

**North Bay Taxpayers' Association Interrogatories
North Bay Hydro Distribution Ltd. (NBHDL) - EB-2014-0099
2015 Cost of Service Rate Application –
Working Capital Allowance**

NBTA 1.

Page 5 – Table 2

Please reconcile the total 2014 expenses of \$82,589,492 shown in this table with the 2014 expenses of \$64,196,390 shown on page 5 of 103 in the Rate Base Overview section of North Bay_APPL EX2_Rate Base_20141212.pdf filed with the EB-2010-0099 COS application.

NBTA 2.

Page 8 – Collections Lag

The Collections lag of 24.56 days posits the average payment receipt time. Since NBHDL allows approximately 21 days from the billing date for payment before penalties apply, this would seem to indicate that most customers are late with their monthly payments.

1. Please detail the calculations used to determine the 24.56 lag days used in the WAC final estimate.
2. Please indicate the methodology used in analysing the receivable aging data to calculate the Collection lag. Does that methodology include staff time to record payments received?

NBTA 3.

Page 8 – Payment processing time

Regardless of the payment method used by customers, the question is; “When do the funds become available for use by NBHDL?”

1. In light of this, please explain the reasoning behind attempting to properly estimate the Payment Processing lag time independently from the Collection lag time?

2. Is the Payment Processing lag time a result of internal processing time required by NBHDL staff?
3. If so please describe the processes that cause this lag?
4. If the Payment Processing lag time is an estimate of processing time by external factors, please confirm that a similar offsetting estimate has been made and included in the Expense lead time calculations.

NBTA 4.

Page 9 – Table 5

Please explain the reasons for the 182.5 day lag for Rent from Electric Property and the 15.21 day lag for Interest on Monthly Bank Balances.

NBTA 5.

This request to change the working capital allowance percentage will result in NBHDL taking more money from its customers. This additional charge is not required to deliver electricity. This will deprive customers of funds that could be used by them to cover other living expenses and will increase NBHDL's PILS liability which will be detrimental to its customers.

Based on the following statement included on page 14 in Schedule "A" of the *Board's Decision and Order EB-2014-0099*,

"NBHDL has included an amount for ROE equal to \$2,187,380 or 9.30%. This is allowed in accordance with Board policy but it is not a legal requirement of the Board. This results in an increase in taxable income and the amount of taxes included in rates. This increases customer delivery charges on a yearly basis by the amount mentioned above."

it is clear that NBHDL has already included in rates amounts that are not required to carry out the main purpose of the company being the delivery of electricity.

The net effect of this application will be to increase NBHDL's rate base and increase rates by further increasing the rate of return on equity and deemed interest expense.

Please explain to NBTA and your customer base, who are owners of NBHDL, the reason that NBHDL is going forward with this request to the Board which will result in NBHDL collecting more money than is required to deliver electricity and will result in the payment of higher amounts of PIL's.

NBTA 6.

NBHDL, its owners and customers are not dealing at arm's length. Since this arrangement is a closed system, no new money is being introduced and it is impossible for NBHDL to generate a rate of return in the real world sense of the term. Any funds collected not required for the delivery of electricity are simply making a round-trip while costing ratepayers PILS during the journey.

Please explain to NBTA, for the benefit of NBHDL customers, the business case for and the financial benefit to them of this application.