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February 18, 2021

Delivered by Email and RESS

Ms. Christine Long, Registrar
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: North Bay Hydro Distribution Ltd. ("NBHDL") 2021 Cost of Service Application
OEB File No.: EB-2020-0043
Response to OEB Staff – Addressing Errors**

On February 8, 2021, OEB Staff sent a series of clarification questions to NBHDL regarding its 2021 Cost of Service Application filed on January 5, 2021. We have reproduced each of those questions below and provided NBHDL's response to each.

OEB Staff Question:

1. The 2021 test year CAPEX in Exhibit 1, Table 1-18, page 59 is \$6,292,043; however, Appendix 2-AB shows the 2021 test year CAPEX to be \$6.692.

NBHDL Response:

This is a typo in Table 1-18. It should read \$6,692,043. Please see Attachment 1 for the revised page in Exhibit 1 with a sidebar indicating where changes have been made in Table 1-18.

OEB Staff Question:

2. In Exhibit 2, page 47, Table 2-35, the Low Voltage Charges is shown as \$41,921 for the 2020 Bridge Year; however, Exhibit 8, page 15, Table 8-9 in Exhibit 8 shows the 2020 Low Voltage Cost to be \$66,877. 2017-2019 have the same issue. The test year amount matches.

NBHDL Response:

Table 2-35 represents Cost of Power expenses as per NBHDL's financial statements. As such, the values shown have been DVA adjusted and, consequently, equal Energy Revenues. Table 9-3 in Exhibit 9 demonstrates this relationship.

Table 8-9 in Exhibit 8 represents a forecasting of the actual underlying Low Voltage expenses that are charged to NBHDL by Hydro One. The purpose of which is to set a new Low Voltage rate that accurately reflects these costs and minimizes DVA adjustments. Because the proposed Low Voltage rates are driven by forecasted expenses and recovered through the forecasted load, it is assumed that Low Voltage revenues and expenses are equal in the Test Year.

OEB Staff Question:

3. The test year CAPEX in 2-AA is shown as \$6.141 million, whereas in 2-AB it is \$6.152 million.

NBHDL Response:

Appendix 2-AA shows an incorrect value for Contributed Capital. Please find the updated Chapter 2 Appendix attached with an updated Appendix 2-AA.

OEB Staff Question:

4. In Exhibit 4, page 14, Table 4-6 indicates that the 2021 COS application costs are \$159,710. This does not match the amount on page 78, Table 4-40, which shows 2021 COS application costs of \$215,000, and a five-year amortized cost of \$158,710.

NBHDL Response:

The amount of \$1,000 for ad-hoc regulatory assistance (unrelated to COS costs) was incorrectly in the 2021 COS costs in Table 4-6. The corrected 2021 COS application costs in Table 4-6 is now \$158,710.

Table 4-40 shows 2021 COS application costs include \$77,240 in 2019, \$501,310 in 2020, and \$215,000 in 2021 for a total of \$793,550. NBHDL records these costs each year on the balance sheet in a prepaid account, which is then amortized annually to align with rate recovery. The 2021 Test Year only includes \$158,710 (total costs amortized over 5 years) for COS costs. Table 4-6 and 4-40 have been updated to properly reflect the \$1,000 change.

Please see Attachment 2 for the revised pages in Exhibit 4 with sidebars indicating where changes have been made.

OEB Staff Question:

5. Exhibit 4, pages 14 and 30, indicate that the test year budget for vegetation management is an increase of \$260,033 over the 2015 OEB-approved amounts. Appendix 2-JC contains a line item for vegetation management, which shows the variance between the test year versus 2015 OEB-approved of \$317,243.

NBHDL Response:

The total variance between the 2015 OEB-approved amount and the 2021 Test Year is \$317,243. The reference on page 14 is in the context of Table 4-3, which provides for cost drivers; NBHDL has segregated internal labour costs from external costs in this summary. This is also the case for Table 4-10 which provides additional details on the cost drivers. Page 30 speaks to the total costs of the vegetation management program and line 30 should reference \$317,243. The increase of \$260,033 is in relation to external tree trimming contractor costs with the remaining incremental costs tied to an increase in labour costs as explained on line 21 through 27 on page 30. Table 4-12 (Appendix 2-JC) shows the total increase of the program in its entirety; \$103,864 is internal labour as referenced on page 30 and the remaining costs are tied to external costs.

OEB Staff Question:

6. The cost driver variances in Appendix 2-JB for the “employee compensation” line item does not align with the year-over-year variances that can be calculated using the total employee compensation amounts shown in Appendix 2-K.

NBHDL Response:

NBHDL prepared these tables consistent with the methodology used in the 2015 COS application. Appendix 2-JB includes all compensation that is included in OM&A. Appendix 2K includes total compensation costs, but excludes board of director compensation, temporary employees, or students as referenced on lines 13 and 14 on page 41.

OEB Staff Question:

7. In Exhibit 4, page 63 the “capitalized benefits” amounts in Table 4-29 does not align with the capitalized OM&A table in Appendix 2-D.

NBHDL Response:

NBHDL prepared these tables consistent with the methodology used in the 2015 COS application. Appendix 2-D reflects NBHDL’s accounting process for capitalizing costs that initially flow through OM&A and are allocated to capital through the overhead process. Compensation costs, including benefits, that are related to capital are

coded directly to capital through the timesheet process. As a result, these costs do not flow through OM&A before being capitalized, and as a result will not be shown in Appendix 2-D. Table 4-29 provides total benefit costs and indicates the amount that was capitalized directly.

OEB Staff Question:

8. In Exhibit 4, Pages 65-66, lists four separate amounts for 2021 interest payments: \$4,985 + \$6,605 + \$12,738 + \$8,757 = \$33,085. On page 66, the revenue offset indicates \$37,331.

NBHDL Response:

The total revenue offset amount of \$37,331 referenced on page 66 is correct. Pages 65-66 reference four separate amounts, however, inadvertently omitted a further explanation of additional interest expected based on additional lending that is expected in 2021 as referenced on line 19 of page 65. A promissory note is expected in 2021 in the amount of \$230,000, resulting in additional interest of \$4,245 in the 2021 test year.

OEB Staff Question:

9. Exhibit 7, Appendix A, Sheet I6.2 on page 14 and Sheet O2 on page 17 don't match the values in the Cost Allocation Model.

NBHDL Response:

These appendices in Exhibit 7 appear to have been created from a version of the cost allocation model with broken or incomplete links. Please see Attachment 3 showing the revised pages in Exhibit 7 with sidebars showing where changes have been made. NBHDL notes that the Cost Allocation Model itself is correct.

OEB Staff Question:

10. It appears that the RTSR charges shown in Exhibit 8, page 11, Table 8-10 are incorrectly transposed such that the rates for Connection is shown under Network, and vice versa.

NBHDL Response:

Yes, the numbers in Table 8-10 have been incorrectly transposed. Please see Attachment 4 for the revised pages in Exhibit 8 with sidebars indicating where changes have been made.

We hope that the answers provided can provide clarity to the OEB with respect to the questions posed by OEB Staff and help facilitate this proceeding.

Yours very truly,

Micheal Roth, CPA
Regulatory Manager
North Bay Hydro Distribution Limited