Board Staff Interrogatories on the Working Capital Allowance
2015 Cost of Service Rate Application
North Bay Hydro Distribution Ltd. (North Bay Hydro)
EB-2014-0099
August 18, 2014

Staff 1.   Terms of Reference

North Bay Hydro retained Navigant Consulting Ltd. (Navigant) to prepare a lead-lag study to calculate the working capital requirements for North Bay Hydro's distribution business.

   a. Please provide the terms of reference for retaining Navigant.
   b. Please provide any additional instructions related to the study that may have transpired after the terms were set.

Staff 2.   Billing Lag

Reference   Page 8

The Navigant study determined that the time from the meter reading to the issuing of a bill is 23.97 days. OEB staff note that other distributors take less time to bill. The following table was developed by OEB staff:

Billing Period		Days
EB-2012-0033	Enersource	13.0
EB-2012-0146	London Hydro	18.0
EB-2010-0131	Horizon	17.4
EB-2010-0133	Hydro Ottawa	18.1
EB-2014-0116	THESL	12.5
EB-2013-0416	HONI	7.7
EB-2013-0174	Veridian	17.6
EB-2014-0002	Horizon	19.0
	Max	19.0
	Min	7.7
	Average	15.4
	Median	17.5

   a. Please explain the steps taken to determine the billing lag. If a sample of bills was used, please provide the statistical parameters indicating significance?

b. Please explain why North Bay Hydro's billing period is significantly longer than those in OEB staff's Billing Period table.

c. What steps is North Bay Hydro taking to reduce the billing lag?

d. If North Bay Hydro is not currently planning to reduce the billing lag, what could North Bay Hydro do to reduce the lag?

e. When would North Bay Hydro be able to reduce the billing lag?

f. By how many days would the billing lag be reduced?

g. Please state the problems North Bay Hydro would have if the median 17.5 days in OEB staff's Billing Lag table was deemed to be North Bay Hydro's billing lag?

Staff 3. Table 5: Summary of Other Revenues

Reference   Page 9 Table 5: Summary of Other Revenues

The results of the analysis of Other Revenues are shown in Table 5.

a. Are the headings for columns labeled Weighting and Revenue Lag Time interchanged?

b. Please explain the steps taken to determine the revenue lags. If samples of bills were used, please provide the statistical parameters indicating significance.

Staff 4. Table 10: Payroll and Benefits

Reference   Page 14 Table 10: Payroll and Benefits

The results of the analysis of payroll and benefits are shown in Table 10.

a. Please explain the steps taken to determine the expense lags and leads.

b. Please explain the rational for any leads.

c. If samples of bills were used, please provide the statistical parameters indicating significance

Staff 5. Table 11: Property Tax Expense

Reference   Page 14 Table 11: Property Tax Expense

North Bay Hydro has extensive lead times related to paying property taxes. In one instance, the taxes were paid almost a year in advance.

a. Please explain why taxes are paid early.

b. Are there legal or contractual terms to pay early?

c. If early payment is incented by a discount, please show the business analysis that indicates benefits to the rate payers.

Staff 6.   Table 12: Miscellaneous OM&A

Reference   Page 15 Table 12: Miscellaneous OM&A

The results of the analysis of Miscellaneous OM&A expenses are shown in Table 12.

    a. Please explain the steps taken to determine the expense lags and leads.

    b. Please explain the rational for any leads.

    c. If samples of bills were used, please provide the statistical parameters indicating significance

Staff 7.   Table 15: Summary of PILs Expenses

Reference   Page 17 Summary of PILs Expenses

North Bay Hydro has lead times related to PILs.

    a. Please explain why PILs are paid early.

    b. Are there legal terms to pay early?

    c. If North Bay Hydro must pay in installments, please explain the high early installments.