844 | 37,751 |
| Gain on disposal of assets | (3,647) | (950) |
| | 2,685,871 | 2,553,839 |
| Statutory Canadian federal and provincial tax rate | 28.25 % | 31.00 % |
| | 758,759 | 791,690 |
| Provision for PILs | (49,028) | (57,405) |
| | 709,731 | 734,285 |
| Total current provision | \$ 709,731 | \$ 734,285 |

b. Future Taxes

As the end of the year, the significant component's of the company's future taxes are as follows:

| | 2011 | 2010 |
|--------------------------------|--------------|--------------|
| Future Income Tax Asset | | |
| Property, plant and equipment | \$ 5,544,790 | \$ 5,642,613 |
| Employee future benefits | 1,508,551 | 1,636,460 |
| | 7,053,341 | 7,279,073 |
| Total future tax assets | \$ 7,053,341 | \$ 7,279,073 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

18. Financial Instruments

a. Fair Values

The company's financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, customer deposits, long-term debt, payable to North Bay Hydro Services Inc and payable to the Corporation of the City of North Bay.

Cash and cash equivalents is reported at fair value on the balance sheet. Accounts receivable, accounts payable and accrued liabilities, payable to North Bay Hydro Services Inc. and customer deposits are reported at amortized cost which approximates fair value due to their short-term nature.

The fair value of the long-term debt, payable to the Corporation of the City of North Bay have not been determined as disclosed in Notes 8.

b. Risks arising from Financial Instruments

Credit Risk

The company's cash and cash equivalents are all held at a single major financial institution and the company is therefore exposed to credit risk from this concentration of cash and cash equivalents. The company also maintains cash and cash equivalents with it's financial institution in excess of federally insured limits and is therefore exposed to the credit risk from this concentration of cash and cash equivalents.

The company's accounts receivables are made up of a large number of small balances from residential customers and commercial customers in a number of different industries. The company is exposed to credit risk as a result of its accounts receivable through the possibility of customer default on these accounts. The company monitors its exposure to and attempts to limit this credit risk exposure on a continuous basis.

In accordance with directions provided by the OEB, the company collects deposits from its customers and as at December 31, 2011 held customer deposits in the amount of \$977,156 (2010 - \$1,065,475).

The company provides for its credit risk through the use of an allowance whereby customer accounts greater than 90 days in age are provided for. Any change in this provision from one year to the next and any future recoveries of accounts that had previously been allowed for are recognized in the statement of operations.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

18. Financial Instruments (continued)

The credit risk associated with accounts receivable is as follows:

| | 2011 | 2010 |
|---------------------------------------|---------------------|---------------------|
| Total accounts receivable | \$ 6,187,120 | \$ 6,943,636 |
| Less: allowance for doubtful accounts | <u>(705,714)</u> | <u>(487,442)</u> |
| Accounts receivable, net | <u>\$ 5,481,406</u> | <u>\$ 6,456,194</u> |
| Aged as follows: | | |
| Less than 29 days | \$ 4,862,896 | \$ 5,891,375 |
| 30 to 89 days | 479,241 | 356,595 |
| 90 days and older | 844,983 | 695,667 |
| Less: allowance for doubtful accounts | <u>(705,714)</u> | <u>(487,442)</u> |
| Accounts receivable, net | <u>\$ 5,481,406</u> | <u>\$ 6,456,195</u> |

The company's maximum credit risk exposure is equal to the carrying value of its financial assets.

Interest Rate Risk

The company manages its investments, as included in cash and cash equivalents, based on its cash flow needs and with a view to optimizing its interest income. The company has invested excess cash balances in Canadian money market instruments which exposes it to fluctuations in short-term interest rates. These fluctuations will impact the amount of interest income earned by the company, however this is not expected to significantly impact income from operations.

The company has access to short-term borrowings under its credit facility agreement (Note 14). If the company were to utilize this facility it would be exposed to fluctuations in short-term interest rates.

The company is exposed to interest rate risk on its long term debt and its payable to the Corporation of the City of North Bay (Note 8). The interest rates on these financial instruments are fixed and therefore the company is not exposed to fluctuations in short-term interest rates. However, with respect to its payable to the Corporation of the City of North Bay, if short-term interest rates fall below the fixed rate of this instrument the company would incur greater interest expense than it would had it borrowed these funds using other means. Alternatively, should short-term interest rates rise above these fixed rates, the company would incur lower interest expense than it would had it borrowed these funds using other means.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

18. Financial Instruments (continued)

Liquidity Risk

The company strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due while minimizing interest expense. The company monitors cash balances regularly and has access to short-term borrowings, should they be required, under its credit facility agreement (Note 14).

Accounts payable and accrued liabilities are all due within one year from the balance sheet date. The company is exposed to liquidity risk on its payable to the City (Note 8) as this balance is payable upon twelve month's written notice. Management does not expect that this note will be called within the foreseeable future.

Currency Risks

The company is exposed to the changing values of foreign currencies. The company has entered into a contract for the purchase of goods and services related primarily to the Smart Meter project, which is payable in US dollars. The company is exposed to the fluctuations in currency prices when it purchases US dollars to meet the payable commitments. The impact on these transactions in 2011 was a foreign exchange gain of \$8,378 (2010 - loss \$4,522).

Other Risks

The company is not exposed to any other significant risks as it has not entered into any hedging or derivative contracts.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2011

19. Capital Disclosures

The company considers its capital to comprise its common share capital, accumulated retained earnings and amounts due to related parties. There have been no changes in what the company considers to be capital since the previous year.

In managing its capital, the company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and through the payment of periodic dividends to its common shareholders. The company also seeks to ensure that access to funding is available in order to maintain and improve the equipment used in operations and maintain financial ratios within the recommended guidelines as prescribed by the OEB. In order to achieve these objectives, the company develops detailed annual operating budgets and seeks to maintain distribution revenue levels and control costs to enable the company to meet its working capital requirements and strategic investment needs. In making decisions to adjust its capital structure to achieve these objectives, the company considers both its short-term position and long-term operational and strategic objectives.

As at December 31, 2011 the company is party to debt agreements that contain various covenants (Note 8b and 14) and is restricted from offering loans or paying dividends that would cause a violation of those covenants.

20. Loan Payable

During the year, the City of North Bay authorized a loan of up to \$4,800,000 for the development of the Merrick Landfill Methane Gas Generation Project. The terms of the resolution detail the advance to be payable on demand with interest being incurred on the interim advances and added to the principle, until such time as the final amount is known, at which time the loan shall be amortized over a twenty year period payable in blended payments of principle and interest bearing at 4.9% per annum. As at December 31, 2011, \$1,314,110 had been borrowed against this facility.

21. Subsequent Events

Merrick Loan

Subsequent to year end, the Company was advanced a further \$2,188,262 under the terms discussed in Note 13.

1 **Appendix 1-C 2012 Audited Financial Statements**

2

**North Bay Hydro
Distribution Limited
Financial Statements
For the year ended December 31, 2012**

North Bay Hydro Distribution Limited
Financial Statements
For the year ended December 31, 2012

Contents

| | |
|---|----------------|
| Independent Auditor's Report | 2 |
| Financial Statements | |
| Balance Sheet | 3 |
| Statement of Operations and Retained Earnings | 4 |
| Statement of Cash Flows | 5 |
| Summary of Significant Accounting Policies | 6 - 12 |
| Notes to Financial Statements | 13 - 37 |



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BDO Canada LLP
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Independent Auditor's Report

To the Shareholder of North Bay Hydro Distribution Limited

We have audited the accompanying financial statements of North Bay Hydro Distribution Limited, which comprise the balance sheet as at December 31, 2012, and the statement of operations and retained earnings and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Bay Hydro Distribution Limited as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

North Bay, Ontario
April 4, 2013

North Bay Hydro Distribution Limited Balance Sheet

December 31

2012

2011

Assets

Current

| | | |
|--|----------------------|----------------------|
| Cash and cash equivalents (Notes 1 and 13) | \$ 7,602,718 | \$ 6,321,661 |
| Accounts receivable (Notes 2 and 12) | 5,776,761 | 5,481,406 |
| Unbilled service revenue | 7,740,920 | 7,890,801 |
| Inventory | 579,637 | 758,471 |
| Prepaid expenses | 538,523 | 603,019 |
| Payments in lieu of taxes receivable | - | 174,261 |
| | <u>22,238,559</u> | <u>21,229,619</u> |
| Property, plant and equipment (Note 3) | 47,990,627 | 43,191,832 |
| Future income taxes (Note 16b) | 6,372,629 | 7,053,341 |
| Regulatory assets (Note 4) | <u>3,713,424</u> | <u>5,539,947</u> |
| | <u>\$ 80,315,239</u> | <u>\$ 77,014,739</u> |

Liabilities and Shareholder's Equity

Current

| | | |
|---|----------------------|----------------------|
| Accounts payable and accrued liabilities (Notes 5 and 12) | \$ 9,811,962 | \$ 10,559,713 |
| Payments in lieu of taxes payable | 5,333 | - |
| Current portion of customer deposits | 87,689 | 107,543 |
| Deferred revenue | 275,247 | 158,518 |
| Payable to North Bay Hydro Services Inc | 102,181 | 129,310 |
| Current portion of long-term debt (Note 7b) | 350,000 | 350,000 |
| Current portion of loan payable to Corporation of the City of North Bay (Note 7c) | <u>133,336</u> | <u>1,314,110</u> |
| | 10,765,748 | 12,619,194 |
| Long-term debt (Note 7b) | 2,566,667 | 2,916,667 |
| Loan payable to Corporation of the City of North Bay (Note 7c) | 3,853,797 | - |
| Customer deposits | 883,091 | 869,613 |
| Employee future benefits (Note 6) | 4,405,982 | 4,321,598 |
| Regulatory liabilities (Note 4) | 9,383,223 | 9,420,807 |
| Payable to Corporation of the City of North Bay (Notes 7a and 12) | <u>19,511,601</u> | <u>19,511,601</u> |
| | <u>51,370,109</u> | <u>49,659,480</u> |
| Shareholder's equity | | |
| Share capital (Note 10) | 19,511,601 | 19,511,601 |
| Retained earnings | <u>9,433,529</u> | <u>7,843,658</u> |
| | <u>28,945,130</u> | <u>27,355,259</u> |
| | <u>\$ 80,315,239</u> | <u>\$ 77,014,739</u> |

Contingencies (Note 8) & Commitments (Note 9)

On behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Hydro Distribution Limited Statement of Operations and Retained Earnings

| For the year ended December 31 | 2012 | 2011 |
|---|---------------------|---------------------|
| Revenue (Note 12) | \$ 66,220,165 | \$ 64,067,718 |
| Cost of power and other pass throughs (Note 11) | <u>55,208,567</u> | <u>52,949,270</u> |
| Net distribution revenue | 11,011,598 | 11,118,448 |
| Other operating revenue (Note 12) | <u>1,536,688</u> | <u>1,089,304</u> |
| | <u>12,548,286</u> | <u>12,207,752</u> |
| Expenses | | |
| Operations | 2,442,933 | 2,316,164 |
| Finance | 1,495,972 | 1,554,443 |
| Human resources | 566,270 | 569,106 |
| Administration | 983,063 | 791,090 |
| Amortization | <u>2,084,482</u> | <u>2,956,995</u> |
| | <u>7,572,720</u> | <u>8,187,798</u> |
| Income before items below | 4,975,566 | 4,019,954 |
| Interest expense (Note 12) | 1,268,236 | 1,146,402 |
| Property tax expense (Note 12) | <u>57,183</u> | <u>58,586</u> |
| Income before other items and provision for income taxes | 3,650,147 | 2,814,966 |
| Other items | | |
| Charitable donation | (15,550) | (107,153) |
| Gain on disposal of property, plant and equipment | 347,552 | 3,647 |
| (Loss) gain on foreign exchange | (4,060) | 8,378 |
| (Loss) gain on regulatory assets / liabilities | <u>(1,132,571)</u> | <u>1,244,278</u> |
| Income before provision for income taxes | <u>2,845,518</u> | <u>3,964,116</u> |
| Income taxes (Note 16) | | |
| Current - provision for payment in lieu of taxes | 512,465 | 709,731 |
| Future | <u>124,508</u> | <u>-</u> |
| | <u>636,973</u> | <u>709,731</u> |
| Net income for the year | <u>\$ 2,208,545</u> | <u>\$ 3,254,385</u> |
| Retained earnings, beginning of year | \$ 7,843,658 | \$ 5,280,404 |
| Net income for the year | 2,208,545 | 3,254,385 |
| Dividends | <u>(618,674)</u> | <u>(691,131)</u> |
| Retained earnings, end of year | <u>\$ 9,433,529</u> | <u>\$ 7,843,658</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Hydro Distribution Limited Statement of Cash Flows

| For the year ended December 31 | 2012 | 2011 |
|--|---------------------|---------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Net income for the year | \$ 2,208,545 | \$ 3,254,385 |
| Items not involving cash | | |
| Amortization of property, plant and equipment
(net of amortization of contributions in aid of construction) | 2,084,482 | 2,956,995 |
| Future income taxes | 124,508 | - |
| Gain on disposal of property, plant and equipment | (347,552) | (3,647) |
| Loss (gain) on regulatory assets / liabilities | 1,132,571 | (1,244,278) |
| | <u>5,202,554</u> | <u>4,963,455</u> |
| Net change in non-cash working capital balances (Note 15) | <u>(380,701)</u> | <u>2,307,369</u> |
| | <u>4,821,853</u> | <u>7,270,824</u> |
| Investing activities | | |
| Purchase of property, plant and equipment | (7,634,021) | (8,993,317) |
| Contributions received in aid of construction | 675,928 | 464,129 |
| Proceeds on disposal of property, plant and equipment | 422,364 | 8,281 |
| Decrease in regulatory assets
net of regulatory liabilities | 1,212,575 | 541,933 |
| | <u>(5,323,154)</u> | <u>(7,978,974)</u> |
| Financing activities | | |
| Loans advanced | 2,702,803 | 1,314,327 |
| Proceeds from Ontario Infrastructure Projects Inc. loan | - | 480,693 |
| Decrease in customer deposits | (6,376) | (88,320) |
| Repayment of long-term and other debt | (379,779) | - |
| Employee benefits expense paid | 84,384 | 113,560 |
| Dividends paid in cash | (618,674) | (691,131) |
| | <u>1,782,358</u> | <u>1,129,129</u> |
| Increase in cash and cash equivalents
during the year | 1,281,057 | 420,979 |
| Cash and cash equivalents, beginning of year | 6,321,661 | 5,900,682 |
| Cash and cash equivalents, end of year | \$ 7,602,718 | \$ 6,321,661 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Hydro Distribution Limited

Summary of Significant Accounting Policies

December 31, 2012

Nature of Business

North Bay Hydro Distribution Limited (the "company") is incorporated under the laws of Ontario and is licensed by the Ontario Energy Board (the "OEB") as an electricity distributor. The principal business activity of the company is to distribute electricity to the residents of the City of North Bay.

The company is regulated by the OEB under authority of the Ontario Energy Board Act, 1998.

Basis of Accounting

The financial statements of North Bay Hydro Distribution Limited have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and accounting policies provided by its regulator, the OEB, as set forth in the Accounting Procedures Handbook for Electric Distribution Utilities ("AP Handbook"), issued by the Ontario Energy Board under the authority of the Ontario Energy Board Act, 1998.

Due to the regulatory framework, the timing of recognition of revenues and expenses and the measurement of certain assets and liabilities may differ from that otherwise expected under GAAP for non-rate regulated enterprises. Please refer to accounting policies for Spare Transformers and Meters, Contributions in Aid of Construction, Regulatory Assets and Liabilities and Payments in Lieu of Corporate Income Taxes.

The financial statements reflect the significant accounting policies summarized below.

Industry Restructuring and Regulation, Rate Setting

The Ontario government enacted the Energy Competition Act, 1998 to introduce competition to the Ontario Energy Market effective May 1, 2002. Under the terms of this legislation, the Ontario Energy Board regulates the industry participants by issuing licenses for the right to generate, transmit, distribute or retail electricity. These licences require compliance with established market rules.

The company is required to follow regulations as set by the OEB. The OEB approves and sets rates for the transmission and distribution of electricity, ensures distribution companies fulfil their obligations to connect and service consumers and has the authority to provide rate protection for certain consumers.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2012

Industry Restructuring and Regulation, Rate Setting (continued)

The company is subject to rate regulation on the sale of electricity to its consumers. Rates are set by the OEB on an annual basis for the May 1 to April 30 period. The OEB is responsible for regulating transmission and distribution rates of electricity in the Province of Ontario. The regulation and monitoring of Ontario's Energy Sector is completed by the OEB through the application of codes, rules and guidelines, the licensing of market participants, assisting firms with the management of regulatory requirements, monitoring and enforcing compliance and adjudication.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments with maturities of three months or less. Investments are valued at the lower of cost and net realizable value.

Inventory

Inventory consists of parts, supplies and materials held for future capital expansion or maintenance and is valued at the lower of cost, determined by the weighted average method, and replacement cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Costs may include direct material, labour, contracted services, overhead, engineering costs and interest on funds used during construction, that are considered applicable to construction.

Amortization is recorded over the asset's estimated useful life as disclosed in Note 3.

Upon disposal the cost and accumulated amortization of general assets disposed of are relieved from the respective accounts and any gain or loss is reflected in operations.

Contributions in Aid of Construction

Contributions in aid of construction are treated as a reduction of capital spending and are amortized at the same rates as the assets to which they relate. Canadian GAAP provides no specific guidelines for the accounting treatment of this type of contribution.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2012

Spare Transformers and Meters

Spare transformers and meters are held to back up plant in service and are expected to substitute for original distribution plant transformers and meters when these original plant assets are being repaired. According to the criteria prescribed by the OEB in the AP Handbook the spare transformers and meters are treated as property, plant and equipment. Under Canadian GAAP for unregulated businesses the spare transformers and meters would be treated as inventory.

Regulated Assets and Liabilities

The company has adopted the CICA's Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation". Based on OEB regulations, certain costs and variance account balances are recorded as regulatory assets or regulatory liabilities and are reflected in the balance sheet until the OEB determines the manner and timing of their disposition.

Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior period(s), that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory liabilities represent future expenses associated with the collection of certain revenues, earned in the current period or in prior period(s), that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory assets and liabilities can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002.

These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges. In the absence of rate regulation, these rate regulated assets and liabilities would be recognized in income in the period to which they relate. See Note 4 for further details.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2012

**Payment in Lieu of
Corporate Income Taxes**

The company is a Municipal Electricity Utility ("MEU") for purposes of the PIL's regime contained in the Electricity Act, 1998. As a MEU the company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the company is required to make payments in lieu of corporate income taxes each year to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Future Income Taxes

The company uses the liability method of accounting for taxes, following the recommendations of the CICA and OEB. Under this method, current income taxes are the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between tax and accounting bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Customer Deposits

Customer deposits are cash collections from customers to guarantee the payment of energy bills. Customer deposits includes interest credited to customers' deposit accounts, with interest expense recorded to offset this amount. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability.

Deferred Revenue

Deferred revenue consists of funds received from the Ontario Power Authority for power conservation programs. Revenue is recognized in the period in which the corresponding expenses are incurred.

Pension Plans

The company accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer, contributory, public sector pension fund, established for employees of municipalities, local boards and school boards in Ontario, as a defined contribution plan. Both participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The company recognizes the expense related to this plan as contributions are made.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2012

Post-employment Benefits

Employee future benefits other than pension provided by the company include medical and insurance benefits. These benefit plans provide benefits to certain employees when they are no longer providing active service.

Standards issued by the CICA with respect to accounting for employee future benefits require the company to accrue for its obligations under other employee benefit plans and related costs, net of plan assets.

The cost of post employment benefits offered to employees are actuarially determined using the projected benefit method, prorated on service and based on assumptions that reflect management's best estimate. Under this method, the projected post retirement benefit is deemed to be earned on pro rata basis over the years of service in the attribution period commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

The current service cost for the period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period.

Past service costs from plan amendments are amortized on a straight line basis over the average remaining service period of the employees active at the date of the amendment.

The excess of the net actuarial gains (losses) over 10% of the accrued benefit obligation are amortized into expense on a straight line basis over the average remaining service period of active employees to full eligibility.

Revenue Recognition

Revenue from the sale and distribution of electricity is recognized on an accrual basis. Distribution revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the fiscal year. Actual results could differ from estimates made of customer electricity usage.

Other revenues, which include revenues from pole use rental, collection charges, carrying charges on regulatory assets, investment income and other miscellaneous revenues are recognized at the time services are provided or when the revenues have been earned.

North Bay Hydro Distribution Limited

Summary of Significant Accounting Policies

December 31, 2012

Use of Estimates and Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes as well as the disclosure of contingent assets and liabilities at the financial statement date.

Accounts receivable, unbilled service revenue, regulatory assets, regulatory liabilities and employee future benefits are reported based on amounts expected to be recovered or incurred and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Amounts recorded for amortization of property, plant and equipment are based on estimates of useful service life.

Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates, including changes as a result of future decisions made by the OEB or the Minister of Energy or the Minister of Finance. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies.

Financial Instruments

The company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The company's accounting policy for each category is as follows:

Held-for-trading

Financial instruments classified as held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income (loss) in the period during which the change occurs. Transaction costs are expensed when incurred.

In these financial statements cash and cash equivalents have been classified as held-for-trading.

North Bay Hydro Distribution Limited

Summary of Significant Accounting Policies

December 31, 2012

Financial Instruments (continued)

Loans and Receivables

Financial instruments classified as loans and receivables are carried at amortized cost using the effective interest method. Interest income or expense is included in net income (loss) over the expected life of the instrument. Transaction costs are expensed when incurred.

In these financial statements accounts receivable have been classified as loans and receivables.

Other Financial Liabilities

Financial instruments classified as other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in net income (loss) over the expected life of the instrument. Transaction costs are expensed when incurred.

In these financial statements accounts payable and accrued liabilities, customer deposits, long-term debt and payable to North Bay Hydro Services Inc and the Corporation of the City of North Bay have been classified as other financial liabilities.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the company, are as follows:

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2015 for rate regulated entities. The impact of the transition to IFRS on the company's financial statements has yet to be determined.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

1. Cash and Cash Equivalents

Cash and cash equivalents includes \$Nil (2011 - \$2,441,938) in short-term investments with maturities of less than 90 days. The interest rate on the bank account is prime less 1.75%.

2. Accounts Receivable

| | <u>2012</u> | <u>2011</u> |
|---------------------------------|---------------------|---------------------|
| Electrical energy | \$ 5,364,419 | \$ 5,201,622 |
| Street lighting | 247,164 | 135,774 |
| Landfill gas | 205,313 | - |
| Sundry | 710,751 | 849,724 |
| Allowance for doubtful accounts | <u>(750,886)</u> | <u>(705,714)</u> |
| | <u>\$ 5,776,761</u> | <u>\$ 5,481,406</u> |

The company's accounts receivables are made up of a large number of small balances from residential customers and commercial customers in a number of different industries.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

3. Property, Plant and Equipment

| | | 2012 | | 2011 | |
|--|--------------------------------|----------------------|-----------------------------|---------------|-----------------------------|
| | Estimated
useful life (yrs) | Cost | Accumulated
Amortization | Cost | Accumulated
Amortization |
| Electrical Distribution Assets | | | | | |
| Land | | \$ 446,565 | \$ - | \$ 446,493 | \$ - |
| Buildings | 30-50 | 1,728,007 | 333,314 | 769,641 | 306,963 |
| Substation equipment | 40-50 | 11,016,436 | 4,215,467 | 11,844,406 | 4,156,526 |
| Poles, towers and fixtures | 45 | 20,054,943 | 11,176,939 | 18,921,361 | 10,904,838 |
| Overhead conductor
and devices | 60 | 15,639,134 | 8,529,292 | 14,818,361 | 8,332,106 |
| Underground conduit
and conductor | 40-50 | 7,709,548 | 4,665,118 | 7,522,233 | 4,563,580 |
| Distribution transformers | 40 | 16,002,784 | 9,195,390 | 15,372,657 | 8,975,516 |
| Overhead and
underground services | 40-60 | 17,526,406 | 6,528,200 | 16,921,975 | 6,143,321 |
| Distribution meters | 10-25 | 4,079,350 | 2,742,039 | 4,010,477 | 2,619,365 |
| Total electrical distribution assets | | 94,203,173 | 47,385,759 | 90,627,604 | 46,002,215 |
| General Assets | | | | | |
| Land | | 86,551 | - | 86,551 | - |
| Buildings | 25-50 | 2,414,256 | 1,262,341 | 2,182,429 | 1,186,395 |
| Office equipment | 10 | 370,268 | 298,271 | 339,217 | 288,404 |
| Computer equipment | 5 | 2,040,190 | 1,626,621 | 1,847,047 | 1,527,478 |
| Transportation equipment | 5-8 | 2,623,313 | 1,616,558 | 2,395,854 | 1,371,589 |
| Small tools and miscellaneous
equipment | 10 | 1,470,534 | 1,204,298 | 1,401,099 | 1,156,726 |
| Load management controls | 6 | 622,142 | 592,346 | 622,142 | 590,717 |
| System supervisory
equipment | 15-20 | 1,342,401 | 1,064,873 | 1,294,866 | 1,011,760 |
| Total general assets | | 10,969,655 | 7,665,308 | 10,169,205 | 7,133,069 |
| Sub-total | | \$105,172,828 | \$ 55,051,067 | \$100,796,809 | \$ 53,135,284 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

3. **Property, Plant and Equipment** (continued)

| | | | | | |
|--|-------|----------------------|----------------------|----------------------|---------------|
| Sub-total (from previous page) | | \$105,172,828 | \$ 55,051,067 | \$100,796,809 | \$ 53,135,284 |
| Electrical Generation Assets | | | | | |
| Merrick Landfill Project | 5-15 | 3,828,595 | 106,288 | - | - |
| Work in Process | | | | | |
| Electrical Distribution Assets | | 625,281 | - | - | - |
| Merrick landfill project | | - | - | 1,512,229 | - |
| Total Work in Process | | 625,281 | - | 1,512,229 | - |
| | | 109,626,704 | 55,157,355 | 102,309,038 | 53,135,284 |
| Less: Contributions in aid
of construction | 25-60 | 8,236,870 | 1,758,148 | 7,560,942 | 1,579,020 |
| | | \$101,389,834 | \$ 53,399,207 | \$ 94,748,096 | \$ 51,556,264 |
| Net book value | | \$ 47,990,627 | | \$ 43,191,832 | |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

4. Regulatory Assets and Liabilities

All amounts deferred as regulatory assets are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators, at which time any resulting change would be reflected in the financial statements. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the company has recorded the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory assets (liabilities) are comprised of:

| | Remaining recovery
period (years) | 2012 | 2011 |
|--|--------------------------------------|---------------------|---------------------|
| Regulatory Assets | | | |
| Connection (i) | 2 - 4 | \$ 215,740 | \$ 466,125 |
| Network (i) | 2 - 4 | 372,064 | 879,279 |
| Rural rate assistance (i) | 2 - 4 | (2,688) | 9,312 |
| Power (i) | 2 - 4 | 23,872 | 628,777 |
| Low voltage (i) | 2 - 4 | 21,893 | 36,600 |
| Carrying charges - power (ii) | 2 - 4 | (1,972) | 22,110 |
| Carrying charges - other (ii) | 2 - 4 | 59,245 | 274,146 |
| Carrying charges - 2010 recovery (ii) | 1 | - | 699,055 |
| Carrying charges - 2012 recovery (ii) | 2 | 969,176 | - |
| Disposition/recovery - 2010 (xi) | 1 | 1,445 | - |
| Disposition/recovery - 2012 (xvi) | 2 | 155,012 | - |
| Smart meter initiatives (vi) | 2 - 4 | 1,824,097 | 1,885,501 |
| 2008 HONI regulatory Asset | 1 | 994 | 994 |
| Deferred payments in lieu of taxes (iii) | 2 | - | 554,291 |
| IFRS (viii) | 4 | 38,789 | 42,850 |
| Special purpose assessment (ix) | 1 | 1,659 | 6,809 |
| Conservation and demand initiatives (x) | 2 - 4 | 34,098 | 34,098 |
| | | \$ 3,713,424 | \$ 5,539,947 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

4. Regulatory Assets and Liabilities (continued)

Regulatory Liabilities

| | Remaining recovery
period (years) | 2012 | 2011 |
|--|--------------------------------------|-----------------------|-----------------------|
| Wholesale market services (i) | 2 - 4 | (1,344,857) | (1,367,583) |
| Deferred payments in lieu of taxes (iii) | 2 | (197) | (197) |
| Retail cost variances (v) | 2 - 4 | (321,566) | (281,503) |
| 2006 storm costs (vii) | 2 - 4 | (1,839) | (1,868) |
| Disposition/recovery - 2010 (xi) | 1 | - | (664,619) |
| Smart grid initiatives (xii) | 4 | (35,179) | (31,769) |
| Hydro One regulatory asset recovery (xiii) | 2 - 4 | (3,668) | (3,642) |
| Tax savings (xiv) | 2 - 4 | (46,209) | (16,285) |
| CGAAP changes (iv) | 2 - 4 | (1,132,571) | - |
| Future income taxes (xv) | 5 - 25 | (6,497,137) | (7,053,341) |
| | | (9,383,223) | (9,420,807) |
| Net Regulatory Liabilities | | \$ (5,669,799) | \$ (3,880,860) |

In the absence of rate regulation, these rate regulated assets and liabilities would be recognized in income in the year in which they relate. As a result, the net effect on income would be a decrease to net income for the period of \$1,788,939 (2011 - increase to net income of \$928,077).

i. Post-market opening retail settlement variances

Post-market opening retail settlement variances represent the amounts that have accumulated since Market Opening and are comprised of variances between amounts charged by the Independent Electric Service Organization (IESO) for the operation of the wholesale electricity market and grid, various wholesale market settlement charges and transmission charges and the amounts collected from customers by the company based on the OEB approved wholesale market service rate. Under the OEB's direction, the company has deferred the settlement variances that have occurred since May 1, 2002. Accordingly, the company has deferred these recoveries in accordance with the AP Handbook.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under Canadian GAAP. In absence of rate regulation, revenues in 2012 would have been higher by \$1,366,486 (2011 - higher by \$44,738, excluding the write-off below). As a component of the yearly IRM, "Group 1" account balances (which are composed of Low Voltage, Wholesale Market, Network, Connection and Power) are reviewed and will qualify for disposition if balances, including carrying charges, exceed a preset threshold per kWh.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

4. Regulatory Assets and Liabilities (continued)

ii. Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specific interest rate as outlined by the OEB. The company did not recognize carrying charge income related to the retail settlement variance accounts for external reporting purposes prior to December 31, 2003. In the absence of rate regulation, the net of other revenues and interest expense would have been lower by \$31,136 (2011 - lower by \$45,651).

iii. Deferred payments in lieu of taxes (PILs)

Deferred payments in lieu of taxes variance account tracks and records the variances that result from the differences between the OEB approved PILs amount and the amount of actual billings that relates to the recovery of PILs. On June 24, 2011 the OEB released a combined proceeding decision that established guiding principles for the determination of the amount of variance account and its subsequent disposition. The OEB advised hydro distribution companies in Ontario to include the disposition of the variance account as part of the 2012 IRM application process following the methodology set out in the combined proceeding. Following the established methodology, the company had requested the disposition of \$1,776,381, including \$523,419 in carrying charges. On April 4, 2012 the OEB released its decision in the company's proceeding and deemed a portion of the application not recoverable. As a result of the decision, the company has recorded a \$554,291 regulatory asset related to PILs, and carrying charges of \$238,855. The result of this change in methodology has resulted in an increase to net income of \$1,224,278 and a reduction of \$78,702 related to carrying charges. The OEB approved the disposition of net regulatory assets and liabilities over a two-year period commencing May 1, 2012 and ending April 30, 2014 (Note 4xvi).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

4. Regulatory Assets and Liabilities (continued)

iv. Canadian Generally Accepted Accounting Principles (CGAAP) Changes

On July 8, 2010, the OEB released a depreciation study for use by electricity distributors in the transition to IFRS. The results of this study were released in a report by a 3rd party consultant, Kinetrics, and provided information and guidance that the OEB expected LDCs to consider as asset service lives were determined under IFRS. Though the company has elected to defer transition to IFRS until mandatory, the release of this study provided the company with new information with regards to the estimates used for depreciation purposes. On July 17, 2012 the OEB released a further letter providing guidance to LDCs with regards to regulatory accounting policy direction for changes to depreciation expense and capitalization for companies deferring IFRS transition but seeking to make changes to depreciation and capitalization. The Board has approved variance Account 1576, Accounting Changes Under CGAAP, for distributors to record the financial differences arising as a result of the election to make accounting changes to depreciation; the difference is a reflection of the revised depreciation expense in comparison to the depreciation that would have been recorded under previous service life terms and thus included in rates charged to customers.

The cumulative variance in this account will be refunded to ratepayers in the year of the company's next cost of service application through an adjustment to depreciation expense over an approved amortization period pending review and approval by the OEB.

v. Retail cost variances

Retail cost variances were established to record the difference between the amount billed and the incremental costs of providing retail services and to record the difference between the amount billed in relation to a service transaction request and the incremental costs of providing the initial screening and actual processing services for the service transaction request. Under the OEB's direction, the company has deferred the settlement variances that have occurred since May 1, 2002. Accordingly, the company has deferred these recoveries in accordance with the AP Handbook.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under Canadian GAAP. In absence of rate regulation, revenues in 2012 would have been higher by \$40,063 (2011 - higher by \$52,423). The deferred balance for unapproved settlement variances continues to be calculated in accordance with the OEB's direction. The manner and timing of disposition of the variance has not been determined by the OEB.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

4. Regulatory Assets and Liabilities (continued)

vi. Smart Meter Initiatives

During 2006, the OEB adopted recommendations on smart meters with regard to cost recovery during the phase-in period of this equipment. The OEB stated that given the increased need for electricity and the importance of conservation, specific funding for smart meters should be included in 2006 rates by all Ontario electric LDC. Variance accounts were established to track revenues collected with respect to smart meters and associated costs of the initiatives.

In connection with its smart meter initiatives, the company has incurred costs amounting to \$79,086 for the year ended December 31, 2012 (2011 - \$311,703). As at December 31, 2012, smart meter capital expenditures, net of accumulated depreciation, totalling \$2,283,783 have been recorded to regulatory assets (December 31, 2011 - \$2,410,024). These expenditures would otherwise have been recorded as property, plant and equipment and intangible assets under Canadian GAAP for unregulated businesses. In the absence of rate regulation, net income would have been higher in 2012 by \$64,836 (2011 higher by \$50,895) and net capital assets would have been lower by \$126,240 (2011 - lower by \$57,301).

vii. 2006 Storm Costs

During 2006 the company was affected by a significant storm which disrupted services in the area for approximately one week. The company applied for rate approval to recover costs associated with this disruption. Accordingly, the company has deferred these costs against which, future revenues will be applied. In the absence of rate regulation, net income would have been higher in 2012 by \$29 (2011 - higher by \$3).

viii. IFRS

During 2008, the OEB consultation process (EB-2008-0408) was set up to determine the effect of IFRS on LDC companies. The consultation concluded that prudently incurred administrative costs directly related to IFRS transition would be recoverable from ratepayers on the same basis as other administrative costs. The Board then established a deferral account for the distributors for incremental one-time administrative costs related to the transition to IFRS. Accordingly, the company has deferred an additional \$20,939 (2011 - \$25,786) of incremental one-time administrative costs. The Board, in determining the disposition of the account, will consider the criteria of causation, materiality and prudence. In the 2010 cost of service application, the Company was approved to recover \$100,000 over four years in distribution rates. In the absence of rate regulation, net income would have been lower in 2012 by \$4,061 (2011 - lower by \$24,214).

North Bay Hydro Distribution Limited

Notes to Financial Statements

December 31, 2012

4. Regulatory Assets and Liabilities (continued)

ix. Special purpose assessment

On April 9, 2010, the OEB informed electricity distributors of a Special Purpose Charge ["SPC"] assessment under Section 26.1 of the Ontario Energy Board Act, 1998, for the Ministry of Energy and Infrastructure conservation and renewable energy program costs. The OEB has assessed the company the amount of \$221,575 for its apportioned share of the total provincial amount of the SPC of \$53,695,000 in accordance with the rules set out in Ontario Regulation 66/10 [the "SPC Regulation"]. In accordance with Section 9 of the SPC Regulation, the company will be allowed to recover this balance. The recovery is to be achieved over a one-year period, starting May 1, 2010.

This variance account relates to the difference between the amount remitted to the Ministry of Finance for the company's SPC assessment, and the amounts recovered from customers, which commenced on May 1, 2011. Carrying charges shall apply to the monthly opening balance in the variance account. The SPC Regulation states that the company shall apply to the OEB no later than April 15, 2012 for an order authorizing the disposition of any remaining debit or credit balance in the SPC variance account. The company applied for disposition in its 2012 IRM application for the balance owing as at December 31, 2011. The OEB approved the disposition of the SPC variance account for the balance as of April 30, 2011 in the amount of \$5,139 plus carrying charges to April 30, 2012 (Note 4xvi). As at December 31, 2012, the account consists of the additional billing that occurred between May 1, 2011 and December 31, 2011. In the absence of rate regulation, net income would have been lower by \$1,659 (2011 - lower by \$6,809).

x. Conservation and demand initiatives

On September 16, 2010, the OEB issued the Conservation and Demand Management ("CDM") Code for Electricity Distributors. The new code requires all LDCs to achieve preset conservation targets as a condition of its license. In addition, LDCs were required to file a CDM strategy with the OEB for approval. Accordingly, the company filed its strategy with the OEB and received a letter of acknowledgement on January 24, 2011.

Per OEB FAQ guidelines, costs related to Board-Approved CDM programs are to be tracked in this variance account; disposition shall be made at the time specified by the Board and in the manner specified by the Board. Carrying charges following the OEB prescribed methodology and related rates are applicable. In the absence of rate regulation, net income would have been lower by \$Nil (2011 - lower by \$3,305).

xi. Disposition/recovery - 2010

On October 26, 2009, the company filed a Cost of Service application for 2010 distribution rates with the OEB which included a request seeking disposition of the balances for regulatory assets and liabilities for a net disposition of \$456,003. On April 8, 2010, the OEB approved the disposition of net regulatory assets of \$2,559,106 and net regulatory liabilities of \$2,103,102 over a one-year period commencing May 1, 2010 and ending April 30, 2011.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

4. Regulatory Assets and Liabilities (continued)

xii. Smart grid initiatives

In its April 8, 2010 decision on 2010 distribution rates, the OEB approved the company's proposal to charge customers a fixed monthly funding adder for spending related to two Real-Time Operating Pilot programs; both a Residential and Industrial pilot program. The spending and funding adder are to be tracked in a deferral account. Spending will take place over 2010 and through the IRM period until the next Cost of Service application up to a maximum approved amount of \$100,000. Upon request for disposition, the OEB will consider the prudence of the company's expenditures and make a determination at that time of whether recovery will be approved.

In connection with its smart grid initiatives, the company has incurred costs amounting to \$19,477 for the year ended December 31, 2012 (2011 - \$124). As at December 31, 2012, smart grid capital expenditures, net of accumulated depreciation, totaling \$Nil (2011 - \$125) have been recorded to regulatory liabilities; the company has collected \$22,888 (2011 - \$22,861) from the funding adder to offset spending which has resulted in a liability. These expenditures would otherwise have been recorded as property, plant and equipment and intangible assets under Canadian GAAP for unregulated businesses. In the absence of rate regulation, net income would have been higher in 2012 by \$3,411 (2011 - \$22,861) and net capital assets would have been higher by \$2,589 (2011 - \$2,589).

xiii. Hydro One regulatory asset recovery

The Hydro One RAR consists of balances of regulatory assets or regulatory liabilities approved for disposition by the OEB through rate riders billed to all Hydro One customers. The RAR is subject to carrying charges following the OEB prescribed methodology and related rates. The OEB approved the disposition (EB-2009-0096) over a 20 month period beginning May 2010, expiring December 2011. In the absence of rate regulation, net income would have been higher in 2012 by \$26 (2011 - \$2,354).

North Bay Hydro Distribution Limited

Notes to Financial Statements

December 31, 2012

4. Regulatory Assets and Liabilities (continued)

xiv. Tax Savings

In its supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors dated September 17, 2008, the OEB determined that a 50/50 sharing of the impact of currently known legislative changes, as applied to the tax level reflected in the Board approved base rates for a distributor, is appropriate for the 3rd Generation IRM applications. The model provided to distributors calculates the amount of change caused by the tax rate reductions and adjusts distribution rates by 50% if the total change from those taxes included in the most recent cost of service base distribution rates.

In the company's 2012 IRM application, the OEB issued decision (OEB-2011-0187) and found that a 50/50 sharing of changes from the tax level reflected in the Board approved base rates to the currently known legislated tax level for 2012 is appropriate. The OEB ordered the company to record the tax sharing refund amount of \$56,285 in variance account 1595 and dispose over the period of May 1, 2012 to April 30, 2013. In the company's 2011 IRM application, the OEB issued its decision (EB 2010 010) and ordered the company to record the tax sharing refund amount of \$16,285 in variance account 1595 as the amount was deemed immaterial. In the absence of rate regulation, net income would have been higher in 2012 by \$29,924 (2011 – higher by \$16,285).

xv. Future Income Taxes

As a result of amendments to the CICA Handbook, the removal of a temporary exemption in Handbook Section 1100 pertaining to the application of that section resulted in the recognition and measurement of assets and liabilities arising from rate regulation. This change required the recognition of future income tax liabilities and assets in accordance with Handbook Section 3465 as well as a separate regulatory asset or liability balance for the amount of future income taxes expected to be included in future rates and recovered from or paid to customers, and retain existing requirements to disclose the effects of rate regulation. As a result of these changes, the company has recorded a regulatory liability in connection with its future tax asset in the amount of \$6,497,137 (2011 - \$7,053,341).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

4. Regulatory Assets and Liabilities (continued)

xvi. Disposition/recovery - 2012

On October 14, 2011, the company filed a Cost of Service application for 2012 distribution rates (EB-2011-0187) with the OEB which included a request seeking disposition of the balances for regulatory assets and liabilities. On April 4, 2012, the OEB approved the disposition of net regulatory assets of \$3,056,941 and net regulatory liabilities of \$1,501,141 over a two year period commencing May 1, 2012 and ending April 30, 2014. The net disposition balance of \$1,555,800 included deferred PILs in the amount of \$795,863 (Note 4iii), SPC of \$6,178 (Note 4ix) and group 1 balances of \$753,760. The amounts consisted of principal balances as of December 31, 2010 with carrying charges projected to April 30, 2012.

For certain of the regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the regulator in determining the item's treatment for rate-setting purposes. Management continually assesses the likelihood of recovery of regulatory assets and realization of regulatory liabilities. If recovery and realization through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

5. Accounts Payable and Accrued Liabilities

| | <u>2012</u> | <u>2011</u> |
|-----------------------------|---------------------|----------------------|
| Power | \$ 5,321,221 | \$ 4,985,633 |
| Trade payables and accruals | 3,755,481 | 4,735,326 |
| Customer credit balances | <u>735,260</u> | <u>838,754</u> |
| | <u>\$ 9,811,962</u> | <u>\$ 10,559,713</u> |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

6. Employee Future Benefits

The company has a defined benefit life insurance and health care plan covering substantially all unionized employees and most retirees. Information about the company's defined benefit life insurance and health care plan is as follows:

| | 2012 | 2011 |
|--|--------------|--------------|
| Prepaid benefit liability , beginning of year | \$ 4,321,598 | \$ 4,208,039 |
| Expense for the year | 464,928 | 453,050 |
| Benefits paid during the year | (380,544) | (339,491) |
| Prepaid benefit liability , end of year | \$ 4,405,982 | \$ 4,321,598 |
| Fair value of plan assets | \$ - | \$ - |

| | 2012 | 2011 |
|---|--------------|--------------|
| Prepaid benefit liability , end of year | \$ 4,405,982 | \$ 4,321,598 |
| Unamortized net actuarial losses | 1,763,801 | 1,877,272 |
| Projected accrued benefit obligation , end of year | \$ 6,169,783 | \$ 6,198,870 |

Included in wages and employee benefits is a net benefit expense as follows:

| | 2012 | 2011 |
|---|------------|------------|
| Total service cost of the plan for the year | \$ 91,372 | \$ 84,155 |
| Interest on average liabilities | 259,248 | 267,430 |
| Amortization of net actuarial gains/losses | 114,308 | 101,465 |
| | \$ 464,928 | \$ 453,050 |

Actual payments during the year were \$380,544 (2011 - \$339,491).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

6. Employee Future Benefits (continued)

The main actuarial assumptions employed for the valuations are as follows:

Expected average remaining service life of active employees 7 years

a. General Inflation

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.0% per annum (2011 - 2.0%).

b. Interest (Discount) Rate

The obligation at year end, of the present value of future liabilities and the expense for the year ended, were determined using a discount rate of 3.75% (2011 - 4.25%). The discount rate for 2012 reflects the assumed long term yield on high quality bonds as at January 1, 2010 (most recent valuation date). The next valuation is expected to be completed for fiscal 2013.

c. Salary Levels

Future general salary and wage levels were assumed to increase at 3.3% (2011 - 3.3%) based on expected CPI adjusted for productivity, merit and promotion as at January 1, 2010.

d. Medical Costs

Medical costs were assumed to increase 8% in 2010, 9.0% in 2011, 7.63% in 2012, 7.25% in 2013, 6.88% in 2014 and 6.5% thereafter.

e. Dental Costs

Dental costs were assumed to increase at 5.0% annually.

North Bay Hydro Distribution Limited

Notes to Financial Statements

December 31, 2012

7. Long-term Debt

a. Payable to Corporation of the City of North Bay - Promissory Note

The balance payable to the Corporation of the City of North Bay bears interest at 5% per year, and is payable upon twelve month's written notice.

The fair value and future expected repayment schedules for this debt has not been disclosed due to the fact that the cash flow streams are not determinable.

b. Ontario Infrastructure Projects Corporation

The company negotiated a loan with the Ontario Infrastructure Projects Corporation to provide funding for the Smart Meter project. The loan is a 10 year serial loan at an interest rate of 3.90% calculated on a semi-annual basis. The loan will be repaid in 120 monthly installments which will include both principal and interest. The loan balance at the end of the year was \$2,916,667 (2011 - \$3,266,667), of which \$350,000 is repayable within one year.

The company's agreement with the Ontario Infrastructure Projects Corporation requires a debt service coverage ratio of 1:1, a debt to capital ratio lower than 60%, and a current ratio of 1.1:1 or higher. The agreement also prevents the company from making loans or paying dividends that would cause the violation of these covenants. As at December 31, 2012 the company's debt service coverage ratio calculated under the terms of the agreement was 1.32:1, the debt to capital ratio was 54%, and the current ratio was 2.07:1. As part of the financing proposal, the OIPC agreed to waive any debt service coverage ratio violation if working capital surplus was greater than the loan amount. As at December 31, 2012 the working capital surplus calculated under the terms of the contract was \$11,541,218 greater than the loan amount.

c. Loan Payable to Corporation of the City of North Bay – Merrick Landfill

The company negotiated a loan with the City of North Bay to provide funding for the Merrick Landfill project. The loan is a 20 year serial loan at an interest rate of 4.90% calculated on a monthly basis. The loan will be repaid in 240 monthly installments which will include both principal and interest. The loan balance at the end of the year was \$3,987,134, of which \$133,336 is repayable within one year.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

7. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

| | Ontario Infrastructure
Projects Corporation | Loan Payable to the
City of North Bay -
Merrick Landfill | Total |
|------------|--|--|--------------|
| 2013 | \$ 350,000 | \$ 133,336 | \$ 483,336 |
| 2014 | 350,000 | 128,981 | 478,981 |
| 2015 | 350,000 | 135,445 | 485,445 |
| 2016 | 350,000 | 142,233 | 492,233 |
| 2017 | 350,000 | 149,361 | 499,361 |
| Thereafter | 1,166,667 | 3,297,777 | 4,464,444 |
| | \$ 2,916,667 | \$ 3,987,133 | \$ 6,903,800 |

8. Contingencies

The company belongs to the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self-insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2012, the company has not been made aware of any assessments for losses. The company has one claim outstanding against it and expects that any potential liability under this claim will be covered under the MEARIE liability policy.

9. Commitments

On October 9, 2009 the company entered into a 15 year contract with Sensus Metering Systems Inc. to maintain and further develop the AMI system that meets the MEU functional specifications related to the Smart Meter Project. The contract contains 3 renewal terms of 5 years each. The company elected to have the monthly fees billed in USD, instead of having the currency rate set on an annual basis in October of each year. Termination penalties apply if the company cancels the contract without cause, the related fees are based on a sliding scale for the year this takes place and the fees associated with the service option selected.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

10. Share Capital

Authorized:

Unlimited Common shares

The issued share capital is as follows:

| | 2012 | 2011 |
|---------------------|----------------------|----------------------|
| 1,001 Common shares | \$ 19,511,601 | \$ 19,511,601 |

11. Cost of Power and Other Pass Throughs

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Pass through charges billed by the company for: | | |
| Electricity charges | \$ 41,414,241 | \$ 39,461,790 |
| Network and connection | 6,086,266 | 5,635,297 |
| Wholesale market service charges | 2,912,108 | 3,205,998 |
| Debt retirement charges | 4,223,302 | 4,054,633 |
| Regulatory asset recovery | 435,601 | 148,782 |
| Smart meter rider recovery | 140,493 | 419,906 |
| Smart grid rider recovery | 22,917 | 22,864 |
| Shared tax savings refund | (26,361) | - |
| | \$ 55,208,567 | \$ 52,949,270 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

12. Related Party Transactions

The Corporation of the City of North Bay (the "City") is the 100% owner of North Bay Hydro Holdings Inc. which is the parent company of North Bay Hydro Distribution Limited and North Bay Hydro Services Inc.

At December 31, 2012, accounts payable and accrued liabilities includes \$397,726 due to North Bay Hydro Holdings for payment of a 2012 dividend.

The company provides electricity and services to the City. A summary of the amounts charged by the company to the City is as follows:

| | <u>2012</u> | <u>2011</u> |
|--------------------------|--------------|--------------|
| Electrical energy | \$ 2,510,679 | \$ 2,428,415 |
| Street light energy | 856,557 | 764,610 |
| Construction activity | 12,330 | 62,344 |
| Street light maintenance | 506,064 | 158,299 |

At December 31, 2012, accounts payable and accrued liabilities includes \$173,780 due to the City (2011 - \$155,942) and accounts receivable include \$588,240 due from the City (2011 - \$335,125). The company purchased goods and services from the City totaling \$371,589 in 2012 (2011 - \$234,970). In 2012, the company also provided CDM incentives to the City of North Bay totalling \$4,425 (2011 - \$400). In 2012, the company began to generate power for sale into the grid. The company was charged \$0.45 / kwh by the City for the use of the gas produced by its landfill site to generate this power for a total cost of power under this initiative paid to the City in the amount of \$223,973 (2011 - \$Nil).

Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Streetlight maintenance services are provided at rates determined in relation to other service providers. Other construction services are provided at cost.

During the year, the company paid municipal taxes to the City in the amount of \$57,183 (2011 - \$58,586).

The company is also indebted to the City for a \$19,511,601 (2011 - \$19,511,601) promissory note (see Note 7a). Included in interest expense for the year is interest paid on this promissory note in the amount of \$975,580 (2011 - \$975,580).

The company provides administrative and other services to an affiliated company, North Bay Hydro Services Inc ("Services"). Administrative fees charged for 2012 were \$49,354 (2011 - \$38,660). Salaries charged to Services were \$234,637 (2011 - \$175,224) and contracted services totalling \$68,342 were also charged to Services in 2012 (2011 - \$65,935). Rent charged to Services was \$16,200 (2011 - \$11,100) and equipment charges was \$9,836 (2011 - \$5,474). The intercompany accounts payable at year end was \$102,176 (2011 - \$129,307). With regards to the Merrick Landfill Project, in 2012 the company was charged \$77,142 (2011 - \$Nil) by Services for expenses related to this project, including an administration fee.

The above transactions are in the normal course of operations and are measured at exchange amounts.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

13. Credit Facility / Letters of Credit

The company has an authorized line of credit under a credit facility agreement with a Canadian chartered bank. The maximum draw permitted under this agreement is \$1,000,000. At year end the company had drawn \$Nil (2011 - \$Nil) under this facility.

The company has available a revolving term facility to a maximum draw of \$1,000,000 to finance the purchase of capital assets. At year end the company had drawn \$Nil (2011 - \$Nil) under this facility.

The company has a \$2.5 million letter of credit with its bank provided to the IESO to secure the company's hydro purchase obligations. The company has provided its financial institution with a General Security Agreement as security for this obligation. In the prior year, the company had provided its financial institution with an assignment in the amount of \$2,000,000 of its short-term investments as security for the letter of credit provided to the IESO to secure its hydro purchase obligations. In the current year the banking agreement changed such that the investments were released as security and a General Security Agreement (GSA) has been put in its place.

The company's general banking agreements which encompass the line of credit, revolving term facility and the letter of credit contains financial covenants which include a debt to capital ratio lower than 60% and a debt service coverage ratio of not less than 1.2:1. As at December 31, 2012, the company's debt to capital ratio was 36% and the debt service coverage ratio calculated under the terms of the agreement was 2.45:1.

14. Pension Agreements

The company makes contributions to the OMERS, which is a multi-employer pension plan, on behalf of all full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 428,947 active and retired members and approximately 968 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,122 million in respect of benefits accrued for service with actuarial assets at that date of \$59,198 million indicating an actuarial deficit of \$9,924 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the company does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2012 was \$328,200 (2011 - \$265,827).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

15. Net Change in Non-cash Working Capital Balances

The net change in non-cash working capital balances consists of:

| | 2012 | 2011 |
|--|--------------|--------------|
| Accounts receivable | \$ (295,355) | \$ 974,788 |
| Unbilled service revenue | 149,881 | (1,177,268) |
| Inventory | 178,834 | 27,640 |
| Prepaid expenses | 64,496 | 152,257 |
| Accounts payable and accrued liabilities | (747,751) | 2,426,300 |
| Payments in lieu of taxes | 179,594 | (317,609) |
| Deferred revenue | 116,729 | 158,518 |
| Payable to North Bay Hydro Services Inc | (27,129) | 62,743 |
| | \$ (380,701) | \$ 2,307,369 |

Supplementary cash flow information consists of the following:

| | 2012 | 2011 |
|------------------------------------|--------------|--------------|
| Cash paid during the year for: | | |
| Interest | \$ 1,268,236 | \$ 1,146,402 |
| Payments in lieu of taxes | \$ 1,027,339 | \$ 1,027,339 |
| Cash received during the year for: | | |
| Interest | \$ 159,111 | \$ 103,554 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

16. Payments in Lieu of Corporate Income Taxes, Capital Taxes, and Future Income Taxes

a. Expense

The company's provision for PILs is calculated as follows:

| | 2012 | 2011 |
|--|--------------|--------------|
| Income before provision for income taxes and other item | \$ 2,845,518 | \$ 3,964,116 |
| Regulatory assets added (deducted) for tax purposes | 1,788,939 | (822,626) |
| Net change in reserves | 84,384 | 113,609 |
| Capital cost allowance (greater than) less than
amortization expense related to regulatory assets | (1,877,763) | (623,427) |
| Other items | 28,299 | 57,844 |
| Gain on disposal of assets | (347,552) | (3,647) |
| | 2,521,825 | 2,685,869 |
| Statutory Canadian federal and provincial tax rate | 26.50 % | 28.25 % |
| | 668,284 | 758,758 |
| Provision for PILs | (35,000) | (35,000) |
| Ontario small business deduction | (3,443) | (14,027) |
| Ontario co-op and apprenticeship tax credits | 7,132 | - |
| Prior year over provision | - | - |
| Total tax provision | \$ 636,973 | \$ 709,731 |

b. Future Taxes

As the end of the year, the significant component's of the company's future taxes are as follows:

| | 2012 | 2011 |
|--------------------------------|--------------|--------------|
| Future Income Tax Asset | | |
| Property, plant and equipment | \$ 4,784,078 | \$ 5,544,790 |
| Employee future benefits | 1,588,551 | 1,508,551 |
| | 6,372,629 | 7,053,341 |
| Total future tax assets | \$ 6,372,629 | \$ 7,053,341 |

North Bay Hydro Distribution Limited

Notes to Financial Statements

December 31, 2012

17. Financial Instruments

a. Fair Values

The company's financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, customer deposits, long-term debt, payable to North Bay Hydro Services Inc and payable to the Corporation of the City of North Bay.

Cash and cash equivalents is reported at fair value on the balance sheet. Accounts receivable, accounts payable and accrued liabilities, payable to North Bay Hydro Services Inc. and customer deposits are reported at amortized cost which approximates fair value due to their short-term nature.

The fair value of the long-term debt, payable to the Corporation of the City of North Bay have not been determined as disclosed in Note 7.

b. Risks arising from Financial Instruments

Credit Risk

The company's cash and cash equivalents are all held at a single major financial institution and the company is therefore exposed to credit risk from this concentration of cash and cash equivalents. The company also maintains cash and cash equivalents with its financial institution in excess of federally insured limits and is therefore exposed to the credit risk from this concentration of cash and cash equivalents.

The company's accounts receivables are made up of a large number of small balances from residential customers and commercial customers in a number of different industries. The company is exposed to credit risk as a result of its accounts receivable through the possibility of customer default on these accounts. The company monitors its exposure to and attempts to limit this credit risk exposure on a continuous basis.

In accordance with directions provided by the OEB, the company collects deposits from its customers and as at December 31, 2012 held customer deposits in the amount of \$970,780 (2011 - \$977,156).

The company provides for its credit risk through the use of an allowance whereby customer accounts greater than 90 days in age are provided for. Any change in this provision from one year to the next and any future recoveries of accounts that had previously been allowed for are recognized in the statement of operations.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

17. Financial Instruments (continued)

The credit risk associated with accounts receivable is as follows:

| | 2012 | 2011 |
|--|--------------|--------------|
| Total accounts receivable | \$ 6,527,647 | \$ 6,187,120 |
| Less: allowance for doubtful accounts | (750,886) | (705,714) |
| Accounts receivable, net | \$ 5,776,761 | \$ 5,481,406 |
| Aged as follows: | | |
| Less than 29 days | \$ 4,906,569 | \$ 4,862,896 |
| 30 to 89 days | 694,178 | 479,241 |
| 90 days and older | 926,900 | 844,983 |
| Less: allowance for doubtful accounts | (750,886) | (705,714) |
| Accounts receivable, net | \$ 5,776,761 | \$ 5,481,406 |

The company's maximum credit risk exposure is equal to the carrying value of its financial assets.

Interest Rate Risk

The company has access to short-term borrowings under its credit facility agreement (Note 13). If the company were to utilize this facility it would be exposed to fluctuations in short-term interest rates.

The company is exposed to interest rate risk on its long-term debt and its payable to the Corporation of the City of North Bay (Note 7). The interest rates on these financial instruments are fixed and therefore the company is not exposed to fluctuations in short-term interest rates. However, with respect to its payable to the Corporation of the City of North Bay, if short-term interest rates fall below the fixed rate of this instrument the company would incur greater interest expense than it would had it borrowed these funds using other means. Alternatively, should short-term interest rates rise above these fixed rates, the company would incur lower interest expense than it would had it borrowed these funds using other means.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

17. Financial Instruments (continued)

Liquidity Risk

The company strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due while minimizing interest expense. The company monitors cash balances regularly and has access to short-term borrowings, should they be required, under its credit facility agreement (Note 13).

Accounts payable and accrued liabilities are all due within one year from the balance sheet date. The company is exposed to liquidity risk on its payable to the City (Note 7) as this balance is payable upon twelve month's written notice. Management does not expect that this note will be called within the foreseeable future.

Currency Risks

The company is exposed to the changing values of foreign currencies. The company has entered into a contract for the purchase of goods and services related primarily to the Smart Meter project, which is payable in US dollars. The company is exposed to the fluctuations in currency prices when it purchases US dollars to meet the payable commitments. The impact on these transactions in 2012 was a foreign exchange loss of \$4,060 (2011 - gain \$8,378).

Other Risks

The company is not exposed to any other significant risks as it has not entered into any hedging or derivative contracts.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2012

18. Capital Disclosures

The company considers its capital to comprise its common share capital, accumulated retained earnings and amounts due to related parties. There have been no changes in what the company considers to be capital since the previous year.

In managing its capital, the company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and through the payment of periodic dividends to its common shareholders. The company also seeks to ensure that access to funding is available in order to maintain and improve the equipment used in operations and maintain financial ratios within the recommended guidelines as prescribed by the OEB. In order to achieve these objectives, the company develops detailed annual operating budgets and seeks to maintain distribution revenue levels and control costs to enable the company to meet its working capital requirements and strategic investment needs. In making decisions to adjust its capital structure to achieve these objectives, the company considers both its short-term position and long-term operational and strategic objectives.

As at December 31, 2012 the company is party to debt agreements that contain various covenants (Notes 7b and 13) and is restricted from offering loans or paying dividends that would cause a violation of those covenants.

1 **Appendix 1-D 2013 Audited Financial Statements**

2

**North Bay Hydro
Distribution Limited
Financial Statements
For the year ended December 31, 2013**

North Bay Hydro Distribution Limited
Financial Statements
For the year ended December 31, 2013

Contents

| | |
|---|----------------|
| Independent Auditor's Report | 2 |
| Financial Statements | |
| Balance Sheet | 3 |
| Statement of Operations and Retained Earnings | 4 |
| Statement of Cash Flows | 5 |
| Summary of Significant Accounting Policies | 6 - 12 |
| Notes to Financial Statements | 13 - 35 |



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Suite 301
North Bay ON P1B 2Y5 Canada

Independent Auditor's Report

To the Shareholder of North Bay Hydro Distribution Limited

We have audited the accompanying financial statements of North Bay Hydro Distribution Limited, which comprise the balance sheet as at December 31, 2013, and the statement of operations and retained earnings and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Bay Hydro Distribution Limited as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

North Bay, Ontario
March 27, 2014

North Bay Hydro Distribution Limited Balance Sheet

December 31 2013 2012

Assets

Current

| | | |
|--------------------------------------|--------------|--------------|
| Cash and cash equivalents (Note 12) | \$ 7,588,784 | \$ 7,602,718 |
| Accounts receivable (Notes 1 and 11) | 8,404,151 | 5,776,761 |
| Unbilled service revenue | 7,733,424 | 7,740,920 |
| Inventory | 448,742 | 579,637 |
| Prepaid expenses | 615,111 | 538,523 |

24,790,212 22,238,559

Property, plant and equipment (Note 2)

47,568,986 47,990,627

Future income taxes (Note 15b)

6,075,056 6,372,629

Regulatory assets (Note 3)

4,831,945 3,713,424

\$ 83,266,199 \$ 80,315,239

Liabilities and Shareholder's Equity

Current

| | | |
|---|---------------|--------------|
| Accounts payable and accrued liabilities (Notes 4 and 11) | \$ 13,983,390 | \$ 9,914,143 |
| Payments in lieu of taxes payable | 108,634 | 5,333 |
| Current portion of customer deposits | 80,063 | 87,689 |
| Deferred revenue | 614,896 | 275,247 |
| Current portion of long-term debt (Note 6b) | 350,000 | 350,000 |
| Current portion of loan payable to Corporation of the City of North Bay (Note 11) | - | 132,834 |

15,136,983 10,765,748

2,216,667 2,566,667

Long-term debt (Note 6b)

Loan payable to Corporation of the

City of North Bay (Note 11)

-

3,853,797

Customer deposits

862,925 883,091

Employee future benefits (Note 5)

4,511,393 4,405,982

Regulatory liabilities (Note 3)

10,513,529 9,383,223

Payable to Corporation of the City of North Bay
(Notes 6a and 11)

19,511,601 19,511,601

52,753,098 51,370,109

Shareholder's equity

| | | |
|------------------------|------------|------------|
| Share capital (Note 9) | 19,511,601 | 19,511,601 |
| Retained earnings | 11,001,500 | 9,433,529 |

30,513,101 28,945,130

\$ 83,266,199 \$ 80,315,239

Contingencies (Note 7) & Commitments (Note 8)

On behalf of the Board:

_____ Director

 _____ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Hydro Distribution Limited Statement of Operations and Retained Earnings

| For the year ended December 31 | 2013 | 2012 |
|---|----------------------|---------------------|
| Revenue (Note 11) | \$ 67,407,019 | \$ 61,424,213 |
| Cost of power (Note 10) | <u>56,023,659</u> | <u>50,412,615</u> |
| Net distribution revenue | 11,383,360 | 11,011,598 |
| Other operating revenue (Note 11) | <u>1,624,016</u> | <u>1,536,688</u> |
| | <u>13,007,376</u> | <u>12,548,286</u> |
| Expenses | | |
| Operations | 2,639,747 | 2,442,933 |
| Finance | 1,407,663 | 1,495,972 |
| Human resources | 495,688 | 566,270 |
| Administration | 1,123,968 | 983,063 |
| Amortization | <u>2,135,872</u> | <u>2,084,482</u> |
| | <u>7,802,938</u> | <u>7,572,720</u> |
| Income before items below | 5,204,438 | 4,975,566 |
| Interest expense (Note 11) | 1,214,264 | 1,268,236 |
| Property tax expense (Note 11) | <u>62,479</u> | <u>57,183</u> |
| Income before other items and provision for income taxes | 3,927,695 | 3,650,147 |
| Other items | | |
| Charitable donation | (21,050) | (15,550) |
| Gain on disposal of property, plant and equipment (Note 11) | 7,461 | 347,552 |
| Gain (loss) on foreign exchange | 11,365 | (4,060) |
| Loss on regulatory assets / liabilities | <u>(1,164,967)</u> | <u>(1,132,571)</u> |
| Income before provision for income taxes | <u>2,760,504</u> | <u>2,845,518</u> |
| Income taxes (Note 15) | | |
| Current - provision for payment in lieu of taxes | 680,492 | 512,465 |
| Future | <u>(124,508)</u> | <u>124,508</u> |
| | <u>555,984</u> | <u>636,973</u> |
| Net income for the year | <u>\$ 2,204,520</u> | <u>\$ 2,208,545</u> |
| Retained earnings, beginning of year | \$ 9,433,529 | \$ 7,843,658 |
| Net income for the year | 2,204,520 | 2,208,545 |
| Dividends | <u>(636,549)</u> | <u>(618,674)</u> |
| Retained earnings, end of year | <u>\$ 11,001,500</u> | <u>\$ 9,433,529</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Hydro Distribution Limited Statement of Cash Flows

For the year ended December 31

2013

2012

Cash provided by (used in)

Operating activities

| | | |
|--|------------------|------------------|
| Net income for the year | \$ 2,204,520 | \$ 2,208,545 |
| Items not involving cash | | |
| Amortization of property, plant and equipment
(net of amortization of contributions in aid of construction) | 2,135,872 | 2,084,482 |
| Future income taxes | (124,508) | 124,508 |
| Gain on disposal of property, plant and equipment | (7,461) | (347,552) |
| Loss on regulatory assets / liabilities | 1,164,967 | 1,132,571 |
| | <u>5,373,390</u> | <u>5,202,554</u> |
| Net change in non-cash working capital balances (Note 14) | 1,892,266 | (380,701) |
| | <u>7,265,656</u> | <u>4,821,853</u> |

Investing activities

| | | |
|---|--------------------|--------------------|
| Purchase of property, plant and equipment | (6,420,161) | (7,634,021) |
| Contributions received in aid of construction | 1,061,939 | 675,928 |
| Proceeds on disposal of property, plant and equipment | 19,170 | 422,364 |
| Cash consideration provided on sale of gas
collection business (Note 11) | (249,999) | - |
| (Increase) decrease in regulatory assets
net of regulatory liabilities | (731,663) | 1,212,575 |
| | <u>(6,320,714)</u> | <u>(5,323,154)</u> |

Financing activities

| | | |
|---------------------------------------|------------------|------------------|
| Loans advanced | - | 2,702,803 |
| Decrease in customer deposits | (27,792) | (6,376) |
| Repayment of long-term and other debt | (399,946) | (379,779) |
| Employee future benefits paid | 105,411 | 84,384 |
| Dividends paid in cash | (636,549) | (618,674) |
| | <u>(958,876)</u> | <u>1,782,358</u> |

(Decrease) increase in cash and cash equivalents during the year

(13,934) 1,281,057

Cash and cash equivalents, beginning of year

7,602,718 6,321,661

Cash and cash equivalents, end of year

\$ 7,588,784 \$ 7,602,718

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2013

Nature of Business

North Bay Hydro Distribution Limited (the "company") is incorporated under the laws of Ontario and is licensed by the Ontario Energy Board (the "OEB") as an electricity distributor. The principal business activity of the company is to distribute electricity to the residents of the City of North Bay.

The company is regulated by the OEB under authority of the Ontario Energy Board Act, 1998.

Basis of Accounting

The financial statements of North Bay Hydro Distribution Limited have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and accounting policies provided by its regulator, the OEB, as set forth in the Accounting Procedures Handbook for Electric Distribution Utilities ("AP Handbook"), issued by the Ontario Energy Board under the authority of the Ontario Energy Board Act, 1998.

Due to the regulatory framework, the timing of recognition of revenues and expenses and the measurement of certain assets and liabilities may differ from that otherwise expected under GAAP for non-rate regulated enterprises. Please refer to accounting policies for Spare Transformers and Meters, Contributions in Aid of Construction, Regulatory Assets and Liabilities and Payments in Lieu of Corporate Income Taxes.

The financial statements reflect the significant accounting policies summarized below.

Industry Restructuring and Regulation, Rate Setting

The Ontario government enacted the Energy Competition Act, 1998 to introduce competition to the Ontario Energy Market effective May 1, 2002. Under the terms of this legislation, the Ontario Energy Board regulates the industry participants by issuing licenses for the right to generate, transmit, distribute or retail electricity. These licences require compliance with established market rules.

The company is required to follow regulations as set by the OEB. The OEB approves and sets rates for the transmission and distribution of electricity, ensures distribution companies fulfil their obligations to connect and service consumers and has the authority to provide rate protection for certain consumers.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2013

**Industry Restructuring and
Regulation, Rate Setting**
(continued)

The company is subject to rate regulation on the sale of electricity to its consumers. Rates are set by the OEB on an annual basis for the May 1 to April 30 period. The OEB is responsible for regulating transmission and distribution rates of electricity in the Province of Ontario. The regulation and monitoring of Ontario's Energy Sector is completed by the OEB through the application of codes, rules and guidelines, the licensing of market participants, assisting firms with the management of regulatory requirements, monitoring and enforcing compliance and adjudication.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments with maturities of three months or less. Investments are valued at the lower of cost and net realizable value.

Inventory

Inventory consists of parts, supplies and materials held for future capital expansion or maintenance and is valued at the lower of cost, determined by the weighted average method, and replacement cost.

**Property, Plant
and Equipment**

Property, plant and equipment are stated at cost less accumulated amortization. Costs may include direct material, labour, contracted services, overhead, engineering costs and interest on funds used during construction, that are considered applicable to construction.

Amortization is recorded over the asset's estimated useful life as disclosed in Note 2.

Upon disposal the cost and accumulated amortization of general assets disposed of are relieved from the respective accounts and any gain or loss is reflected in operations.

**Contributions in Aid
of Construction**

Contributions in aid of construction are treated as a reduction of capital spending and are amortized at the same rates as the assets to which they relate. Canadian GAAP provides no specific guidelines for the accounting treatment of this type of contribution.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2013

Spare Transformers and Meters

Spare transformers and meters are held to back up plant in service and are expected to substitute for original distribution plant transformers and meters when these original plant assets are being repaired. According to the criteria prescribed by the OEB in the AP Handbook the spare transformers and meters are treated as property, plant and equipment. Under Canadian GAAP for unregulated businesses the spare transformers and meters would be treated as inventory.

Regulated Assets and Liabilities

The company has adopted the CICA's Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation". Based on OEB regulations, certain costs and variance account balances are recorded as regulatory assets or regulatory liabilities and are reflected in the balance sheet until the OEB determines the manner and timing of their disposition.

Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior period(s), that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory liabilities represent future expenses associated with the collection of certain revenues, earned in the current period or in prior period(s), that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory assets and liabilities can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002.

These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges. In the absence of rate regulation, these rate regulated assets and liabilities would be recognized in income in the period to which they relate. See Note 3 for further details.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2013

**Payment in Lieu of
Corporate Income Taxes**

The company is a Municipal Electricity Utility ("MEU") for purposes of the PIL's regime contained in the Electricity Act, 1998. As a MEU the company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the company is required to make payments in lieu of corporate income taxes each year to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Future Income Taxes

The company uses the liability method of accounting for taxes, following the recommendations of the CICA and OEB. Under this method, current income taxes are the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between tax and accounting bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Customer Deposits

Customer deposits are cash collections from customers to guarantee the payment of energy bills. Customer deposits includes interest credited to customers' deposit accounts, with interest expense recorded to offset this amount. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability.

Deferred Revenue

Deferred revenue consists of funds received from the Ontario Power Authority for power conservation programs. Revenue is recognized in the period in which the corresponding expenses are incurred.

Pension Plans

The company accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer, contributory, public sector pension fund, established for employees of municipalities, local boards and school boards in Ontario, as a defined contribution plan. Both participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The company recognizes the expense related to this plan as contributions are made.

North Bay Hydro Distribution Limited Summary of Significant Accounting Policies

December 31, 2013

Post-employment Benefits

Employee future benefits other than pension provided by the company include medical and insurance benefits. These benefit plans provide benefits to certain employees when they are no longer providing active service.

Standards issued by the CICA with respect to accounting for employee future benefits require the company to accrue for its obligations under other employee benefit plans and related costs, net of plan assets.

The cost of post employment benefits offered to employees are actuarially determined using the projected benefit method, prorated on service and based on assumptions that reflect management's best estimate. Under this method, the projected post retirement benefit is deemed to be earned on pro rata basis over the years of service in the attribution period commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

The current service cost for the period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period.

Past service costs from plan amendments are amortized on a straight line basis over the average remaining service period of the employees active at the date of the amendment.

The excess of the net actuarial gains (losses) over 10% of the accrued benefit obligation are amortized into expense on a straight line basis over the average remaining service period of active employees to full eligibility.

Revenue Recognition

Revenue from the sale and distribution of electricity is recognized on an accrual basis. Distribution revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the fiscal year. Actual results could differ from estimates made of customer electricity usage.

Other revenues, which include revenues from pole use rental, collection charges, carrying charges on regulatory assets, investment income and other miscellaneous revenues are recognized at the time services are provided or when the revenues have been earned.

North Bay Hydro Distribution Limited

Summary of Significant Accounting Policies

December 31, 2013

Use of Estimates and Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes as well as the disclosure of contingent assets and liabilities at the financial statement date.

Accounts receivable, unbilled service revenue, regulatory assets, regulatory liabilities and employee future benefits are reported based on amounts expected to be recovered or incurred and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Amounts recorded for amortization of property, plant and equipment are based on estimates of useful service life.

Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates, including changes as a result of future decisions made by the OEB or the Minister of Energy or the Minister of Finance. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies.

Financial Instruments

The company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The company's accounting policy for each category is as follows:

Held-for-trading

Financial instruments classified as held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income (loss) in the period during which the change occurs. Transaction costs are expensed when incurred.

In these financial statements cash and cash equivalents have been classified as held-for-trading.

North Bay Hydro Distribution Limited

Summary of Significant Accounting Policies

December 31, 2013

Financial Instruments (continued)

Loans and Receivables

Financial instruments classified as loans and receivables are carried at amortized cost using the effective interest method. Interest income or expense is included in net income (loss) over the expected life of the instrument. Transaction costs are expensed when incurred.

In these financial statements accounts receivable have been classified as loans and receivables.

Other Financial Liabilities

Financial instruments classified as other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in net income (loss) over the expected life of the instrument. Transaction costs are expensed when incurred.

In these financial statements accounts payable and accrued liabilities, customer deposits, long-term debt and payable to North Bay Hydro Services Inc and the Corporation of the City of North Bay have been classified as other financial liabilities.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the company, are as follows:

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2015 for rate regulated entities. The impact of the transition to IFRS on the company's financial statements has yet to be determined.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

1. Accounts Receivable

| | <u>2013</u> | <u>2012</u> |
|---------------------------------|---------------------|---------------------|
| Electrical energy | \$ 7,594,369 | \$ 5,364,419 |
| Street lighting | 13,233 | 247,164 |
| Landfill gas | - | 205,313 |
| Recoveries and other | 1,600,765 | 710,751 |
| Allowance for doubtful accounts | <u>(804,216)</u> | <u>(750,886)</u> |
| | <u>\$ 8,404,151</u> | <u>\$ 5,776,761</u> |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

2. Property, Plant and Equipment

| | | 2013 | | 2012 | |
|--|----------------------|-----------------------------|----------------------|-----------------------------|--|
| Estimated
useful life (yrs) | Cost | Accumulated
Amortization | Cost | Accumulated
Amortization | |
| Electrical Distribution Assets | | | | | |
| Land | \$ 446,565 | \$ - | \$ 446,565 | \$ - | |
| Buildings 30-50 | 1,830,506 | 356,852 | 1,728,007 | 333,314 | |
| Substation equipment 40-50 | 13,013,503 | 4,423,215 | 11,016,436 | 4,215,467 | |
| Poles, towers
and fixtures 45 | 21,394,561 | 11,472,695 | 20,054,943 | 11,176,939 | |
| Overhead conductor
and devices 60 | 16,392,963 | 8,739,600 | 15,639,134 | 8,529,292 | |
| Underground conduit
and conductor 40-50 | 8,405,447 | 4,776,871 | 7,709,548 | 4,665,118 | |
| Distribution transformers 40 | 16,518,295 | 9,432,355 | 16,002,784 | 9,195,390 | |
| Overhead and
underground services 40-60 | 18,018,316 | 6,925,189 | 17,526,406 | 6,528,200 | |
| Distribution meters 10-25 | 4,192,008 | 2,868,881 | 4,079,350 | 2,742,039 | |
| Total electrical
distribution assets | 100,212,164 | 48,995,658 | 94,203,173 | 47,385,759 | |
| General Assets | | | | | |
| Land | 86,551 | - | 86,551 | - | |
| Buildings 25-50 | 2,514,322 | 1,343,003 | 2,414,256 | 1,262,341 | |
| Office equipment 10 | 376,560 | 309,761 | 370,268 | 298,271 | |
| Computer equipment 5 | 2,142,299 | 1,760,822 | 2,040,190 | 1,626,621 | |
| Transportation equipment 5-8 | 2,682,228 | 1,854,506 | 2,623,313 | 1,616,558 | |
| Small tools and
miscellaneous
equipment 10 | 1,592,953 | 1,255,105 | 1,470,534 | 1,204,298 | |
| Load management
controls 6 | 622,142 | 593,976 | 622,142 | 592,346 | |
| System supervisory
equipment 15-20 | 1,383,765 | 1,116,039 | 1,342,401 | 1,064,873 | |
| Total general assets | 11,400,820 | 8,233,212 | 10,969,655 | 7,665,308 | |
| Sub-total | \$111,612,984 | \$ 57,228,870 | \$105,172,828 | \$ 55,051,067 | |

North Bay Hydro Distribution Limited
Notes to Financial Statements

December 31, 2013

2. Property, Plant and Equipment (continued)

| | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| Sub-total (from previous page) | \$111,612,984 | \$ 57,228,870 | \$105,172,828 | \$ 55,051,067 |
| Electrical Generation Assets | | | | |
| Merrick Landfill Project 5-15 | - | - | 3,828,595 | 106,288 |
| Work in Process | | | | |
| Electrical Distribution Assets | 526,120 | - | 625,281 | - |
| Total Work in Process | 526,120 | - | 625,281 | - |
| | 112,139,104 | 57,228,870 | 109,626,704 | 55,157,355 |
| Less: Contributions in aid of construction 25-60 | 9,298,809 | 1,957,561 | 8,236,870 | 1,758,148 |
| | \$102,840,295 | \$ 55,271,309 | \$101,389,834 | \$ 53,399,207 |
| Net book value | | \$ 47,568,986 | | \$ 47,990,627 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

3. Regulatory Assets and Liabilities

All amounts deferred as regulatory assets are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators, at which time any resulting change would be reflected in the financial statements. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the company has recorded the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory assets (liabilities) are comprised of:

| | Remaining recovery
period (years) | 2013 | 2012 |
|---------------------------------------|--------------------------------------|---------------------|---------------------|
| Regulatory Assets | | | |
| Connection (i) | 2 - 4 | \$ 375,270 | \$ 215,740 |
| Network (i) | 2 - 4 | 559,007 | 372,064 |
| Rural rate assistance (i) | 2 - 4 | 16,387 | (2,688) |
| Power (i) | 2 - 4 | 690,833 | 23,872 |
| Low voltage (i) | 2 - 4 | 35,447 | 21,893 |
| Carrying charges - power (ii) | 2 - 4 | (10,636) | (1,972) |
| Carrying charges - other (ii) | 2 - 4 | 95,879 | 59,245 |
| Carrying charges - 2012 recovery (ii) | 2 | 969,500 | 969,176 |
| Disposition/recovery - 2010 (vii) | 1 | 1,445 | 1,445 |
| Disposition/recovery - 2012 (xii) | 2 | (526,249) | 155,012 |
| Smart meter initiatives (v) | 1 | 2,314,042 | 1,824,097 |
| 2008 HONI regulatory Asset | 1 | 994 | 994 |
| IFRS (vi) | 4 | 13,789 | 38,789 |
| Special purpose assessment | 1 | 1,659 | 1,659 |
| Conservation and demand initiatives | 2 - 4 | 34,098 | 34,098 |
| Smart meter entity charge (xiii) | 5 | 18,051 | - |
| LRAMVA (xiv) | 2 - 4 | 242,429 | - |
| | | \$ 4,831,945 | \$ 3,713,424 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

3. Regulatory Assets and Liabilities (continued)

Regulatory Liabilities

| | Remaining recovery
period (years) | 2013 | 2012 |
|--|--------------------------------------|-----------------------|-----------------------|
| Wholesale market services (i) | 2 - 4 | (1,739,644) | (1,344,857) |
| Deferred payments in lieu of taxes | 2 | (197) | (197) |
| Retail cost variances (iv) | 2 - 4 | (355,519) | (321,566) |
| 2006 storm costs | 2 - 4 | (1,839) | (1,839) |
| Smart grid initiatives (viii) | 4 | (9,637) | (35,179) |
| Hydro One regulatory asset recovery (ix) | 2 - 4 | (3,668) | (3,668) |
| Tax savings (x) | 2 - 4 | (30,431) | (46,209) |
| CGAAP changes (iii) | 2 - 4 | (2,297,538) | (1,132,571) |
| Future income taxes (xi) | 5 - 25 | (6,075,056) | (6,497,137) |
| | | (10,513,529) | (9,383,223) |
| Net Regulatory Liabilities | | \$ (5,681,584) | \$ (5,669,799) |

In the absence of rate regulation, these rate regulated assets and liabilities would be recognized in income in the year in which they relate. As a result, the net effect on income for the period as stated below.

i. Post-market opening retail settlement variances

Post-market opening retail settlement variances represent the amounts that have accumulated since Market Opening and are comprised of variances between amounts charged by the Independent Electric Service Organization (IESO) for the operation of the wholesale electricity market and grid, various wholesale market settlement charges and transmission charges and the amounts collected from customers by the company based on the OEB approved wholesale market service rate. Under the OEB's direction, the company has deferred the settlement variances that have occurred since May 1, 2002. Accordingly, the company has deferred these recoveries in accordance with the AP Handbook.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under Canadian GAAP. In absence of rate regulation, revenues in 2013 would have been lower by \$651,276 (2012 - higher by \$1,366,486, excluding the write-off below). As a component of the yearly IRM, "Group 1" account balances (which are composed of Low Voltage, Wholesale Market, Network, Connection and Power) are reviewed and will qualify for disposition if balances, including carrying charges, exceed a preset threshold per kWh.

North Bay Hydro Distribution Limited

Notes to Financial Statements

December 31, 2013

3. Regulatory Assets and Liabilities (continued)

ii. Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specific interest rate as outlined by the OEB. The company did not recognize carrying charge income related to the retail settlement variance accounts for external reporting purposes prior to December 31, 2003. In the absence of rate regulation, the net of other revenues and interest expense would have been lower by \$28,293 (2012 - lower by \$31,136).

iii. Canadian Generally Accepted Accounting Principles (CGAAP) Changes

On July 8, 2010, the OEB released a depreciation study for use by electricity distributors in the transition to IFRS. The results of this study were released in a report by a 3rd party consultant, Kinetrics, and provided information and guidance that the OEB expected LDCs to consider as asset service lives were determined under IFRS. Though the company has elected to defer transition to IFRS until mandatory, the release of this study provided the company with new information with regards to the estimates used for depreciation purposes. On July 17, 2012 the OEB released a further letter providing guidance to LDCs with regards to regulatory accounting policy direction for changes to depreciation expense and capitalization for companies deferring IFRS transition but seeking to make changes to depreciation and capitalization. The Board has approved variance Account 1576, Accounting Changes Under CGAAP, for distributors to record the financial differences arising as a result of the election to make accounting changes to depreciation; the difference is a reflection of the revised depreciation expense in comparison to the depreciation that would have been recorded under previous service life terms and thus included in rates charged to customers.

The cumulative variance in this account will be refunded to ratepayers in the year of the company's next cost of service application through an adjustment to depreciation expense over an approved amortization period pending review and approval by the OEB.

iv. Retail cost variances

Retail cost variances were established to record the difference between the amount billed and the incremental costs of providing retail services and to record the difference between the amount billed in relation to a service transaction request and the incremental costs of providing the initial screening and actual processing services for the service transaction request. Under the OEB's direction, the company has deferred the settlement variances that have occurred since May 1, 2002. Accordingly, the company has deferred these recoveries in accordance with the AP Handbook.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under Canadian GAAP. In absence of rate regulation, revenues in 2013 would have been higher by \$33,953 (2012 - higher by \$40,063). The deferred balance for unapproved settlement variances continues to be calculated in accordance with the OEB's direction. The manner and timing of disposition of the variance has not been determined by the OEB.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

3. Regulatory Assets and Liabilities (continued)

v. Smart Meter Initiatives

During 2006, the OEB adopted recommendations on smart meters with regard to cost recovery during the phase-in period of this equipment. The OEB stated that given the increased need for electricity and the importance of conservation, specific funding for smart meters should be included in 2006 rates by all Ontario electric LDC. Variance accounts were established to track revenues collected with respect to smart meters and associated costs of the initiatives.

In connection with its smart meter initiatives, the company has incurred costs amounting to \$489,967 for the year ended December 31, 2013 (2012 - \$79,086). As at December 31, 2013, smart meter capital expenditures, net of accumulated depreciation, totalling \$2,552,008 have been recorded to regulatory assets (December 31, 2012 - \$2,283,783). These expenditures would otherwise have been recorded as property, plant and equipment and intangible assets under Canadian GAAP for unregulated businesses. In the absence of rate regulation, net income would have been higher in 2013 by \$221,719 (2012 higher by \$64,836) and net capital assets would have been higher by \$268,226 (2012 - lower by \$126,240).

On August 30, 2013, the company filed an IRM application for 2014 distribution rates (EB-2013-0157) with the OEB which included a request seeking the recovery of smart meter costs. On February 20, 2014, the OEB approved the recovery of \$3,842,216 in capital and OM&A costs over a one year period commencing May 1, 2014 and ending April 30, 2015.

vi. IFRS

During 2008, the OEB consultation process (EB-2008-0408) was set up to determine the effect of IFRS on LDC companies. The consultation concluded that prudently incurred administrative costs directly related to IFRS transition would be recoverable from ratepayers on the same basis as other administrative costs. The Board then established a deferral account for the distributors for incremental one-time administrative costs related to the transition to IFRS. Accordingly, the company has deferred an additional \$Nil in 2013 (2012 - \$20,939) of incremental one-time administrative costs. The Board, in determining the disposition of the account, will consider the criteria of causation, materiality and prudence. In the 2010 cost of service application, the Company was approved to recover \$100,000 over four years in distribution rates. In the absence of rate regulation, net income would have been lower in 2013 by \$25,000 (2012 - higher by \$4,061).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

3. Regulatory Assets and Liabilities (continued)

vii. Disposition/recovery - 2010

On October 26, 2009, the company filed a Cost of Service application for 2010 distribution rates with the OEB which included a request seeking disposition of the balances for regulatory assets and liabilities for a net disposition of \$456,003. On April 8, 2010, the OEB approved the disposition of net regulatory assets of \$2,559,106 and net regulatory liabilities of \$2,103,102 over a one-year period commencing May 1, 2010 and ending April 30, 2011.

viii. Smart grid initiatives

In its April 8, 2010 decision on 2010 distribution rates, the OEB approved the company's proposal to charge customers a fixed monthly funding adder for spending related to two Real-Time Operating Pilot programs; both a Residential and Industrial pilot program. The spending and funding adder are to be tracked in a deferral account. Spending will take place over 2010 and through the IRM period until the next Cost of Service application up to a maximum approved amount of \$100,000. Upon request for disposition, the OEB will consider the prudence of the company's expenditures and make a determination at that time of whether recovery will be approved.

In connection with its smart grid initiatives, the company has incurred costs amounting to \$33,216 for the year ended December 31, 2013 (2012 - \$19,477). As at December 31, 2013, smart grid capital expenditures, net of accumulated depreciation, totaling \$Nil (2012 - \$Nil) have been recorded to regulatory liabilities; the company has collected \$7,673 (2012 - \$22,888) from the funding adder to offset spending which has resulted in a liability. These expenditures would otherwise have been recorded as property, plant and equipment and intangible assets under Canadian GAAP for unregulated businesses. In the absence of rate regulation, net income would have been lower in 2013 by \$25,543 (2012 - higher by \$3,411) and net capital assets would have been higher by \$Nil (2012 - \$2,589).

ix. Hydro One regulatory asset recovery

The Hydro One RAR consists of balances of regulatory assets or regulatory liabilities approved for disposition by the OEB through rate riders billed to all Hydro One customers. The RAR is subject to carrying charges following the OEB prescribed methodology and related rates. The OEB approved the disposition (EB-2009-0096) over a 20 month period beginning May 2010, expiring December 2011. In the absence of rate regulation, net income would have been higher in 2013 by higher by \$Nil (2012 - higher by \$26).

North Bay Hydro Distribution Limited

Notes to Financial Statements

December 31, 2013

3. Regulatory Assets and Liabilities (continued)

x. Tax Savings

In its supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors dated September 17, 2008, the OEB determined that a 50/50 sharing of the impact of currently known legislative changes, as applied to the tax level reflected in the Board approved base rates for a distributor, is appropriate for the 3rd Generation IRM applications. The model provided to distributors calculates the amount of change caused by the tax rate reductions and adjusts distribution rates by 50% if the total change from those taxes included in the most recent cost of service base distribution rates.

In the company's 2012 IRM application, the OEB issued decision (OEB-2011-0187) and found that a 50/50 sharing of changes from the tax level reflected in the Board approved base rates to the currently known legislated tax level for 2012 is appropriate. The OEB ordered the company to record the tax sharing refund amount of \$56,285 in variance account 1595 and dispose over the period of May 1, 2012 to April 30, 2013. In the company's 2011 IRM application, the OEB issued its decision (EB 2010 010) and ordered the company to record the tax sharing refund amount of \$16,285 in variance account 1595 as the amount was deemed immaterial. In the absence of rate regulation, net income would have been lower in 2013 by \$15,778 (2012 – higher by \$29,924).

xi. Future Income Taxes

As a result of amendments to the CICA Handbook, the removal of a temporary exemption in Handbook Section 1100 pertaining to the application of that section resulted in the recognition and measurement of assets and liabilities arising from rate regulation. This change required the recognition of future income tax liabilities and assets in accordance with Handbook Section 3465 as well as a separate regulatory asset or liability balance for the amount of future income taxes expected to be included in future rates and recovered from or paid to customers, and retain existing requirements to disclose the effects of rate regulation. As a result of these changes, the company has recorded a regulatory liability in connection with its future tax asset in the amount of \$6,075,056 (2012 - \$6,497,137).

xii. Disposition/recovery - 2012

On October 14, 2011, the company filed a Cost of Service application for 2012 distribution rates (EB-2011-0187) with the OEB which included a request seeking disposition of the balances for regulatory assets and liabilities. On April 4, 2012, the OEB approved the disposition of net regulatory assets of \$3,056,941 and net regulatory liabilities of \$1,501,141 over a two year period commencing May 1, 2012 and ending April 30, 2014. The net disposition balance of \$1,555,800 included deferred PILs in the amount of \$795,863, SPC of \$6,178 and group 1 balances of \$753,760. The amounts consisted of principal balances as of December 31, 2010 with carrying charges projected to April 30, 2012.

North Bay Hydro Distribution Limited

Notes to Financial Statements

December 31, 2013

3. Regulatory Assets and Liabilities (continued)

xiii. Smart Meter Entity Charge

In a Decision and Order that was issued on March 30, 2013, the OEB approved effective May 1, 2013, the Smart Metering Entity ("SME") charge to be levied and collected by LDCs from Residential and General Service <50kW customers from May 1, 2013 to October 31, 2018. The SME charge effectively covers the costs of the IESO in its role to manage the development of the meter data management/repository (MDM/R) to collect, manage, store and retrieve information related to the metering of customers' use of electricity.

The OEB approved three accounts for use by distributors for the Smart Metering Entity charge, including variance Account 1551, Smart Metering Entity Charge Variance Account which is used to record the variances arising from the Smart Metering Entity charge billed to the company from the Independent Electricity System Operator (IESO) and the amount billed to the company's customers for the Smart Metering Entity. In the absence of rate regulation, net income would have been lower in 2013 by \$18,051 (2012 – \$Nil).

xiv. Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

On April 26, 2012 the OEB released the *Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003)* which included accounting direction on the treatment of lost revenues from forecasted/unforecasted Conservation and Demand Management (CDM) results on distribution revenue due to variances from forecasted throughput used to establish distribution rates.

The Board established an LRAM variance account ("LRAMVA") to capture the differences between the results of actual, verified impacts of authorized CDM activities undertaken by electricity distributors between 2011-2014 for both Board-Approved CDM programs and OPA-Contracted Province-Wide CDM programs in relation to activities undertaken by the distributor and/or delivered for the distributor by a third party under contract (in the distributor's franchise area) and the level of CDM program activities included in the distributor's load forecast (i.e. the level embedded into rates). At a minimum, distributors must apply for disposition of the balance in the LRAMVA the time of their Cost of Service rate applications.

In 2013, the company recorded LRAM for 2011 and 2012 OPA programs based on final results released by the OPA. In addition, the company recorded the preliminary estimate of 2013 program savings. In the absence of rate regulation, net income would have been lower in 2013 by \$242,430 (2012 - \$Nil).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

3. Regulatory Assets and Liabilities (continued)

For certain of the regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the regulator in determining the item's treatment for rate-setting purposes. Management continually assesses the likelihood of recovery of regulatory assets and realization of regulatory liabilities. If recovery and realization through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

4. Accounts Payable and Accrued Liabilities

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------|----------------------|---------------------|
| Power | \$ 6,191,317 | \$ 5,321,221 |
| Trade payables, accruals and other | 6,937,920 | 3,755,481 |
| Customer credit balances | 676,828 | 735,260 |
| Payable to North Bay Hydro Services | 177,325 | 102,181 |
| | <u>\$ 13,983,390</u> | <u>\$ 9,914,143</u> |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

5. Employee Future Benefits

The company has a defined benefit life insurance and health care plan covering substantially all unionized employees and most retirees. Information about the company's defined benefit life insurance and health care plan is as follows:

| | 2013 | 2012 |
|--|--------------|--------------|
| Prepaid benefit liability , beginning of year | \$ 4,405,982 | \$ 4,321,598 |
| Expense for the year | 405,616 | 464,928 |
| Benefits paid during the year | (300,205) | (380,544) |
| Prepaid benefit liability , end of year | \$ 4,511,393 | \$ 4,405,982 |
| Fair value of plan assets | \$ - | \$ - |

| | 2013 | 2012 |
|---|--------------|--------------|
| Prepaid benefit liability , end of year | \$ 4,511,393 | \$ 4,405,982 |
| Unamortized net actuarial (gains) losses | (205,022) | 1,763,801 |
| Projected accrued benefit obligation , end of year | \$ 4,306,371 | \$ 6,169,783 |

Included in wages and employee benefits is a net benefit expense as follows:

| | 2013 | 2012 |
|---|------------|------------|
| Total service cost of the plan for the year | \$ 94,421 | \$ 91,372 |
| Interest on average liabilities | 229,279 | 259,248 |
| Amortization of net actuarial gains/losses | 81,916 | 114,308 |
| | \$ 405,616 | \$ 464,928 |

Actual payments during the year were \$300,205 (2012 - \$380,544).

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

5. Employee Future Benefits (continued)

The main actuarial assumptions employed for the valuations are as follows:

| | |
|---|----------|
| Expected average remaining service life of active employees | 14 years |
|---|----------|

a. General Inflation

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.0% per annum (2012 - 2.0%).

b. Interest (Discount) Rate

The obligation at year end, of the present value of future liabilities and the expense for the year ended, were determined using a discount rate of 4.6% (2012 - 3.75%). The discount rate for 2013 reflects the assumed long term yield on high quality bonds as at December 31, 2013 (most recent valuation date).

c. Salary Levels

Future general salary and wage levels were assumed to increase at 3.3% (2012 - 3.3%) based on expected CPI adjusted for productivity, merit and promotion as at December 31, 2013.

d. Medical Costs

Medical costs were assumed to increase 7% in 2014, 6.7% in 2015, 6.4% in 2016, 6.1% in 2017, 5.8% in 2018, 5.5% in 2019, 5.2% in 2020, 4.9% in 2021 and 4.6% thereafter.

e. Dental Costs

Dental costs were assumed to increase at 4.6% (2012 - 5.0%) annually.

North Bay Hydro Distribution Limited

Notes to Financial Statements

December 31, 2013

6. Long-term Debt

a. Payable to Corporation of the City of North Bay - Promissory Note

The balance payable to the Corporation of the City of North Bay bears interest at 5% per year, and is payable upon twelve month's written notice.

The fair value and future expected repayment schedules for this debt has not been disclosed due to the fact that the cash flow streams are not determinable.

b. Ontario Infrastructure Projects Corporation

The company negotiated a loan with the Ontario Infrastructure Projects Corporation to provide funding for the Smart Meter project. The loan is a 10 year serial loan at an interest rate of 3.90% calculated on a semi-annual basis. The loan will be repaid in 120 monthly installments which will include both principal and interest. The loan balance at the end of the year was \$2,566,667 (2012 - \$2,916,667), of which \$350,000 is repayable within one year.

The company's agreement with the Ontario Infrastructure Projects Corporation requires a debt service coverage ratio of 1:1, a debt to capital ratio lower than 60%, and a current ratio of 1.1:1 or higher. The agreement also prevents the company from making loans or paying dividends that would cause the violation of these covenants. As at December 31, 2013 the company's debt service coverage ratio calculated under the terms of the agreement was 1.19:1, the debt to capital ratio was 47%, and the current ratio was 1.64:1. As part of the financing proposal, the OIPC agreed to waive any debt service coverage ratio violation if working capital surplus was greater than the loan amount. As at December 31, 2013 the working capital surplus calculated under the terms of the contract was \$9,653,229.

Principal repayments for the next five years and thereafter are as follows:

| | <u>Ontario Infrastructure
Projects Corporation</u> |
|------------|--|
| 2014 | \$ 350,000 |
| 2015 | 350,000 |
| 2016 | 350,000 |
| 2017 | 350,000 |
| 2018 | 350,000 |
| Thereafter | <u>816,667</u> |
| | <u>\$ 2,566,667</u> |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

7. Contingencies

The company belongs to the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self-insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2013, the company has not been made aware of any assessments for losses. The company has two claims outstanding against it and expects that any potential liability under these claims will be covered under the MEARIE liability policy.

8. Commitments

On October 9, 2009 the company entered into a 15 year contract with Sensus Metering Systems Inc. to maintain and further develop the AMI system that meets the MEU functional specifications related to the Smart Meter Project. The contract contains 3 renewal terms of 5 years each. The company elected to have the monthly fees billed in USD, instead of having the currency rate set on an annual basis in October of each year. Termination penalties apply if the company cancels the contract without cause, the related fees are based on a sliding scale for the year this takes place and the fees associated with the service option selected. Annual fees in the amount of approximately \$158,000 are expected to be incurred under this contract, however can fluctuate based on several factors including performance..

9. Share Capital

Authorized:

Unlimited Common shares

The issued share capital is as follows:

| | <u>2013</u> | <u>2012</u> |
|---------------------|----------------------|----------------------|
| 1,001 Common shares | <u>\$ 19,511,601</u> | <u>\$ 19,511,601</u> |

10. Cost of Power

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| Pass through charges billed by the company for: | | |
| Electricity charges | \$ 46,527,935 | \$ 41,414,241 |
| Network and connection | 6,399,721 | 6,086,266 |
| Wholesale market service charges | 2,947,252 | 2,912,108 |
| Smart meter entity charge | 148,751 | - |
| | <u>\$ 56,023,659</u> | <u>\$ 50,412,615</u> |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

11. Related Party Transactions

The Corporation of the City of North Bay (the "City") is the 100% owner of North Bay Hydro Holdings Inc. which is the parent company of North Bay Hydro Distribution Limited and North Bay Hydro Services Inc.

The company provides electricity and services to the City. A summary of the amounts charged by the company to the City is as follows:

| | <u>2013</u> | <u>2012</u> |
|--------------------------|--------------|--------------|
| Electrical energy | \$ 2,633,262 | \$ 2,510,679 |
| Street light energy | 870,944 | 856,557 |
| Construction activity | 215,739 | 12,330 |
| Street light maintenance | 213,116 | 506,064 |

At December 31, 2013, accounts payable and accrued liabilities includes \$135,696 due to the City (2012 - \$173,780) and accounts receivable include \$539,799 due from the City (2012 - \$588,240). The company purchased goods and services from the City totaling \$293,058 in 2013 (2012 - \$371,589). In 2013, the company also provided CDM incentives to the City of North Bay totalling \$36,309 (2012 - \$4,425). In fiscal 2012 the company began to generate power for sale into the grid. The company was charged \$0.045 / kwh by the City for the use of the gas produced by its landfill site to generate this power for a total cost of power under this initiative paid to the City in the amount of \$133,291 (2012 - \$223,973).

Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Streetlight maintenance services are provided at rates determined in relation to other service providers. Other construction services are provided at cost.

During the year, the company paid municipal taxes to the City in the amount of \$62,479 (2012 - \$57,183).

The company is also indebted to the City for a \$19,511,601 (2012 - \$19,511,601) promissory note (see Note 6a). Included in interest expense for the year is interest paid on this promissory note in the amount of \$975,580 (2012 - \$975,580). In 2012 the 4.9% interest bearing loan payable to the City in the amount of \$3,986,631 was repayable in monthly installments of principal and interest. In 2013, this loan was sold as part of the disposition of the company's gas collection and generation business, see below.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

11. Related Party Transactions (continued)

The company provides administrative and other services to an affiliated company, North Bay Hydro Services Inc ("Services"). Administrative fees charged for 2013 were \$66,994 (2012 - \$49,354). Salaries charged to Services were \$323,334 (2012 - \$234,637) and contracted services totalling \$97,368 were also charged to Services in 2013 (2012 - \$68,342). Rent charged to Services was \$16,200 (2012 - \$16,200) and equipment charges amounted to \$15,404 (2012 - \$9,836). The intercompany accounts payable at year end was \$177,325 (2012 - \$102,181). With regards to the Merrick Landfill Project, in 2013 the company was charged \$37,873 (2012 - \$77,142) by Services for expenses related to this project, including an administrative fee.

The above transactions are in the normal course of operations and are measured at exchange amounts.

On May 1, 2013 the company sold its gas collection and generation business to Services, a company under common control, for a purchase price of \$1. The transaction was measured at carrying values and included the transfer of cash in the amount of \$249,999.

12. Credit Facility / Letters of Credit

The company has an authorized line of credit under a credit facility agreement with a Canadian chartered bank. The maximum draw permitted under this agreement is \$1,000,000. At year end the company had drawn \$Nil (2012 - \$Nil) under this facility.

The company has available a revolving term facility to a maximum draw of \$1,000,000 to finance the purchase of capital assets. At year end the company had drawn \$Nil (2012 - \$Nil) under this facility.

The company has a \$2.5 million letter of credit with its bank provided to the IESO to secure the company's hydro purchase obligations. The company has provided its financial institution with a General Security Agreement as security for this obligation. In the prior year, the company had provided its financial institution with an assignment in the amount of \$2,000,000 of its short-term investments as security for the letter of credit provided to the IESO to secure its hydro purchase obligations. In the current year the banking agreement changed such that the investments were released as security and a General Security Agreement (GSA) has been put in its place.

The company's general banking agreement which encompasses the line of credit, revolving term facility and the letter of credit contains financial covenants which include a debt to capital ratio lower than 60% and a debt service coverage ratio of not less than 1:1. As at December 31, 2013, the company's debt to capital ratio was 30% and the debt service coverage ratio calculated under the terms of the agreement was 2.87:1.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

13. Pension Agreements

The company makes contributions to the OMERS, which is a multi-employer pension plan, on behalf of all full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 439,528 active and retired members and approximately 982 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2013. The results of this valuation disclosed total actuarial liabilities of \$73,004 million in respect of benefits accrued for service with actuarial assets at that date of \$64,363 million indicating an actuarial deficit of \$8,641 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the company does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2013 was \$394,754 (2012 - \$328,200).

14. Net Change in Non-cash Working Capital Balances

The net change in non-cash working capital balances consists of:

| | 2013 | 2012 |
|--|---------------------|---------------------|
| Accounts receivable | \$ (2,796,186) | \$ (295,355) |
| Unbilled service revenue | 7,496 | 149,881 |
| Inventory | 130,895 | 178,834 |
| Prepaid expenses | (76,588) | 64,496 |
| Accounts payable and accrued liabilities | 4,183,699 | (774,880) |
| Payments in lieu of taxes | 103,301 | 179,594 |
| Deferred revenue | 339,649 | 116,729 |
| | <u>\$ 1,892,266</u> | <u>\$ (380,701)</u> |

Supplementary cash flow information consists of the following:

| | 2013 | 2012 |
|------------------------------------|--------------|--------------|
| Cash paid during the year for: | | |
| Interest | \$ 1,214,264 | \$ 1,268,236 |
| Payments in lieu of taxes | \$ 550,887 | \$ 1,027,339 |
| Cash received during the year for: | | |
| Interest | \$ 195,869 | \$ 159,111 |

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

15. Payments in Lieu of Corporate Income Taxes, Capital Taxes, and Future Income Taxes

a. Expense

The company's provision for PILs is calculated as follows:

| | 2013 | 2012 |
|--|--------------|--------------|
| Income before provision for income taxes and other item | \$ 2,760,504 | \$ 2,845,518 |
| Regulatory assets/liabilities added (deducted)
for tax purposes | 1,325,937 | 1,788,943 |
| Net change in reserves | 105,410 | 84,384 |
| Capital cost allowance (greater than) less than
amortization expense related to regulatory assets | (1,385,148) | (2,347,605) |
| Other items | (178,414) | 28,299 |
| Gain on disposal of assets | (7,461) | (347,552) |
| | 2,620,828 | 2,051,987 |
| Income for tax purposes | 2,620,828 | 2,051,987 |
| Statutory Canadian federal and provincial tax rate | 26.50 % | 26.50 % |
| | 694,519 | 543,776 |
| Provision for PILs | 694,519 | 543,776 |
| Ontario small business deduction | (35,000) | (35,000) |
| Ontario co-op and apprenticeship tax credits | - | (3,443) |
| Prior year over provision | 20,973 | 7,132 |
| | \$ 680,492 | \$ 512,465 |
| Total tax provision | \$ 680,492 | \$ 512,465 |

b. Future Taxes

As the end of the year, the significant component's of the company's future taxes are as follows:

| | 2013 | 2012 |
|--------------------------------|--------------|--------------|
| Future Income Tax Asset | | |
| Property, plant and equipment | \$ 4,448,499 | \$ 4,784,078 |
| Employee future benefits | 1,626,557 | 1,588,551 |
| | \$ 6,075,056 | \$ 6,372,629 |
| Total future tax assets | \$ 6,075,056 | \$ 6,372,629 |

North Bay Hydro Distribution Limited

Notes to Financial Statements

December 31, 2013

16. Financial Instruments

a. Fair Values

The company's financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, customer deposits, long-term debt, payable to North Bay Hydro Services Inc and payable to the Corporation of the City of North Bay.

Cash and cash equivalents is reported at fair value on the balance sheet. Accounts receivable, accounts payable and accrued liabilities, payable to North Bay Hydro Services Inc. and customer deposits are reported at amortized cost which approximates fair value due to their short-term nature.

The fair value of the long-term debt, payable to the Corporation of the City of North Bay have not been determined as disclosed in Note 6.

b. Risks arising from Financial Instruments

Credit Risk

The company's cash and cash equivalents are all held at a single major financial institution and the company is therefore exposed to credit risk from this concentration of cash and cash equivalents. The company also maintains cash and cash equivalents with its financial institution in excess of federally insured limits and is therefore exposed to the credit risk from this concentration of cash and cash equivalents.

The company's accounts receivables are made up of a large number of small balances from residential customers and commercial customers in a number of different industries. The company is exposed to credit risk as a result of its accounts receivable through the possibility of customer default on these accounts. The company monitors its exposure to and attempts to limit this credit risk exposure on a continuous basis.

In accordance with directions provided by the OEB, the company collects deposits from its customers and as at December 31, 2013 held customer deposits in the amount of \$942,988 (2012 - \$970,780).

The company provides for its credit risk through the use of an allowance whereby customer accounts greater than 90 days in age are provided for. Any change in this provision from one year to the next and any future recoveries of accounts that had previously been allowed for are recognized in the statement of operations.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

16. Financial Instruments (continued)

The credit risk associated with accounts receivable is as follows:

| | 2013 | 2012 |
|---------------------------------------|---------------------|---------------------|
| Total accounts receivable | \$ 9,208,367 | \$ 6,527,647 |
| Less: allowance for doubtful accounts | <u>(804,216)</u> | <u>(750,886)</u> |
| Accounts receivable, net | <u>\$ 8,404,151</u> | <u>\$ 5,776,761</u> |
| Aged as follows: | | |
| Less than 29 days | \$ 7,285,702 | \$ 4,906,569 |
| 30 to 89 days | 715,599 | 694,178 |
| 90 days and older | 1,207,065 | 926,900 |
| Less: allowance for doubtful accounts | <u>(804,216)</u> | <u>(750,886)</u> |
| Accounts receivable, net | <u>\$ 8,404,150</u> | <u>\$ 5,776,761</u> |

The company's maximum credit risk exposure is equal to the carrying value of its financial assets.

Interest Rate Risk

The company has access to short-term borrowings under its credit facility agreement (Note 12). If the company were to utilize this facility it would be exposed to fluctuations in short-term interest rates.

The company is exposed to interest rate risk on its long-term debt and its payable to the Corporation of the City of North Bay (Note 6). The interest rates on these financial instruments are fixed and therefore the company is not exposed to fluctuations in short-term interest rates. However, with respect to its payable to the Corporation of the City of North Bay, if short-term interest rates fall below the fixed rate of this instrument the company would incur greater interest expense than it would had it borrowed these funds using other means. Alternatively, should short-term interest rates rise above these fixed rates, the company would incur lower interest expense than it would had it borrowed these funds using other means.

North Bay Hydro Distribution Limited Notes to Financial Statements

December 31, 2013

16. Financial Instruments (continued)

Liquidity Risk

The company strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due while minimizing interest expense. The company monitors cash balances regularly and has access to short-term borrowings, should they be required, under its credit facility agreement (Note 12).

Accounts payable and accrued liabilities are all due within one year from the balance sheet date. The company is exposed to liquidity risk on its payable to the City (Note 6) as this balance is payable upon twelve month's written notice. Management does not expect that this note will be called within the foreseeable future.

Currency Risks

The company is exposed to the changing values of foreign currencies. The company has entered into a contract for the purchase of goods and services related primarily to the Smart Meter project, which is payable in US dollars. The company is exposed to the fluctuations in currency prices when it purchases US dollars to meet the payable commitments. The impact on these transactions in 2013 was a foreign exchange gain of \$11,365 (2012 - loss \$4,060).

Other Risks

The company is not exposed to any other significant risks as it has not entered into any hedging or derivative contracts.

North Bay Hydro Distribution Limited

Notes to Financial Statements

December 31, 2013

17. Capital Disclosures

The company considers its capital to comprise its common share capital, accumulated retained earnings and amounts due to related parties. There have been no changes in what the company considers to be capital since the previous year.

In managing its capital, the company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and through the payment of periodic dividends to its common shareholders. The company also seeks to ensure that access to funding is available in order to maintain and improve the equipment used in operations and maintain financial ratios within the recommended guidelines as prescribed by the OEB. In order to achieve these objectives, the company develops detailed annual operating budgets and seeks to maintain distribution revenue levels and control costs to enable the company to meet its working capital requirements and strategic investment needs. In making decisions to adjust its capital structure to achieve these objectives, the company considers both its short-term position and long-term operational and strategic objectives.

As at December 31, 2013 the company is party to debt agreements that contain various covenants (Notes 6b and 12) and is restricted from offering loans or paying dividends that would cause a violation of those covenants.

1 **Appendix 1-E 2011-2013 Reconciliated Audited Financial Statements**

2

North Bay Hydro Distribution Limited
Balance Sheet - as of December 31, 2011

| | Audited
Financial
Statements | Reclass
Utility | 2011
Regulatory
Filing | Notes |
|---|------------------------------------|--------------------|------------------------------|------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 6,321,661 | | 6,321,661 | |
| Accounts receivable | 5,481,406 | | 5,481,406 | |
| Unbilled revenue | 7,890,803 | | 7,890,803 | |
| Inventory | 758,471 | | 758,471 | |
| Prepaid expenses | 603,020 | (6,361) | 596,659 | Note 1 |
| Payments in lieu of taxes receivables | 174,261 | (174,261) | - | Note 2 |
| | 21,229,622 | (180,622) | 21,049,000 | |
| Property, plant and equipment | 43,191,831 | (1,512,229) | 41,679,602 | |
| Non-Utility Property Owned or Under Capital Lease | | 1,512,229 | 1,512,229 | |
| Future Income Taxes | 7,053,341 | (7,053,341) | - | Note 3 |
| Regulatory assets (Other Assest & Deferred Charges) | 5,539,947 | (2,361,105) | 3,178,842 | Notes 1, 3 |
| TOTAL ASSETS | 77,014,741 | (9,595,068) | 67,419,673 | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 10,559,713 | | 10,559,713 | |
| Payments in lieu of taxes | - | (174,261) | (174,261) | Note 2 |
| Current portion of long-term customer deposits | 107,543 | | 107,543 | |
| Deferred revenue | 158,518 | | 158,518 | |
| Payable to North Bay Hydro Services Inc. | 129,310 | | 129,310 | |
| Current portion of long-term debt | 350,000 | | 350,000 | |
| Loan Payable - Generation | 1,314,110 | (1,314,110) | - | |
| | 12,619,194 | (1,488,371) | 11,130,823 | |
| Long-term debt | 2,916,667 | 1,314,110 | 4,230,777 | |
| Customer deposits | 869,613 | | 869,613 | |
| Employee future benefits | 4,321,598 | | 4,321,598 | |
| Regulatory Liability | 9,420,807 | (9,420,807) | - | Note 3 |
| Payable to Corporation of the City of North Bay | 19,511,601 | | 19,511,601 | |
| | 49,659,480 | (9,595,068) | 40,064,412 | |
| SHAREHOLDER'S EQUITY | | | | |
| Share Capital | 19,511,601 | | 19,511,601 | |
| Retained earnings | 7,843,660 | | 7,843,660 | |
| | 27,355,261 | - | 27,355,261 | |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | 77,014,741 | (9,595,068) | 67,419,673 | |

Note 1 - reclassified from Prepaid to other Assets and Deferred Charges

Note 2 - reclassified to Payable for PIL's

Note 3 - reclassified between from Regulatory Liabilities to Regulatory Assets, Future Taxes to Regulatory Assets

Note 3- reclassified from current loan payable to long term

North Bay Hydro Distribution Limited
Statement of Operations and Retained Earnings- as of December 31, 2011

| | Audited
Financial
Statements | Reclass | 2011
Regulatory
Filing | Notes |
|---|------------------------------------|--------------|------------------------------|-------------|
| Revenue | | | | |
| Distribution Revenue | \$ 11,118,450 | | \$ 11,118,450 | |
| Other Operating Revenue | 1,089,304 | 3,960 | 1,093,264 | Notes 1,2,3 |
| Total Revenue | <u>12,207,754</u> | <u>3,960</u> | <u>12,211,714</u> | |
| Expenses | | | | |
| Operations | 2,316,164 | | 2,316,164 | |
| Finance | 1,554,443 | | 1,554,443 | |
| Human Resources | 569,106 | | 569,106 | |
| Administration | 791,090 | | 791,090 | |
| Amortization | 2,956,995 | | 2,956,995 | |
| Total | <u>8,187,798</u> | - | <u>8,187,798</u> | |
| Income before items below | 4,019,956 | 3,960 | 4,023,916 | |
| Interest | 1,146,402 | (8,065) | 1,138,337 | Note 1 |
| Capital Tax | - | | - | |
| Property Tax | 58,586 | | 58,586 | |
| Income before other items and provision for income taxes | 2,814,968 | 12,025 | 2,826,993 | |
| Other Items | | | | |
| Charitable donations | (107,153) | | (107,153) | |
| Gain/Loss on disposal of property, plant and equipment | 3,647 | (3,647) | - | Note 2 |
| Loss/gain on foreign exchange | 8,378 | (8,378) | - | Note 3 |
| Gain on regulatory assets | 1,244,278 | | 1,244,278 | |
| Income before provision for income taxes | <u>3,964,118</u> | - | <u>3,964,118</u> | |
| Provision for payment in lieu of taxes | 709,731 | | 709,731 | |
| Net Income for the year | <u>\$ 3,254,387</u> | <u>\$ -</u> | <u>\$ 3,254,387</u> | |
| Retained earnings, beginning of year | 5,280,404 | | 5,280,404 | |
| Net income for the year | 3,254,387 | | 3,254,387 | |
| Dividends paid during the year | (691,131) | | (691,131) | |
| Retained earnings, end of year | <u>\$ 7,843,660</u> | <u>\$ -</u> | <u>\$ 7,843,660</u> | |

Note 1 - Generation (non utility) reclassified

Note 2 - Gain/loss on assets reclassified to other revenue/expenses

Note 3 - Foreign exchange reclassified to other revenue/expenses

North Bay Hydro Distribution Limited
Balance Sheet - as of December 31, 2012

| | Audited
Financial
Statements | Reclass | 2012
Regulatory
Filing | Notes |
|---|------------------------------------|--------------------|------------------------------|-----------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 7,602,718 | (209,330) | 7,393,388 | Note 1 |
| Accounts receivable | 5,776,761 | (423,990) | 5,352,771 | Note 1 |
| Unbilled revenue | 7,740,920 | | 7,740,920 | |
| Inventory | 579,637 | | 579,637 | |
| Prepaid expenses | 538,523 | (6,361) | 532,162 | Note 2 |
| Payments in lieu of taxes receivables | - | | - | |
| | 22,238,559 | (639,681) | 21,598,878 | |
| Property, plant and equipment | 47,990,627 | (4,453,876) | 43,536,751 | Note 1, 3 |
| Construction Work in Progress | | 625,281 | 625,281 | Note 3 |
| Non-Utility Property Owned or Under Capital Lease | | 4,609,898 | 4,609,898 | Note 1 |
| Future Income Taxes | 6,372,629 | (6,372,629) | - | Note 4, 6 |
| Regulatory assets (Other Assest & Deferred Charges) | 3,713,424 | (2,879,725) | 833,699 | Note 2, 6 |
| TOTAL ASSETS | 80,315,239 | (9,110,732) | 71,204,507 | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 9,811,962 | 124,508 | 9,936,470 | Note 4 |
| Payments in lieu of taxes | 5,333 | 147,983 | 153,316 | Note 1 |
| Current portion of long-term customer deposits | 87,689 | | 87,689 | |
| Deferred revenue | 275,247 | | 275,247 | |
| Payable to North Bay Hydro Services Inc. | 102,181 | | 102,181 | |
| Current portion of long-term debt | 350,000 | | 350,000 | |
| Loan Payable - Generation | 133,336 | (133,336) | - | Note 5 |
| | 10,765,748 | 139,155 | 10,904,903 | |
| Long-term debt | 2,566,667 | | 2,566,667 | |
| Loan Payable - Generation | 3,853,797 | 133,336 | 3,987,133 | Note 5 |
| Customer deposits | 883,091 | | 883,091 | |
| Employee future benefits | 4,405,983 | | 4,405,983 | |
| Regulatory Liability | 9,383,223 | (9,383,223) | - | Note6 |
| Payable to Corporation of the City of North Bay | 19,511,601 | | 19,511,601 | |
| Non Current Liabilities and Debt | 40,604,362 | (9,249,887) | 31,354,475 | |
| SHAREHOLDER'S EQUITY | | | | |
| Share Capital | 19,511,601 | | 19,511,601 | |
| Retained earnings | 9,433,529 | | 9,433,529 | |
| | 28,945,130 | - | 28,945,130 | |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | 80,315,239 | (9,110,732) | 71,204,507 | |

Note 1 - reclassified non utility balances

Note 2 - reclassified prepaid to Regulatory Assets/ Other Assets and Deferred Charges

Note 3 - reclassified WIP from Property, Plant and Equipment to Construction Work in Progress

Note 4 - reclassified non utility Future Tax balance

Note 5 - reclasseds non utility current debt balance to long term

Note 6 - reclassified between from Regulatory Liabilities to Regulatory Assets, Future Taxes to Regulatory Assets

North Bay Hydro Distribution Limited
Statement of Operations and Retained Earnings- as of December 31, 2012

| | Audited Financial
Statements | Reclass | 2012 Regulatory
Filing | Notes |
|---|---------------------------------|------------------|---------------------------|-------------|
| Revenue | | | | |
| Distribution Revenue | \$ 11,011,598 | | \$ 11,011,598 | |
| Other Operating Revenue | 1,536,688 | 45,076 | 1,581,764 | Notes 1,2,3 |
| Total Revenue | <u>12,548,286</u> | <u>45,076</u> | <u>12,593,362</u> | |
| Expenses | | | | |
| Operations | 2,442,933 | (118,456) | 2,324,477 | Note 1 |
| Finance | 1,495,972 | | 1,495,972 | |
| Human Resources | 566,270 | | 566,270 | |
| Administration | 983,063 | | 983,063 | |
| Amortization | 2,084,482 | (106,288) | 1,978,194 | Note 1 |
| Total | <u>7,572,720</u> | <u>(224,744)</u> | <u>7,347,976</u> | |
| Income before items below | 4,975,566 | 269,820 | 5,245,386 | |
| Interest | 1,268,236 | (97,146) | 1,171,090 | Note 1 |
| Capital Tax | - | | - | |
| Property Tax | 57,183 | | 57,183 | |
| Income before other items and provision for income taxes | 3,650,147 | 366,966 | 4,017,113 | |
| Other Items | | | | |
| Charitable donations | (15,550) | | (15,550) | |
| Gain/Loss on disposal of property, plant and equipment | 347,552 | (347,552) | - | Note 2 |
| Loss/gain on foreign exchange | (4,060) | 4,060 | - | Note 3 |
| Gain on regulatory assets | (1,132,571) | | (1,132,571) | |
| Income before provision for income taxes | <u>2,845,518</u> | <u>23,474</u> | <u>2,868,992</u> | |
| Provision for payment in lieu of taxes | 512,465 | 147,982 | 660,447 | Note 1 |
| Future Tax | 124,508 | (124,508) | - | Note 1 |
| Total Income Tax | <u>636,973</u> | <u>23,474</u> | <u>660,447</u> | |
| Net Income for the year | <u>\$ 2,208,545</u> | <u>\$ -</u> | <u>\$ 2,208,545</u> | |
| Retained earnings, beginning of year | 7,843,658 | | 7,843,658 | |
| Net income for the year | 2,208,545 | | 2,208,545 | |
| Dividends paid during the year | (618,674) | | (618,674) | |
| Retained earnings, end of year | <u>\$ 9,433,529</u> | <u>\$ -</u> | <u>\$ 9,433,529</u> | |

Note 1 - Generation (non utility) reclassified

Note 2 - Gain/loss on assets reclassified to other revenue/expenses

Note 3 - Foreign exchange reclassified to other revenue/expenses

North Bay Hydro Distribution Limited
Balance Sheet - as of December 31, 2013

| | Audited
Financial
Statements | Reclass | 2013
Regulatory
Filing | Notes |
|---|------------------------------------|---------------------|------------------------------|-----------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 7,588,784 | | 7,588,784 | Note 1 |
| Accounts receivable | 8,404,151 | (405,591) | 7,998,560 | Note 1 |
| Unbilled revenue | 7,733,424 | | 7,733,424 | |
| Inventory | 448,742 | | 448,742 | |
| Prepaid expenses | 615,111 | (6,361) | 608,750 | Note 2 |
| Payments in lieu of taxes receivables | - | | - | |
| | 24,790,212 | (411,952) | 24,378,260 | |
| Property, plant and equipment | 47,568,986 | (526,120) | 47,042,866 | Note 3 |
| Construction Work in Progress | | 526,120 | 526,120 | Note 3 |
| Non-Utility Property Owned or Under Capital Lease | | 405,590 | 405,590 | Note 1 |
| Future Income Taxes | 6,075,056 | (6,075,056) | - | Note 6 |
| Regulatory assets (Other Assets & Deferred Charges) | 4,831,945 | (4,432,112) | 399,833 | Note 2, 6 |
| TOTAL ASSETS | 83,266,199 | (10,513,530) | 72,752,669 | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 13,983,390 | (353,956) | 13,629,434 | Note 5 |
| Payments in lieu of taxes | 108,634 | (143,810) | (35,176) | Note 1 |
| Current portion of long-term customer deposits | 80,063 | | 80,063 | |
| Deferred revenue | 614,896 | 143,810 | 758,706 | Note 1 |
| Payable to North Bay Hydro Services Inc. | | | - | |
| Current portion of long-term debt | 350,000 | | 350,000 | |
| Loan Payable - Generation | - | | - | |
| | 15,136,983 | (353,956) | 14,783,027 | |
| Long-term debt | 2,216,667 | | 2,216,667 | |
| Loan Payable - Generation | - | | - | |
| Customer deposits | 862,925 | 353,956 | 1,216,881 | Note 5 |
| Employee future benefits | 4,511,393 | | 4,511,393 | |
| Regulatory Liability | 10,513,529 | (10,513,529) | - | Note 6 |
| Payable to Corporation of the City of North Bay | 19,511,601 | | 19,511,601 | |
| Non Current Liabilities and Debt | 37,616,115 | (10,159,573) | 27,456,542 | |
| SHAREHOLDER'S EQUITY | | | | |
| Share Capital | 19,511,601 | | 19,511,601 | |
| Retained earnings | 11,001,500 | | 11,001,500 | |
| | 30,513,101 | - | 30,513,101 | |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | 83,266,199 | (10,513,529) | 72,752,670 | |

Note 1 - reclassified non utility balances

Note 2 - reclassified prepaid to Regulatory Assets/ Other Assets and Deferred Charges

Note 3 - reclassified WIP from Property, Plant and Equipment to Construction Work in Progress

Note 4 - reclassified non utility Future Tax balance

Note 5 - reclassified non utility trust account balance from current to long term

Note 6 - reclassified between from Regulatory Liabilities to Regulatory Assets, Future Taxes to Regulatory Assets

North Bay Hydro Distribution Limited
Balance Sheet - as of December 31, 2013

| | Audited
Financial
Statements | Reclass | 2013
Regulatory
Filing | Notes |
|---|------------------------------------|---------------------|------------------------------|-----------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 7,588,784 | | 7,588,784 | Note 1 |
| Accounts receivable | 8,404,151 | (405,591) | 7,998,560 | Note 1 |
| Unbilled revenue | 7,733,424 | | 7,733,424 | |
| Inventory | 448,742 | | 448,742 | |
| Prepaid expenses | 615,111 | (6,361) | 608,750 | Note 2 |
| Payments in lieu of taxes receivables | - | | - | |
| | 24,790,212 | (411,952) | 24,378,260 | |
| Property, plant and equipment | 47,568,986 | (526,120) | 47,042,866 | Note 3 |
| Construction Work in Progress | | 526,120 | 526,120 | Note 3 |
| Non-Utility Property Owned or Under Capital Lease | | 405,590 | 405,590 | Note 1 |
| Future Income Taxes | 6,075,056 | (6,075,056) | - | Note 6 |
| Regulatory assets (Other Assets & Deferred Charges) | 4,831,945 | (4,432,112) | 399,833 | Note 2, 6 |
| TOTAL ASSETS | 83,266,199 | (10,513,530) | 72,752,669 | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 13,983,390 | (353,956) | 13,629,434 | Note 5 |
| Payments in lieu of taxes | 108,634 | (143,810) | (35,176) | Note 1 |
| Current portion of long-term customer deposits | 80,063 | | 80,063 | |
| Deferred revenue | 614,896 | 143,810 | 758,706 | Note 1 |
| Payable to North Bay Hydro Services Inc. | | | - | |
| Current portion of long-term debt | 350,000 | | 350,000 | |
| Loan Payable - Generation | - | | - | |
| | 15,136,983 | (353,956) | 14,783,027 | |
| Long-term debt | 2,216,667 | | 2,216,667 | |
| Loan Payable - Generation | - | | - | |
| Customer deposits | 862,925 | 353,956 | 1,216,881 | Note 5 |
| Employee future benefits | 4,511,393 | | 4,511,393 | |
| Regulatory Liability | 10,513,529 | (10,513,529) | - | Note 6 |
| Payable to Corporation of the City of North Bay | 19,511,601 | | 19,511,601 | |
| Non Current Liabilities and Debt | 37,616,115 | (10,159,573) | 27,456,542 | |
| SHAREHOLDER'S EQUITY | | | | |
| Share Capital | 19,511,601 | | 19,511,601 | |
| Retained earnings | 11,001,500 | | 11,001,500 | |
| | 30,513,101 | - | 30,513,101 | |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | 83,266,199 | (10,513,529) | 72,752,670 | |

Note 1 - reclassified non utility balances

Note 2 - reclassified prepaid to Regulatory Assets/ Other Assets and Deferred Charges

Note 3 - reclassified WIP from Property, Plant and Equipment to Construction Work in Progress

Note 4 - reclassified non utility Future Tax balance

Note 5 - reclassified non utility trust account balance from current to long term

Note 6 - reclassified between from Regulatory Liabilities to Regulatory Assets, Future Taxes to Regulatory Assets

1 **Appendix 1-F Map of Distribution Service Territory**

2

MERRICK TWP.

MULOCK TWP.

COMMANDA TWP.

COMMANDA TWP.

SONGIS RD. PHELPS TWP.

1.6 km (Bomarc Rd to Demarcation Point)

North Bay Hydro Service Area Boundary

West Side of Songis Rd in NBH Service Area

LAKE NIPISSING

TROUT LAKE

TROUT LAKE

TROUT LAKE

EAST FERRIS TWP.

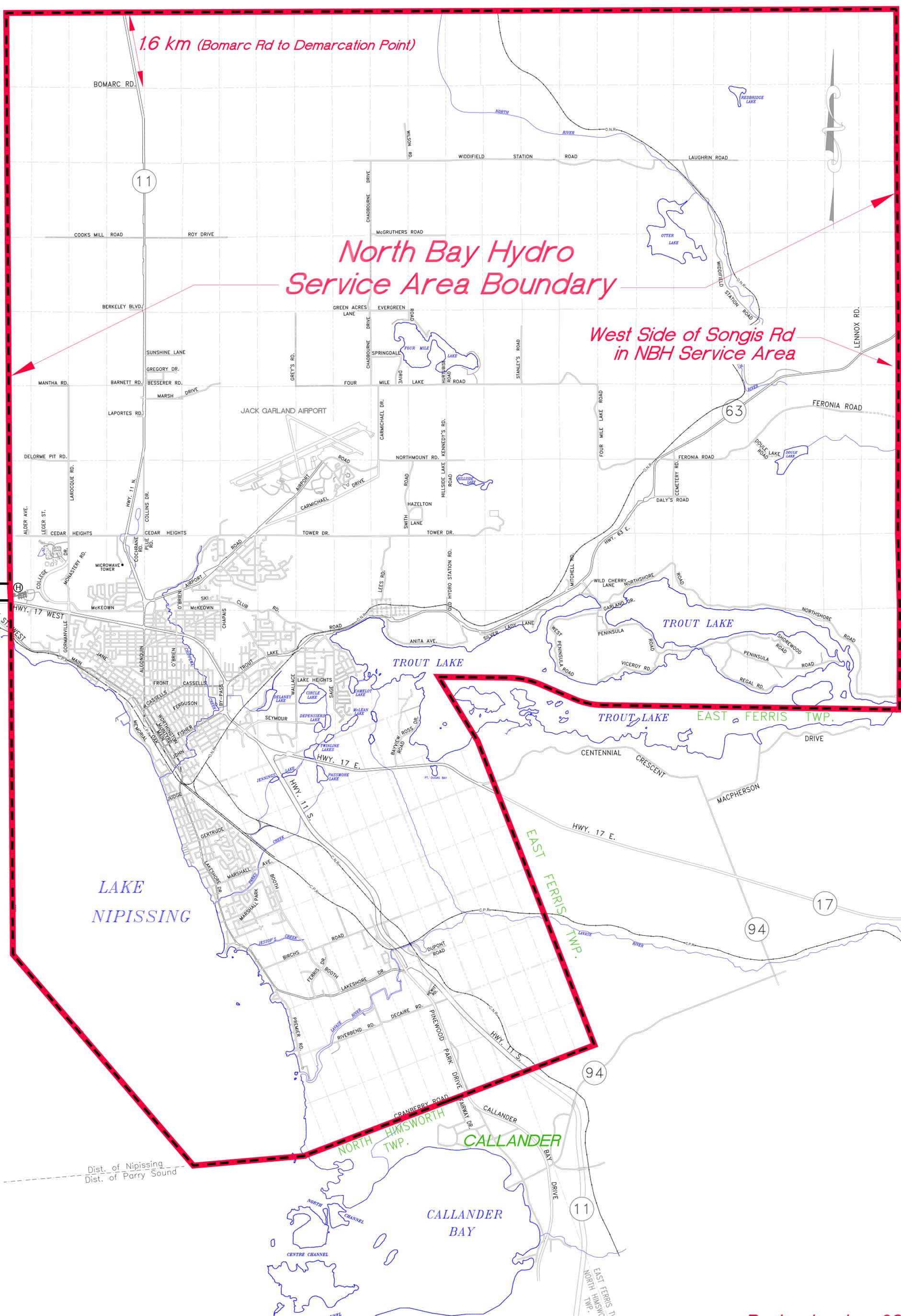
EAST FERRIS TWP.

NORTH HIMS WORTH TWP.

CALLANDER

CALLANDER BAY

Dist. of Nipissing
Dist. of Parry Sound



Appendix 1-G Utility Organizational Chart

1 **Appendix 1-G Utility Organizational Chart**

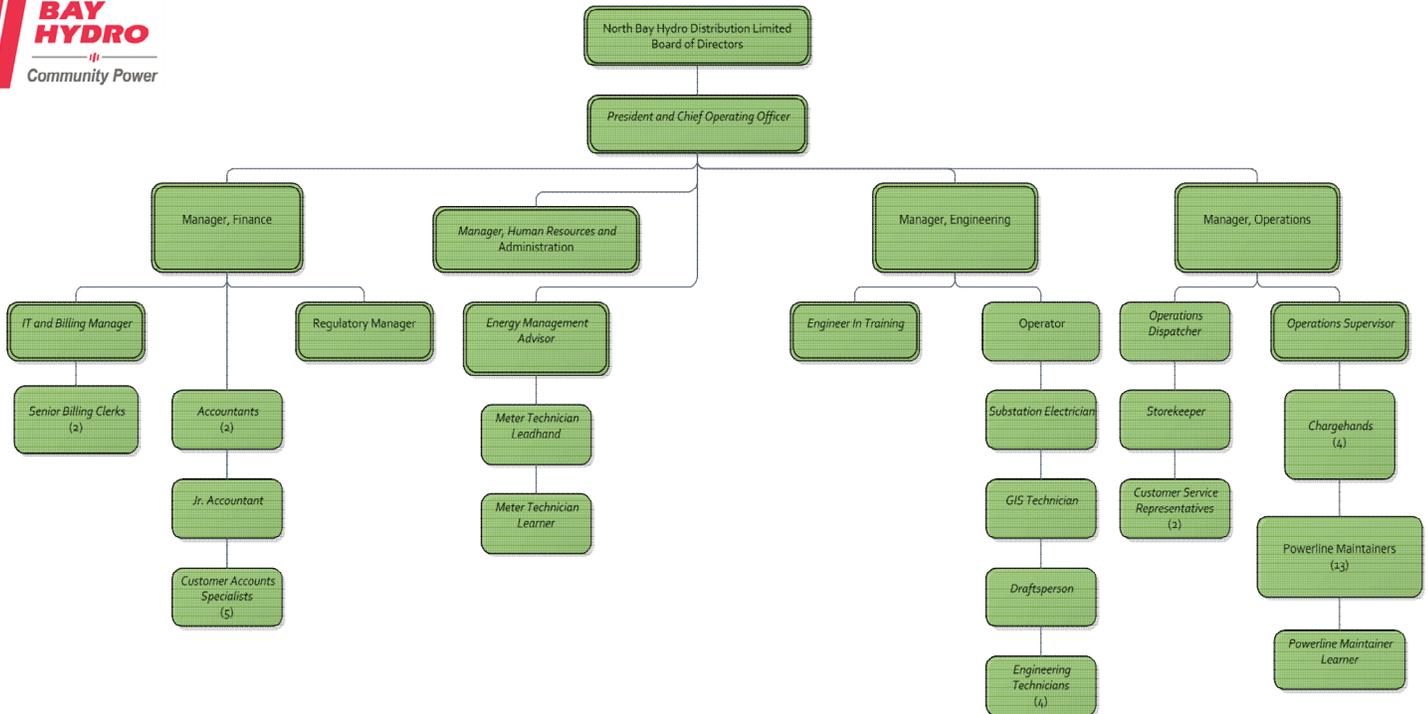
2

3 **DEPARTMENTAL OVERVIEWS**

4 Following is NBHDL's organization chart:



2014/2015 North Bay Hydro Distribution Limited's Organizational Chart



Updated: August 19, 2014

5 The following is a description of each of the NBHDL operational units.

6 **1. Engineering:**

7 The Engineering department at NBHDL consists of engineering services, network control operations,
8 substation services and asset management. The Engineering department currently has ten staff,
9 consisting of the Manager, Engineering, one Engineer In Training, one Substation Operator, one
10 Substation Electrician, one GIS Technician, one Draftsperson and 4 Engineering Technicians. There
11 are no plans to change the complement in total in either 2014 or 2015, however turnover is expected
12 as one of the Engineering Technicians retires in 2015. A replacement will be hired at the start of

1 2015 to allow for transition.

2 Although separate departments Engineering and Operations are completely integrated to execute
3 distribution system maintenance activities. Generally Engineering defines the frequency of
4 maintenance activities and is directly responsible for maintenance and repair on substations and
5 managing the annual vegetation control program. Operations are responsible for maintaining
6 overhead and underground assets outside of NBHDL's substations. Collectively they make the
7 distribution system assets function as a reliable and safe system. Engineering and Operations are
8 distinct functions but they work cooperatively to maximize the performance and safety of NBHDL's
9 system. Both departments have a responsibility to design and execute the capital work program.

10 **a) Engineering Services:**

11 Engineering services is responsible for the safe and efficient design of the electricity distribution
12 system, ensuring long term plans and expenditures are appropriate to accommodate future customer
13 growth and infrastructure renewal to maintain safe and reliable service levels. Engineering services
14 include: (i) asset management, including the planning and design of overhead, underground, and
15 street lighting distribution projects; (ii) working with new customers or existing customers with
16 expansion requirements to safely and efficiently connect to the distribution system (iii) utilizing
17 engineering standards that are developed within the electricity distribution system in accordance
18 with Electrical Safety Authority ("ESA") standards and regulations; (iv) drafting and surveying
19 services using Computer Aided Design ("CAD"); (v) maintenance of asset records and
20 enhancements to the Geographical Information System ("GIS"); (vi) inspections of the electricity
21 distribution system to ensure compliance with the distribution system code; (vii) co-ordination and
22 administration of the OPA's Feed-in Tariff (FIT), microFIT programs, and NBHDL's responsibilities
23 under the Ministry of Energy's Green Energy and Green Economy Act (GEGEA); (viii) managing
24 joint use attachments by various third parties (ix) liaison with customers, developers, utilities and the
25 City of North Bay including its Development Application Review Team and (x) managing the annual
26 vegetation control program including obtaining permission from all individual customers for major
27 trimming and tree removals.

28 NBHDL uses ESRI's ArcGIS as its GIS system. The GIS is used for asset management activities,
29 troubleshooting system problems in the control room, identification of how many and which
30 customers have been impacted by an outage, delivering underground utility locating services for
31 excavating contractors, and for design and construction activities including new capital projects and

1 customer connections. The GIS is a critical system as it contains customer information, estimated
2 peak demand, pole information, wire and cable information (i.e. size, type, installation 7 date),
3 transformer information (i.e. kVA, voltages, installation date, manufacturer, weight, 8 impedance,
4 estimated peak demand) and switch installation (i.e. type). The information is geographically located
5 with electrical connectivity. Engineering uses approved Utility Standard Forum standards and
6 establishes processes to ensure compliance with Ontario Regulation 22/04. Ontario Regulation
7 22/04 is a performance based standard covering the safety requirements for the design, construction
8 and maintenance of electrical distribution systems in Ontario. Under Ontario Regulation 22/04
9 NBHDL is audited each year with a report sent to the Electrical Safety Authority. The most recent
10 audit conducted in the spring of 2014 found “no areas of non-compliance or needs improvements”.
11

12 **b) Network Control Operations:**

13 Network control operations are responsible for the 24-hour monitoring and operation of the electricity
14 distribution system through NBHDL’s control room. The control room at 74 Commerce Court in North
15 Bay is staffed during the day and during contingencies. An answering service company is contracted
16 to contact a “duty” lineperson in the event of service problems after normal business hours. The
17 control room is linked to the distribution system by a data communication network and information is
18 processed by a Supervisory Control and Data Acquisition (“SCADA”) system. Real-time breaker
19 status, switch position, and voltage and current readings from the Hydro One transformer stations
20 and sent to the control room and displayed on the SCADA system. The control room operators
21 monitor the system and dispatch repair crews to manage equipment failures and provide work
22 protection for the crews doing work on the system. The SCADA system will also notify the cell phone
23 of “on call” staff. The “on call” SCO will go to the control room to address the problem along with the
24 appropriate line trouble response staff.

25 **c) Substation Services:**

26 NBHDL owns 17 substations which step-down voltage from the 44kv sub-transmission system to
27 distribution voltages. Substation Services, consisting of two full time staff with support from external
28 contractors as required, Substation Services is responsible for the maintenance of all station
29 equipment as described in the Distribution System Capital Plan in Exhibit 2, Schedule 1, Appendix
30 2-8. NBHDL’s station maintenance strategy focuses on minimizing, to the extent possible,
31 emergency-type work by improving the effectiveness of the planned maintenance program
32 (including predictive and preventative actions) for its substations. Regular monthly inspections are

1 carried out on substation yard and equipment and major planned maintenance is carried out every
2 two years by NBHDL staff assisted by specialized contractors where required. Major maintenance
3 includes electrical tests on power transformers, oil tests on the power transformers, electrical tests
4 on circuit breakers, and protection relay testing. Substation staff also support, in conjunction with
5 Operations, NBHDL's SCADA switch maintenance and installations, transformer testing, and
6 maintenance, recloser maintenance and installations, and voltage regulator maintenance and
7 installations.
8

9 **d) Asset Management**

10
11 The Engineering team continuously refines the asset management program to meet reliability,
12 demand, security and capacity requirements while ensuring long term affordability and responsible
13 stewardship of the distribution system. In this role the Engineering team performs a condition-based
14 system analysis to drive long-term asset investment decisions in order to optimize the capital and
15 maintenance cost mix throughout the lifecycle of the asset. This team is responsible for maintaining
16 distribution system asset records in all Asset Management systems.

17 The Engineering group has a significant workload with constantly changing priorities because of the
18 dynamic nature of NBHDL's system and customer needs. Working with customers on new services,
19 new connections or expansions can be a challenge especially given that most work becomes a
20 priority just before winter weather sets in. Engineering staff engage customers, on their premises,
21 to understand their requirements, timelines and cost expectations. Customer expectations are
22 managed utilizing a que process, first project request in, first out. Work is coordinated with
23 customers and their representatives including local electrical contractors. In this context the term
24 customer extends to include communication companies that want to attach infrastructure to
25 NBHDL's poles.
26

27 During major planned and un-planned outages Engineering, including substations staff take on
28 responsibility for assessing overall system needs and may direct Operations staff where
29 appropriate. The groups work as a team to quickly and safely restore power. Customer
30 engagement is very important during outages and as suggested by customers and the media,
31 NBHDL has developed a web based tool to provide information on system status and whether
32 crews are responding. Social media is also utilized during these situations. Perhaps the single
33 largest customer engagement activity undertaken by Engineering works with customers to obtain
34 permission and support for the annual vegetation maintenance program

1 **2. Operations:**

2 The Operations Department of NBHDL consists of field crews (including dispatch), stores and
3 customer service. Operations is also responsible for fleet management. The Operations department
4 currently has nineteen staff consisting of an Operations Manager, one Supervisor and seventeen
5 front line staff. There are no planned additions to complement in 2014 or 2015, however five
6 retirements are expected to occur over the next five years including the current management and
7 supervision. The Manager and supervisor are responsible for achieving department results including
8 health and safety objectives.

9
10 **a) Field Crews**

11 Field crews are responsible for i) predictive maintenance, ii) preventative maintenance iii) emergency
12 maintenance and repairs, iv) service work v) capital project implementation on overhead and
13 underground distribution plant. They also work with Substation staff to help operate switches and
14 devices at substations. Field crews are also available to help other utilities during contingency
15 events. Field crews consist of four chargehands, nine powerline maintainers and one powerline
16 maintainer learner. There is also an operations dispatcher who coordinates work activities and
17 provides administrative support. The crews are available 24/7 365 days a year to respond to any
18 planned or un-planned outages on the system. They respond regardless of weather and time of day.
19 Working safely is their main objective while accomplishing tasks quickly and efficiently

20
21 **b) Stores:**

22 NBHDL has integrated the stores and purchasing functions into one position. Stores is responsible
23 for the procurement of all goods and services for NBHDL in accordance with the approved
24 Purchasing Policy, including relationships with suppliers, co-ordination of quotations and tendering
25 processes, and the negotiating of agreements.

26
27 Stores is also responsible for the receiving of inventory, issuing of materials, and inventory returns,
28 as well as the monitoring and control of inventory, including cycle counts, and building maintenance.

29 This function also coordinates NBHDL's participation in the Northeast District Buyers Consortium
30 which serves to jointly procure major hardware including, poles, conductor, transformers, switches
31 and arrestors.

1 **c) Customer Service:**

2 Customer Service is responsible for completing locates, collections including disconnects and
3 reconnects and supplemental meter reading. Customer Service has two full time Customer service
4 Representatives. Workload in this department has increased significantly because of demands for
5 locates. The One Call system has heightened awareness and also the requirement for third party
6 attachments to NBHDL's system. The workload of this department has increased significantly with
7 collections work orders up over 60% since 2010 and locates requests up 55%.

8 **d) Fleet Management:**

9 Although not a distinct department, the Operations Manager and Supervisor are responsible for the
10 maintenance and control of approximately 27 vehicles, including 6 bucket trucks, 2 radial boom
11 devices, and 19 cars, vans, and pick-up trucks. Fleet also manages approximately 11 major pieces
12 of equipment such as forklifts, pulling machines, tension machines, and trailers for poles and
13 material. Having modern, reliable and safe equipment is a mandatory requirement for completing
14 capital and maintenance work efficiently and safely. Working over and next to high voltage conductor
15 means equipment and tools must perform.

16 Fleet maintenance is outsourced to specialized contractors.

17 NBHDL's vehicle replacement program provides for the replacement of small vehicles on a seven to
18 ten year timeframe, the replacement of large trucks on a twelve timeframe, derricks fifteen years and
19 the replacement of equipment and trailers on a twenty to twenty five year timeframe. NBHDL's
20 objective is to maximize the life of its vehicles and equipment through routine maintenance
21 programs, while at the same time ensuring that the level of capital expenditure on an annual basis is
22 fairly constant. Operational and mechanical assessments are completed each year to determine the
23 condition of each vehicle. The following items are reviewed: safety aspects of the vehicle; dielectric
24 integrity, operational and body condition; age of the vehicle; kilometers and hours on the vehicle;
25 past major mechanical problems; and potential major mechanical problems.

26
27 Vehicle costs are allocated to operations, maintenance, capital, and third party receivable accounts
28 based on the number of hours employed in these activities. A standard hourly cost is set for different
29 classes of vehicles within the fleet.

30 The fleet management program also includes the testing of live line equipment including tools, cover-
31 up etc.

1 Engineering and Operations together are responsible for the operations and maintenance of
2 NBHDL's distribution system. Maintenance activities include those predictive and preventative
3 maintenance programs which proactively determine where issues or risks exist on the distribution
4 system, or where the probabilities are increasing for new issues or risks to occur. NBHDL
5 continuously reviews and evaluates its maintenance information from visual inspections in order to
6 adjust predictive and preventative actions.

7 Repair activities consist of both planned and unplanned activities. Planned repairs represent work
8 that is scheduled, and where possible, completed without interruptions to customers. Customer
9 interruptions may be required for immediate emergency repairs, such as distribution system outages
10 or failures due to storms, tree damage, animal or bird contact or equipment failures. Maintenance
11 activities also include vegetation management (tree trimming, removals and brushing), which is on a
12 4 year cycle, with one quarter of the City maintained each year.

13 NBHDL engages in the following types of maintenance and service programs, some of which are
14 prescribed by the Distribution System Code (DSC):

15 ***Predictive Maintenance***

16 Predictive maintenance activities involve the testing of elements of the distribution system. These
17 activities include infrared thermography testing, transformer oil analysis, planned visual inspections
18 and pole testing. These evaluation tools are all administered using a grid system with appropriate
19 frequency levels. Any identified deficiencies found are prioritized and addressed within a suitable
20 time frame.

21

22 ***Preventative Maintenance***

23 Preventative maintenance activities include inspection, servicing and repair of network components.
24 This includes overhead and pad-mounted load break switch maintenance, insulator washing and
25 cleaning/inspection of underground vaults. Also included are regular inspection and repair of
26 substation components, relays, and ancillary equipment. The work is performed using a combination
27 of time and condition based methodologies. Inspections are conducted on one third of the
28 distribution system each year in accordance with the Minimum Inspection Requirements outlined in
29 Appendix 'C' of the OEB's Distribution System Code ("DSC"). Testing of the distribution assets
30 typically involves the measurement of some aspect of the distribution asset's condition (e.g. the
31 measurement of electrical current and voltage on a system asset). A significant component of

1 preventative maintenance activities is the annual vegetation management program. This includes
2 both on-cycle and off-cycle work required because of tree growth or a decline in the condition of a
3 tree such that it requires immediate attention. The service territory has been broken into four
4 sections with one section completed each year. The actual work is contracted out but NBHDL is
5 responsible for customer contact and permission for major work to be completed on each property in
6 the City.

7 ***Emergency Maintenance***

8 This includes unexpected system repairs to the electrical system that must be addressed
9 immediately. The costs include those related to repairs caused by storm damage, emergency tree
10 trimming, high winds and accidents from vehicle contact with poles, guys, etc. The ultimate objective
11 is to reduce this emergency maintenance when possible. This work also includes holding poles with
12 derrick trucks that have been damaged in accidents or when excavation at pole base causes
13 instability.

15 ***Service Work***

16 The majority of costs related to this work pertain to service upgrades requested by customers, and
17 requests to provide safety coverage for work (overhead line cover ups). This includes service
18 disconnections and reconnections by NBHDL for all service classes; assisting pre-approved
19 contractors; making final connections after Electrical Safety Authority (“ESA”) inspection for service
20 upgrades; and changes of service locations.

22 Customer engagement is also a major priority and requirement for Operations. When maintenance
23 or capital work requires planned outages, Operations staff contact many of the customers impacted
24 to arrange mutually convenient times to schedule the work. Often this requires evening or weekend
25 work to minimize impact on businesses. Often a fair degree of coordination is involved as customers
26 prepare themselves for the outage. Often they schedule repairs and maintenance on their systems at
27 the same time.

29 ***3. Energy Management and Metering***

30 The Energy Management and Metering Department has a mandate to deliver provincial conservation
31 and renewable generation programs and provide metering installation and repair/maintenance
32 services. This Department consists of three full time resources including an Energy Management
33 Advisor, a Meter Technician Leadhand and a Meter Technician Learner. No additions are planned
34 for 2014 or 2015. The Meter Technician Leadhand is expected to retire in 2017.

1 **a) Energy Conservation:**

2 Energy conservation is responsible for implementing and achieving conservation results as required
3 by provincial initiatives. This is developing into a significant workload and responsibility for NBHDL
4 as the 2015-2020 provincial framework has ambitious targets and limited funding. The funding and
5 reporting for these responsibilities are not part of this application process however conservation
6 efforts require a significant amount of resourcing support from the entire organization. This work is
7 incremental in nature and for the most part been managed by the existing complement. It is not clear
8 whether incremental resources will be required to support the new framework. Some of the workload
9 includes i) reviewing billing and consumption information by customer to look for opportunities ii)
10 working with customers to identify conservation opportunities iii) developing the business case for
11 investment in new efficient technology iv) working with customers and allies to get new equipment
12 installed iv) completing all the documentation to support reporting and incentive payments v)
13 verifying work has been completed and confirming results and incentive payments vi) reporting
14 results through provincial systems vii) processing and payment of invoices and incentives. The
15 current reporting systems are onerous and labour intensive. Based on experience and customer
16 preference NBHDL offers a turnkey service for CDM program participation as customers do not have
17 the time, expertise or money to expend on the administration associated with the programs.

18 **b) Metering:**

19 Metering is responsible for the purchasing, installation, testing and commissioning of all new simple
20 and complex metering installations. Metering is also responsible for the ensuring meters
21 communicate with either the wireless network or phone interrogation system. Maintaining
22 communications with the new wireless AMI system is a new responsibility and new workload
23 requiring daily attention. This is a significant new responsibility that has added not only additional
24 work and accountability, but requires very specific handling of meter changes such that dates, time
25 and locations are accurately tracked through electronic work order management systems so that
26 time-based interval meter readings are not lost. Metering also liaises with NBHDL's Meter Service
27 Provider on issues related to its nine Wholesale Meter Points. With the deployment of smart meter
28 technology, the number of meters read manually each month has declined. This department
29 however is responsible for all manual reads. Metering is all responsible for ensuring compliance with
30 seal periods as per Measurement Canada requirements.

31 **4. Finance/regulatory/billing/customer service/IT**

32 The Finance Department includes Billing/IT, Regulatory, Financial Services and Customer Accounts.
33 This group consists of one Manager, Finance and twelve staff. There are no plans to change this
34 complement in 2015. Three retirements are forecasted over the next 5 years.

1 **a) Financial Services**

2 The Finance department is responsible for the preparation of statutory, management and Board of
3 Directors financial reporting in accordance with GAAP/IFRS standards; all daily accounting functions,
4 including accounts payable, accounts receivable, capital componentization of assets and general
5 accounting; treasury functions including borrowing and cash management, risk management,
6 accounting systems and internal control processes; preparation of budgets and forecasts; and
7 supporting tax compliance. In addition in 2014 the Accountant assumed responsibility for wholesale
8 settlement with the Independent Electricity System Operator and ensuring compliance with market
9 rules. Financial Services also provides analysis and expert input into major decisions made by the
10 business. Expenses include salaries and all related expenses associated with the Finance Manager,
11 two Accountants and one Junior Accountant.

12

13 **b) Regulatory**

14 NBHDL has one Regulatory Manager who is responsible for all regulatory reporting and compliance
15 with applicable codes and legislation governing electrical utilities. Regulatory reporting includes the
16 development and preparation of rate filings, performance reporting and compliance. The Regulatory
17 Manager also assists with development of NBHDL's annual budget.

18

19 The Regulatory Manager is active in industry associations and regulatory policy development and
20 proceedings conducted by the Board.

21

22 **c) IT & Billing**

23 **i. IT**

24 IT is responsible for providing enterprise and departmental systems, solutions and services to
25 support the operational and strategic needs of NBHDL. IT is responsible for the development and
26 implementation of information technology policies, procedures and processes to ensure control and
27 protection of NBHDL's assets, data, equipment and associated risks. A new responsibility and cost
28 to the business, managed by IT are security audits on the flow of billing and customer data required
29 as a result of new settlement processes with smart meters. IT must be vigilant with security protocols
30 to avoid un-authorized access to customer data.

31

32 IT consists of one full time IT and Billing Manager.

33

34 IT is also responsible for maintaining and managing performance of NBHDL's Automated Metering
35 Infrastructure to support billing processes. IT works closely with Sensus, NBHDL's smart meter
36 provider and system operator, and other third parties to ensure that meters are communicating and

1 meter data is received at rates above 98% read interval success. This accuracy minimizes
2 estimating of when consumption occurred through the time of use billing period. Experience has
3 proven that meters, their built-in radios and the collector and transmission network have dynamic
4 performance and intervention is required frequently to keep the system performing at a high level.
5 Weather, tree growth, temperamental equipment and constantly evolving technology make it a real
6 challenge to keep the AMI system performing at a high level. This workload and costs is all new to
7 the business. Also there are no formal training programs available as AMI systems are very new and
8 early in the deployment phase. Experience is sometimes gained through trial and error.

9
10 IT also ensures all the components of the smart metering system are functional including the
11 Operational Data Store and that meter data is synching with the provincial Meter Data Management
12 Repository. IT also makes sure that a web portal is available so that customers can view raw smart
13 meter data within a 24 hour period. This is another customer engagement opportunity and
14 approximately 5000 customers have potential to use the portal.

15
16 ***ii. Billing***

17 NBHDL issues approximately 289,000 invoices annually to customers. On average this total
18 includes 3,960 final bills for customers moving within or outside of NBHDL's service territory. An
19 annual billing schedule is created based on the meter reading cycle schedule to ensure timely billing
20 of services. The billing functions include the VEE processes; EBT and retailer settlement functions
21 for 3,900 retailer accounts; account adjustments; processing meter changes; and other various
22 account related field service orders and mailing services. NBHDL offers customers a number of
23 billing and payment options including an equal payment plan and a preauthorized payment plan.

24
25 NBHDL has two senior billing clerks and there are no plans for changes in 2014 or 2015. One billing
26 clerk will retire in 2016.

27
28 NBHDL uses an integrated Customer Information System for billing and managing and reporting on
29 all work activities. Synchronization with the CIS and Operational Data Store (ODS) systems is critical
30 to maintain data consistency with the provincial Meter Data Management Repository.
31 Synchronization files are generated and submitted to the MDMR on a daily basis. Reports related to
32 synchronization file performance are monitored with appropriate action taken when necessary. The
33 Billing group also advises Metering when smart meters fail to communicate with the AMI system and
34 when repairs are successful.

35

1 Raw consumption data provided from smart meters must be validated prior to acceptance into the
2 billing system. Billing ensures Validation, Editing and Estimation (VEE) is performed in parallel
3 through the ODS to ensure data consistency and integrity with the MDMR. A synchronization
4 operator ensures communications with the MDMR are successful and resolves any exceptions. The
5 synchronization operator function is outsourced to a third party.

6
7 Recently NBHDL began offering an eBilling service in order to provide a service to customers looking
8 to receive and store bills electronically. This has been a very successful initiative with approximately
9 5000 customers signed up (summer 2014) and using the program.

10
11 Customer engagement activity confirmed some problems with the residential bill format. In 2014
12 NBHDL made adjustments based on feedback received including use of larger fonts and easier time
13 of use data presentment.

14
15 Billing is also responsible for monthly payment of all renewable generation contracts that customers
16 have with provincial agencies. This workload is incremental and can be very time consuming.

17
18 ***iii. Customer Account Specialist***

19 Over the past 2 years NBHDL has integrated its front office Customer Accounts staff so that five staff
20 undertake all traditional customer care functions for NBHDL's 24,000 customers including Customer
21 Service and Collections. NBDHL continues to offer a well utilized storefront operation for customer
22 convenience to pay bills, set up accounts, arrange payments and to ask general questions. This
23 customer engagement experience is actually preferred by many customers as an estimated 15,000-
24 20,000 customer visits are made each year.

25
26 The Customer Accounts group is responsible to deliver customer service excellence by responding
27 to customer needs on the phone, in person or through electronic communications. Key activities
28 include processing payments, processing customer moves, making payment arrangements,
29 identifying eligibility for special terms and arrangements based on residential or income status,
30 coordination of disconnects and reconnects, and timely and accurate payment processing and
31 collection of accounts in accordance with Distribution System Code and related procedures.
32 Customer Accounts staff manage phone and field responses to customers to ensure quality
33 achievement of service level parameters established by the Board. Customer Accounts staff also
34 process requests for locates and ensure final reads are collected and processed.

35

1 Customer Accounts staff are also responsible for managing the collection process. The collection
2 process includes the collecting of overdue accounts, final accounts, previously written off accounts
3 and security deposit management. NBHDL enforces a prudent credit policy in accordance with the
4 Distribution System Code and employs all allowable collection activities in order to minimize credit
5 risk. Active overdue accounts are collected by in-house and contract staff through reminder notices,
6 hand delivered or mailed, and multiple direct telephone contact. In addition, a final attempt is made
7 to contact and speak with the customer prior to disconnecting the service for non-payment. Final bill
8 collections are turned over to a collection agency 60 days after final due date.

9
10 Customer Accounts staff have experienced a significant increase in their workload since 2010.
11 Between 2010 and 2013 total calls handled increased from 23,967 to 39,805 or 66%. The
12 requirement for outbound calls to support collections and provide customer notice is a significant
13 driver for this increase. Calls handled within 30 seconds have improved from 77% in 2010 to 80%
14 year to date in 2014. Efficiency has improved and so has customer service. Also disconnection
15 notices increased from 9,680 in 2010 to 13,588 in 2013 or an increase of 40%. Disconnection work
16 orders increased from 1,454 in 2010 to 2,326 in 2013 or 60%. Locate requests prior to One Call and
17 the automated Locate application was completed by the Customer Accounts staff, re-directing this
18 work load has enabled them to focus and improve on other position related tasks. Throughout this
19 period of shifting workload staffing levels have remained constant and the use of temporary staff on
20 an ongoing basis has been eliminated.

21
22 In alignment with NBHDL's Mission, the Customer Accounts team is dedicated to providing ideas,
23 solutions and approaches that benefit customers, stakeholders and the broader community.
24 Customer Accounts staff are at the "sharp end" of the customer experience and have the pulse on
25 customer issues. Customer Accounts staff are a key resource to develop customer communication
26 initiatives and effective marketing campaigns often in support of provincial programs.

27
28 Arguably Customer Accounts staff has the toughest job in the entire electric industry. They are
29 sustained in their efforts by actually receiving positive feedback and kind words from customers for
30 helping them. NBHDL's Customer Accounts staff has significantly increased their efficiency and
31 effectiveness. They are a significant contributor to NBHDL's overall "A" customer satisfaction rating
32 as measured in the recent UtilityPULSE survey.

33 34 **5. Human Resources & Administration**

35 Human Resources manages the overall Health and Safety program and is responsible for benefits
36 administration, pension, recruitment, labour relations, training and development of staff, succession

1 planning, health and wellness, and legislative compliance including privacy. The department is
2 made up of one Manager, Human Resources and Administration.

3

4 This position also supports the President and Chief Operating Officer.

5

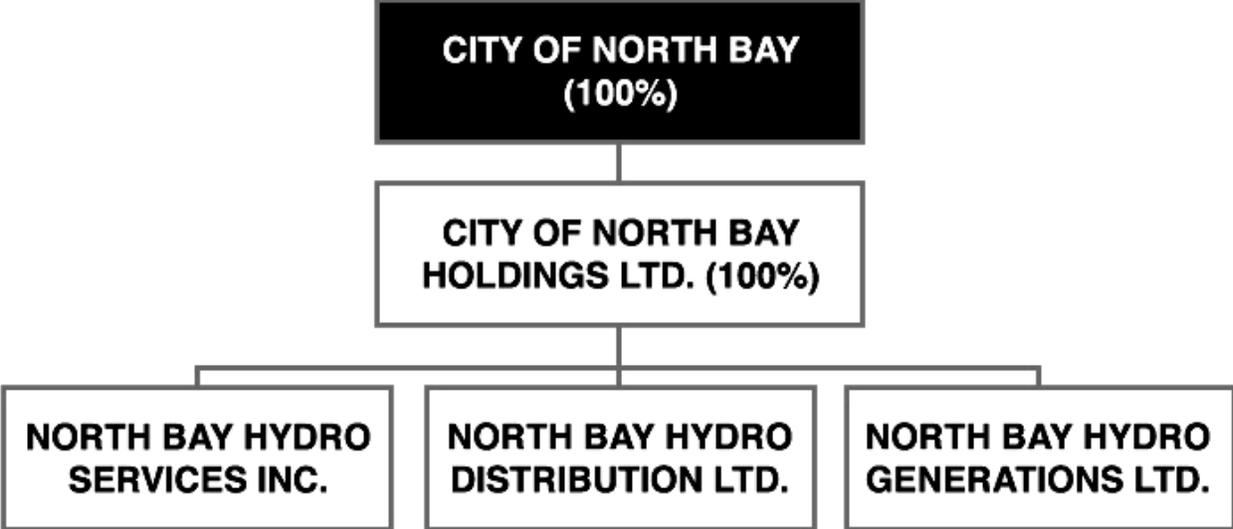
6 The President and Chief Operating Officer provides strategic and operational leadership for the
7 business. This position is the face of the business to our City, NBHDL's customers and external
8 industry groups including provincial agencies and the media. The President is active in the
9 development of all major plans required by the business and often has an execution role as well in
10 both operating and capital programs. The President works with the management team to monitor
11 performance against objectives and to decide on remedial actions. The President is also the
12 Secretary of the Board of Directors and works closely with Board members to develop strategy and
13 ensure results are achieved. The President sets the pace for the business and drives continuous
14 improvement both in staff, work processes and equipment. The President role is key to defining
15 corporate culture and values and drives financial performance and customer service levels.

16

17

Appendix 1-H Corporate Entities Relationship Chart

1 Appendix 1-H Corporate Entities Relationship Chart



1 **Appendix 1-I OEB issued NBHDL scorecard**
2

Scorecard - North Bay Hydro Distribution Limited

9/24/2014

| Performance Outcomes | Performance Categories | Measures | 2009 | 2010 | 2011 | 2012 | 2013 | Trend | Target | | |
|---|---|---|----------|----------|----------------------------|----------|----------|-------|----------|-----------------------------|--|
| | | | | | | | | | Industry | Distributor | |
| Customer Focus
Services are provided in a manner that responds to identified customer preferences. | Service Quality | New Residential/Small Business Services Connected on Time | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | → | 90.00% | | |
| | | Scheduled Appointments Met On Time | 100.00% | 99.60% | 100.00% | 100.00% | 100.00% | ↑ | 90.00% | | |
| | | Telephone Calls Answered On Time | 53.20% | 76.50% | 71.60% | 77.20% | 78.20% | ↑ | 65.00% | | |
| | Customer Satisfaction | First Contact Resolution | | | | | | | | | |
| | | Billing Accuracy | | | | | 99.9% | | | | |
| | | Customer Satisfaction Survey Results | | | | | 93.3% | | | | |
| Operational Effectiveness
Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives. | Safety | Public Safety [measure to be determined] | | | | | | | | | |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted | 1.56 | 2.72 | 2.87 | 1.60 | 2.32 | ↑ | | at least within 1.56 - 2.87 | |
| | | Average Number of Times that Power to a Customer is Interrupted | 1.48 | 2.75 | 2.16 | 2.29 | 1.89 | ↑ | | at least within 1.48 - 2.75 | |
| | Asset Management | Distribution System Plan Implementation Progress | | | | | | | | | |
| | Cost Control | Efficiency Assessment | | | | 3 | 3 | | | | |
| | | Total Cost per Customer ¹ | \$544 | \$580 | \$605 | \$598 | \$614 | | | | |
| | | Total Cost per Km of Line ¹ | \$20,971 | \$22,550 | \$23,351 | \$23,096 | \$25,228 | | | | |
| Public Policy Responsiveness
Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board). | Conservation & Demand Management | Net Annual Peak Demand Savings (Percent of target achieved) ² | | | 20.00% | 20.00% | 29.40% | | | 5.05MW | |
| | | Net Cumulative Energy Savings (Percent of target achieved) | | | 35.00% | 65.00% | 89.80% | | | 26.10GWh | |
| | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time | | | 100.00% | 0.00% | | | | | |
| | | New Micro-embedded Generation Facilities Connected On Time | | | | | 100.00% | | | 90.00% | |
| Financial Performance
Financial viability is maintained; and savings from operational effectiveness are sustainable. | Financial Ratios | Liquidity: Current Ratio (Current Assets/Current Liabilities) | 2.49 | 2.44 | 1.88 | 1.98 | 1.65 | | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 0.87 | 0.90 | 0.88 | 0.91 | 0.72 | | | | |
| | | Profitability: Regulatory Return on Equity | | | Deemed (included in rates) | 9.85% | 9.85% | 9.85% | | | |
| | | | | | Achieved | 10.15% | 9.08% | 8.88% | | | |

Legend:

-  up
-  down
-  flat
-  target met
-  target not met

Notes:
 1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
 2. The Conservation & Demand Management net annual peak demand savings do not include any persisting peak demand savings from the previous years.

1 **Appendix 1-J Service Agreement between NBHDL and North Bay Hydro Services Inc.**
2

SERVICES AGREEMENT

THIS AGREEMENT dated as of November 1, 2002.

B E T W E E N:

NORTH BAY HYDRO SERVICES INC.,
a corporation incorporated under the laws
of the Province of Ontario (hereinafter called "Servco"),

OF THE FIRST PART

-and-

NORTH BAY HYDRO DISTRIBUTION LIMITED,
a corporation incorporated under the laws of the
Province of Ontario (hereinafter called "Distco"),

OF THE SECOND PART

WHEREAS Distco provides certain Services to Servco:

AND WHEREAS Servco provides certain Services to Distco;

AND WHEREAS Distco and Servco have agreed to enter into this Agreement for the purpose of setting forth the terms on which such Services will be provided;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT, in consideration of the covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE ONE **DEFINITIONS AND SCHEDULES**

1.1 Definitions

In this Agreement, unless something in the subject matter is inconsistent therewith, all capitalized terms shall have the meanings set forth below:

"Affiliate Relationships Code" means the Affiliate Relationships Code for Electricity Distributors and Transmitters as approved by the Ontario Energy Board dated February 1st, 2001 or as the same may be amended from time to time.

"Agreement" means this agreement and the Service Schedules attached hereto and all amendments made hereto in accordance with the provisions hereof.

"Business Day" means a day other than Saturday, Sunday or a legal holiday in the City of North Bay, Ontario.

"CICA Handbook" means the then most current handbook used and commonly referred to by the Canadian Institute of Chartered Accountants.

"Confidential Information" means any oral, written or electronic data and information now or hereafter existing during the currency of this Agreement, relating to the business and management of either party which is treated by such party as confidential, to which access is granted or obtained by the other party, but does not include any data or information which (i) was known to the recipient prior to the disclosure to it by the other party; or (ii) was independently developed by the recipient as evidenced by the records of the recipient; or (iii) is subsequently lawfully obtained by the recipient from a third party, without breach of this Agreement by the recipient; or (iv) becomes publicly available other than through a breach of this Agreement; or (v) is disclosed where the other party has provided its prior written consent to such disclosure by the recipient; or (vi) is disclosed by legal requirement.

"Event of Default" means any of the events described in Section 6.1 hereof.

"Force Majeure" means a cause which is unavoidable or beyond the reasonable control of a party hereto and which by the exercise of due diligence such party is unable to prevent or overcome, including, without limitation, acts of God, acts of a public enemy, war, hostilities, invasion, insurrection, riot, the order of any competent civil or military government, explosion, fire, strikes, lockouts, labour disputes, malicious acts, vandalism, failure of equipment beyond the reasonable control of a party hereto, accident to any facilities, storms, or other adverse weather conditions, or other causes of a similar nature which wholly or partially prevent the parties or either of them from carrying out the terms of this Agreement (other than for the payment of monies due hereunder); provided that either party shall have the right to determine and settle any strike, lockout and labour dispute in which that party may be involved in its sole discretion and provided further that Force Majeure shall exclude lack of funds or economic hardship.

"Insolvent" means, in relation to any person, being insolvent, bankrupt, making a proposal under the *Bankruptcy and Insolvency Act* (Canada) or having a trustee or receiver or manager appointed in respect of its assets.

"Prudent Industry Practice" means any of the practices, methods and acts which, in the exercise of reasonable judgment in the light of the facts known, at the time that a decision was made, could reasonably have been expected to accomplish the desired result at a reasonable cost, consistent with applicable laws, licensing and regulatory considerations, environmental considerations, reliability, safety and expedition. Prudent Industry Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts employed by owners and operators of facilities similar in size, type and operational characteristics, and having due regard for applicable electrical, safety and maintenance codes and standards, manufacturers' warranties, and applicable laws and shall, in any event, evidence the degree of care, diligence and skill that a reasonably prudent person having responsibility for the management of a similar business would exercise in comparable circumstances.

"Service" means a service as specified in the Service Schedule which either party provides to the other party pursuant to this Agreement.

"Service Provider" means the party providing Services to the other party pursuant to this Agreement.

"Service Recipient" means the party receiving Services from the other party pursuant to this Agreement.

"Service Schedule" means the schedule attached hereto which sets forth the Services to be provided by a party to the other party and additional terms and conditions relating specifically to such Services

"Term" has the meaning set forth in Section 3.1 hereof.

1.2 Headings

The division of this Agreement into Articles, Sections, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of

this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Interpretation

Words importing the singular number only shall include the plural and vice versa, words importing gender shall include all genders. Where the word "including" or "includes" is used in this Agreement it means "including without limitation" or "includes without limitation", respectively. Any reference to any document shall include a reference to any schedule, amendment or supplement thereto or any agreement in replacement thereof, all as permitted under the documents.

1.4 Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

1.5 Funds

All dollar amounts referred to in this agreement are in lawful money of Canada.

ARTICLE TWO THE SERVICES

2.1 Services

Each of the parties shall provide Services to the other party in accordance with the terms of the Service Schedule attached hereto.

2.2 Additional Services

The parties may agree from time to time that additional Services are to be provided pursuant to the terms of this Agreement in which event the parties shall prepare and initial additional Services Schedules to be attached to this Agreement and such additional Services shall be provided in accordance with such Services Schedule.

2.3 Responsibilities of Service Provider

In the performance of Services, the Services Provider agrees to:

- (a) perform the Services as described in the Service Schedule and otherwise in accordance with Prudent Industry Practice and the terms of this Agreement and the policies and procedures in place by the party receiving the Services.
- (b) to ensure that experienced and properly qualified personnel perform the Services;

- (c) liaise with the Service Recipient through the coordinator designated by the Service Recipient on matters related to the Services;
- (d) notify the Service Recipient, whenever practicable, if expenses beyond the defined charges within the Service Schedule may be incurred together with any explanation therefore;
- (e) invoice the Service Recipient according to the terms of the Service Schedule for the Services performed;
- (f) work cooperatively with the Service Recipient and its customers as may be reasonable to facilitate the efficient provision of the Services;
- (g) to observe and comply with any and all applicable government laws and regulations now or hereafter in force or effect;
- (h) to place and maintain insurance as required by law or by Service Recipient in respect of the Services to be provided under this Agreement.

2.4 Service Recipients Responsibilities

In the performance of Services the Service Recipient agrees to:

- (a) provide all necessary data and any special forms or other required materials to the Service Provider on schedule or in a timely fashion to enable Service Provider to provide the Services;
- (b) liaise with Service Provider through the coordinator designated by the Service Provider, on matters related to the Services and authorize that coordinator and any designate to make decisions on behalf of Service Recipient in relation to the implementation of this Agreement and the Services and any changes thereto;
- (c) provide reasonable access to Service Recipient's premises at all times and places as reasonably required by the Service Provider to perform the Services;
- (d) perform any other activities as defined in the Service Schedule; and
- (e) pay to the Service Provider all fees and other amounts owing to the Service Provider in accordance with this Agreement and the Service Schedules.

2.5 Covenants

Each of the parties hereto covenants and agrees that in providing Services under this Agreement it shall:

- (a) perform all Services at all times in accordance with Prudent Industry Practice and in compliance with applicable laws and the Affiliate Relationships Code; and
- (b) comply with all instructions of the other party in relation to the performance of its Services.

2.6 Waiver of Liability

The Service Provider shall only be liable to the Service Recipient for any damages that arise directly out of the Service Provider's own willful misconduct or negligence in providing Services. The party Service Provider shall not be liable under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential, incidental or special damages, including but not limited to punitive or exemplary damages, whether any of

the said liability, loss or damages arise in contract, tort or otherwise.

ARTICLE THREE **TERM**

3.1 Term of Agreement

The term of this Agreement (the “**Term**”) shall commence on the date of this agreement and shall continue in full force and effect until December 31, 2007, unless sooner terminated in accordance with the provisions of this Agreement. This Agreement shall be automatically renewed for successive periods of one year unless either party provides the other with written notice to the contrary at least one hundred and eighty (180) days prior to the end of the then current term.

ARTICLE FOUR **FEES**

4.1 Fees

To the extent the fees to be paid by the Service Recipient for any services provided hereunder (or the method of computation thereof) are not set forth in the Service Schedule, the fees shall be determined each year by agreement between the parties in compliance with the Affiliate Relationships Code.

ARTICLE FIVE **FINANCIAL STATEMENTS, BUDGETS AND RECORDS**

5.1 Books and Records

(a) Each of the parties shall keep proper books, records and accounts in which full, true and correct entries in conformity with generally accepted accounting principles and all requirements of applicable laws will be made of all dealings and transactions in relation to the Services provided pursuant to this Agreement. Any books, records and accounts maintained by the parties shall be kept in accordance with the requirements of the Affiliate Relationships Code.

(b) Notwithstanding anything to the contrary in this Agreement, each of the parties shall ensure that its books, records and accounts are maintained in compliance with the provisions of Section 5900 of the CICA Handbook. In addition, each of the parties shall ensure that, unless required in connection with applicable laws, any books, records and accounts of the other party it may have in its possession: (i) shall not be made available to any other person for whom such party provides services, and (ii) are not used by such party for any improper purpose, and (iii) are held strictly in compliance with the Affiliate Relationships Code.

5.2 Examination of Records

Subject to Section 5.3 hereof each of the parties shall make available to the other party and its authorized representatives at any time during normal business hours on a Business Day all records, documents or information related to the Services, wherever maintained and shall furnish to the other party such financial and operating data and other information with respect to the Services as the other party shall from time to time reasonably request.

5.3 Confidentiality

Each of the parties hereto agrees:

- (a) to keep all Confidential Information of the other party to which access is or has been granted to or obtained in strictest confidence and not to disclose or permit disclosure of all or any portion of such Confidential Information to any person, firm, corporation, business or other entity, except as otherwise expressly permitted by this Agreement or with the prior written consent of the other party which consent may be unreasonably withheld;
- (b) to exercise a degree of care in protecting the confidentiality of the Confidential Information of the other party which is at least equivalent to that which the party uses to protect its own Confidential Information;
- (c) not to use all or any portion of the Confidential Information of the other party in any way which may be reasonably considered detrimental to the business operations of the other party without the prior written consent of such party;
- (d) not to reproduce any Confidential Information of the other party without the prior written consent of such party, which consent may be unreasonably withheld, except to make available the Confidential Information to such of its directors, officers, employees, agents and subcontractors who need to use the Confidential Information in the performance of Services and who have agreed to be bound by the terms of this Section; and
- (e) to provide access to the Confidential Information of the other party only to such of its directors, officers, agents and subcontractors with a need to use the Confidential Information in the performance of Services and who have agreed to be bound by the terms of this Section.

ARTICLE SIX

DEFAULT AND TERMINATION

6.1 Event of Default

A party shall be in default under this Agreement upon the happening or occurrence of any of the following events, each of which shall be deemed to be an Event of Default for the purposes of this Agreement:

- (a) the party breaches or fails to observe or perform any of the its material obligations, covenants, or responsibilities under this Agreement, and, within thirty (30) days after notice from the non-defaulting party specifying the nature of such breach or failure, the defaulting party fails to cure such breach or failure or to take steps to remedy such breach or failure and give reasonable assurances to the non-defaulting party that such default shall be cured within a period of time satisfactory to the non-defaulting party;
- (b) the party:
 - (i) becomes Insolvent;
 - (ii) is subject to any proceeding, voluntary or involuntary, under the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors Arrangement Act* (Canada), or any other Act for the benefit of creditors;
 - (iii) goes into liquidation;
 - (iv) winds up either voluntarily or under an order of a Court of competent jurisdiction;
 - (v) makes a general assignment for the benefit of its creditors; or

- (vi) otherwise takes any corporate action that acknowledges its Insolvency; or
- (c) the party commits any act constituting gross negligence, wilful default or fraud in the performance of any of its obligations, covenants, or responsibilities under this Agreement.

6.2 Termination

Upon the occurrence of an Event of Default by a party but subject to section 6.3 hereof, the non-defaulting party may without recourse to legal process, but without limiting any other rights or remedies which it may have at law or otherwise, terminate this Agreement by delivery of written notice of termination to the defaulting party.

6.3 Restriction on Termination during Force Majeure

During the occurrence of an event of Force Majeure, the obligations of the party affected by such event of Force Majeure, to the extent that such obligations cannot be performed as a result of such event of Force Majeure, shall be suspended, and such party shall not be considered to be in default hereunder, for the period of such occurrence. The non-performing party shall give the other party prompt written notice of the particulars of the event of Force Majeure and its expected duration, shall continue to furnish regular reports with respect thereto on a timely basis during the continuance of the event of Force Majeure and shall use its best efforts to remedy its inability to perform. The suspension of performance is to be of no greater scope and of no longer duration than is required by the Force Majeure condition. No obligations of either party that arose before the Force Majeure causing the suspension of performance are excused as a result of the Force Majeure.

6.4 Post-Termination Arrangements

In the event of termination of this Agreement:

- (a) each of the parties shall deliver to the other party all books, records, accounts, systems and manuals which are the property of the other party; and
- (b) the parties shall take all steps as may be reasonably required to complete any final accounting between them and to provide, if applicable, for the completion of any other matter contemplated by this Agreement.

ARTICLE SEVEN ARBITRATION

7.1 Arbitration of Disputes

Except for applications for injunctions or restraining orders, any disputes arising out of or in connection with this Agreement or in respect of any defined legal relationship associated therewith or derived therefrom, including any failure of the parties to reach agreement will be referred to and finally resolved or determined by arbitration under the *Arbitrations Act (Ontario)*.

ARTICLE EIGHT GENERAL MATTERS

8.1 Governing Law

This Agreement shall be conclusively deemed to be a contract made under, and shall for all purposes be

North Bay, Ontario
P1B 8G4
Att. General Manager

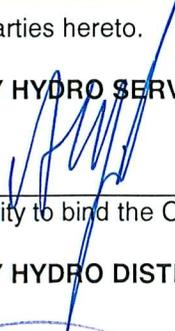
If to Distco at:

North Bay Hydro Distribution Limited
74 Commerce Crescent
North Bay, Ontario
P1B 8G4
Att: General Manager
Fax: 474-8579

- (b) Notices delivered in person or by facsimile will be effective on the date of such delivery. Notices issued by mail will be effective on the third business day following the date that the envelope containing the notice is post-marked unless between the time of mailing and the time the notice is deemed effective there is an interruption in postal service, in which case, the notice will not be effective until actually received. In the event of a postal strike or lockout, notices or demands under this Agreement must be delivered personally or by facsimile.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

NORTH BAY HYDRO SERVICES INC.

Per: 
I have authority to bind the Corporation

NORTH BAY HYDRO DISTRIBUTION LIMITED

Per: 
I have authority to bind the Corporation

Service Schedule Number 1 to the Services Agreement

BETWEEN:

NORTH BAY HYDRO SERVICES INC.
("Servco")

-and-

NORTH BAY HYDRO DISTRIBUTION LIMITED
("Distco")

1. **Services** - Distco shall provide the following services to Servco:
 - (a) administrative services, including accounting, billing, collection of accounts receivable, payment of accounts payable, customer service, maintenance of financial records, inventory management and control, contract administration, and provision of communication equipment, and
 - (b) operation, maintenance, repair, additions, removals and replacement of equipment relating to Servco's sentinel light, street light, fibre optic and hot water heater businesses.

2. **Payment** - Servco shall pay to Distco for the Services provided pursuant to this Schedule an amount equal to Distco's actual cost in providing such Services plus an administrative charge of ten percent and an amount as return of capital of ten percent or such other amount as may be agreed to from time to time by Servco and Distco. The fees payable hereunder for any month shall be paid on or before the 10th day of the next following month or at such other times as may be agreed.

1 **Appendix 1-K Board Approved Appendix 2-Y, Summary of Impacts to Revenue Requirement**
2 **from Transition to MIFRS**

Appendix 2-Y
Summary of Impacts to Revenue Requirement
from Transition to MIFRS

| Revenue Requirement Component | 2015
MIFRS | 2015
CGAAP without
policy changes | Difference | Reasons why the revenue requirement
component is different under |
|---------------------------------------|---------------|---|---------------|---|
| Closing NBV 2014 | \$ 52,531,878 | \$ 49,145,295 | \$ 3,386,583 | Changes in Useful Lives / Componentization / Retirement of Assets |
| Closing NBV 2015 | \$ 57,844,415 | \$ 51,550,225 | \$ 6,294,189 | Changes in Useful Lives / Componentization / Retirement of Assets |
| Average NBV | \$ 55,188,146 | \$ 50,347,760 | \$ 4,840,386 | |
| Working Capital | \$ 8,873,296 | \$ 8,873,296 | -\$ 0 | |
| Rate Base | \$ 64,061,442 | \$ 59,221,056 | \$ 4,840,386 | |
| Return on Rate Base | \$ 4,025,348 | \$ 3,721,199 | \$ 304,149 | Impact of changes to rate base |
| | | | \$ - | |
| OM&A | \$ 7,004,844 | \$ 7,004,844 | \$ - | |
| Depreciation | \$ 2,569,662 | \$ 3,722,365 | -\$ 1,152,703 | Change in Useful Lives / Componentization |
| PILs or Income Taxes | \$ 162,510 | \$ 481,584 | -\$ 319,074 | Impact of changes in depreciation, rate base, return on rate base |
| | | | \$ - | |
| Less: Revenue Offsets | -\$ 1,153,934 | -\$ 1,153,934 | \$ - | |
| | | | \$ - | |
| | | | \$ - | |
| | | | \$ - | |
| LEAP / Property Taxes | \$ 86,576 | \$ 86,576 | \$ - | |
| Total Base Revenue Requirement | \$ 12,695,007 | \$ 13,862,634 | -\$ 1,167,628 | |

Applicants must provide a summary of the dollar impacts of MIFRS to each component of the revenue requirement (e.g. rate base, operating costs, etc.), including the overall impact on the proposed revenue requirement. Accordingly, the applicants must identify financial differences and resulting revenue requirement impacts arising from the adoption of MIFRS as compared to CGAAP prior to capitalization and depreciation policy changes. Applicants should explain the financial differences and may separate the differences arising from changes in capitalization and depreciation policy versus the adoption of IFRS.