

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by North Bay Hydro Distribution Limited for an
Order or Orders approving or fixing just and reasonable rates and other charges for
electricity distribution to be effective May 1, 2015.

**North Bay Taxpayers' Association (NBTA) -
Working Capital Allowance Submissions
September 11, 2015**

Interrogatory - NBTA- 2

Reference: Page 8

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.

a) Please detail the calculations used to determine the 24.56 lag days used in the WAC final estimate.

b) 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?

Response:

a) The following tables provide the details of the calculation of 24.56 collection lag days.

Submission:

Please supply details of the amounts used to calculate the Weighted Average Number of Collection Lag days shown in the response.

Interrogatory - NBTA- 4

Reference: 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.

Response:

Rents from Electric Property are only paid annually and therefore have a lag of $\frac{1}{2}$ year (i.e. 365 days / 2). In contrast, Interest on Monthly Bank Balances is paid monthly and therefore has a lead of $\frac{1}{2}$ month (365/12/2).

Submission:

Response would indicate that rents are received annually in arrears. Since rents are usually paid in advance, please explain who this arrangement is with and why this arrangement exists.

If rents are received in advance, rental income would have a lead time rather than a lag time.

Interrogatory - 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.

Response:

This interrogatory is not relevant to the study filed on July 28, 2015 by NBHDL titled "Working Capital Requirements of North Bay Hydro Distribution Ltd.'s Distribution Business" in response to the OEB's Decision and Order, July 16, 2015.

In Procedural Order No. 3, the Board limited the scope of interrogatories to "relevant information and documentation from North Bay Hydro that is in addition to the evidence already filed on working capital requirements."

The North Bay Taxpayers' Association is a party to and itself approved of the Settlement Agreement attached as Schedule "A" of the Board's Decision and Order EB-2014-0099. Putting an even finer point on it - the North Bay Taxpayers' Association approved NBHDL's inclusion of an amount for ROE equal to \$2,187,380 or 9.30%.

At page 8, the North Bay Taxpayers' Association, as party to the settlement, indicated its agreement that the settlement was "appropriate and recommended its acceptance by the Board."

Please refer also to the response to 1-NBTA-2 and 2-NBTA-21, both filed on April 24, 2015.

Submission:

NBTA considers the presumptions contained in this response erroneous and will be filing a motion objecting to this response

Interrogatory - 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.

Response:

This interrogatory is not relevant to the study filed on July 28, 2015 by NBHDL titled "Working Capital Requirements of North Bay Hydro Distribution Ltd.'s Distribution Business" in response to the OEB's Decision and Order, July 16, 2015.

In Procedural Order No. 3, the Board limited the scope of interrogatories to "relevant information and documentation from North Bay Hydro that is in addition to the evidence already filed on working capital requirements."

The importance, benefit to customers, business cases have been explained in considerable detail for this application in the original Application, the interrogatory responses, the technical conference transcript and in the Settlement Agreement accepted by the Board's Decision and Order EB-2014-0099.

Submission:

NBTA considers the presumptions contained in this response erroneous and will be filing a motion objecting to this response