

November 18, 2015

North Bay Taxpayers Association
392 Surrey Drive
North Bay, ON P1C 1E3

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

Dear Ms. Walli:

**North Bay Hydro Distribution Limited
WCA Decision and Order
EB-2014-0099
Comments from the North Bay Taxpayers' Association**

The Board's decision to allow North Bay Hydro (NBHDL) to use a WCA percentage amounting to 10.31% to calculate its total rate base for the 2016 is based on questionable reasoning.

The Board's decision to allow that WCA percentage to remain in effect until the next cost of service application scheduled for five years is without merit.

The Board suggests that any reduction in the WCA percentage must be mindful of the impact it will have on NBDHL's OM&A and capital budgets. There is no evidence to support this statement since the WCA percentage has no affect either OM&A or capital spending.

The Board suggests that NBHDL's submission that the OM&A and capital costs have already been approved and included in the revenue requirement for 2015 based on its current processes and system is somehow supportive of their request for a WCA percentage of 10.31%. There is no evidence to support this supposition and any link between these two approval processes is tenuous at best.

The Board suggests that NBHDL has the incentive to investigate and implement cost-saving initiatives prior to its next cost of service application. This incentive is a direct result of the order issued in this decision and offers nothing in the way of support for NBHDL's current WCA percentage request.

The Board suggests that NBHDL be allowed five years to "adopt best practices" which will mean that NBHDL will collect an additional approximately \$750,000 from customers over the next five years. There is no basis for suggesting that this amount of time is required or for allowing this amount of time to correct the situation.

In denying NBTA's motions requesting additional information concerning interrogatory 2, the Board indicated that no further information is required by the OEB. NBTA would like to point out this submission is immaterial to our request. The NBTA did not make the request to provide OEB with any information. NBTA made a request for its own edification and in order to determine the legitimacy of the claim. The Board's denial of the motion based on the reasoning given has no basis in fact.

In denying the NBTA motions requesting additional information concerning interrogatories 5 and 6, the Board suggests that because the concept of return on equity has been approved in the COS application that the amount of that return on equity is not relevant to this phase of the proceeding. If this were actually the case, what would be the purpose of the Board making a ruling on this issue? Changes in the WCA percentage exclusively affect the rate base which exclusively affects the cost of capital and the ROI. If the total amount of the return on equity is immaterial, what purpose is served by setting a particular rate for the WCA percentage? The basis for the Board's denial is based on faulty reasoning.

The Board indicated its disagreement with NBTA's statement that the working capital allowance provides NBHDL with more money than is required to deliver electricity.

The Board's disagreement is not based on any factual information. The fact is that the WCA increases the total rate base which increases the cost of capital which increases the ROI. The ROI provides more funds than are required to show a sustaining profit and is not required to deliver electricity.

The facts show that over the past decade NBHDL has charged customers millions more than is required to deliver electricity and whatever WCA percentage has been allowed is a contributor to that fact.

In 2011, NBHDL paid dividends of \$691 thousand which found their way into the City of North Bay coffers. It is obvious that these funds were not required to deliver electricity and ignoring this fact does not make it disappear.

In 2012, NBHDL paid dividends of \$619 thousand which found their way into the City of North Bay coffers. It is obvious that these funds were not required to deliver electricity and ignoring this fact does not make it disappear.

In 2013, NBHDL paid dividends of \$636 thousand which found their way into the City of North Bay coffers. It is obvious that these funds were not required to deliver electricity and ignoring this fact does not make it disappear.

In 2014, NBHDL paid dividends of \$809 thousand which found their way into the City of North Bay coffers. It is obvious that these funds were not required to deliver electricity and ignoring this fact does not make it disappear.

In 2015, NBHDL paid dividends of \$525 thousand which found their way into the City of North Bay coffers. It is obvious that these funds were not required to deliver electricity and ignoring this fact does not make it disappear.

In 2016, NBHDL is projecting to pay dividends of \$625 thousand which will find their way into the City of North Bay coffers. It is obvious that these funds were not required to deliver electricity and ignoring this fact does not make it disappear.

In addition, during the period 2011 – 2014, NBHDL paid PILS of \$2.4 million which found their way into the coffers of the Province of Ontario. It is obvious that these funds were not required to deliver electricity and ignoring this fact does not make it disappear.

The Board's suggestion that the working capital allowance does not provides NBHDL with more money than is required to deliver electricity is an insult to the intelligence of the NBTA and other readers of this decision.

We believe that the Board in this decision continues to disregard its mandate as set out in the first section of the Ontario Energy Board Act, 1988 to "protect the interests of consumers with respect to prices" and "to promote economic efficiency and cost effectiveness in the generation, transmission, distributionof electricity".

We suggest that the Board has consistently taken advantage of its position as the generator of policies, an interpreter of those policies and judge and final arbiter of those policies to effectively quash any real attempt to suggest beneficial changes to ratepayer delivery rates. This has resulted in the total disregard by the Board for ratepayers as to the pricing and cost effectiveness of that pricing for the delivery of electricity.

Yours very truly,

D. D. Rennick,

North Bay Taxpayers' Association