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June 12, 2015

Delivered by RESS, Email and Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2701
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Working Capital Allowance Preference
North Bay Hydro Distribution Ltd. ("NBHDL")
Board File No. EB-2014-0099

NBHDL writes this letter in accordance with the letter issued by the Board on June 5, 2015 in the above noted matter which, among other things, required the Parties to file and serve a letter regarding NBHDL's preference with respect to the working capital allowance ("WCA") for 2015 rates. The following comprises NBHDL's comments vis-à-vis its preferences.

NBHDL prepared its 2015 Cost of Service Application (the "Application") on the basis of the 13% rule previously established by the Board in its Filing Requirements for Electricity Distribution Rate Applications (2015 Rate Applications). During the NBHDL settlement conference on May 19 and 20, 2015, the Board removed the allowance for working capital from the scope of issues that could be settled. Shortly after, on June 3, 2015, the Board updated the policy and identified two options for WCA being: i) a new default value of 7.5% of the sum of cost of power and operating, maintenance and administration costs to calculate working capital allowance or ii) the ability to request approval for a distributor-specific working capital allowance supported by the appropriate evidence from a lead-lad study or equivalent analysis.

The reduction in default value from 13% to 7.5% would result in an approximate reduction of $300,000 in revenue requirement for NBHDL. Such a sudden and drastic decrease in revenue requirement is considered to be severely prejudicial to NBHDL in terms of the relief sought by its Application. NBHDL believes that the 7.5% default value for WCA is lower than would be appropriate for its business. Application of this 7.5% and associated reduction in revenue requirement would prove detrimental and prejudicial to the ongoing operation of NBHDL's business enterprise.

Given the change in Board policy discussed above however, NBHDL recognizes that the 13% WCA applied for in the Application is no longer the appropriate figure. Therefore, NBHDL requests the Board allows it to establish rates on an interim basis at 7.5%, pending the results of a lead-lag study.

In anticipation of this request from the release of the Board's June 3, 2015 letter, NBHDL has since retained Navigant Consulting, Inc. ("Navigant") to perform such a study. NBHDL selected Navigant based on its wealth of expertise in this area, having performed lead-lag studies for other LDCs across Ontario in their relative Board proceedings. Given the nature of the circumstances, NBHDL requested Navigant provide their study and associated report on an accelerated timeline. NBHDL anticipates a delivery of the report and subsequent filing with the Board within approximately 6 weeks of the filing of this letter. Should NBHDL receive the report from Navigant sooner, it will file it with the Board as soon as practicable.

NBHDL further requests that the final rates approved by the Board be set on the basis of the actual WCA as determined by the pending Navigant lead-lag study. NBHDL requests that the WCA is applied retroactively to the effective date agreed to by the Parties and that the applicable amounts to be recovered reflects the period of time that accrues between the effective date and the date of the final determination of rates in the Application as issued by the Board. NBHDL requests approval to set up a variance account to record the difference between revenue collected using the 7.5% WCA and the revenue that is ultimately found to reflect the actual WCA for the period in time between the effective date of interim rates and the effective date of the final rate order. NBHDL understands that this difference will not be available until the actual WCA is known and approved by the Board.

In addition to the requests above, NBHDL seeks the consent of the Board to approve a deferral account for the purposes of recording and recovering the incremental costs (both internal and external) associated with the Navigant lead-lag study. NBHDL notes that this proposed approach mirrors what was recently agreed to in Niagara Peninsula Energy Inc.'s 2015 Rate Application (EB-2014-0096) and is just and reasonable in the circumstances.

Yours very truly,

BORDEN LADNER GERVAIS LLP
Per:

Original signed by James K. Little

James K. Little

cc: Todd Wilcox, Cindy Tennant, Melissa Casson and Matthew Payne, NBHDL
Parties in EB-2014-0099