**John A.D. Vellone**
T (416) 367-6730
F 416.367.6749
jvellone@blg.com

**Flora Ho**
T (416) 367-6581
F 416.367.6749
fho@blg.com

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada M5H 4E3
T 416.367.6000
F 416.367.6749
blg.com

Borden Ladner Gervais

June 14, 2021

**Delivered by Email & 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: 2021 Cost of Service Rate Application**
**North Bay Hydro Distribution Limited ("NBHDL")**
**OEB File No.: EB-2020-0043**
**Responses to Interrogatories Related To Updated Evidence Filed on May 28, 2021**

Pursuant to Decision and Procedural Order No. 3 dated May 31, 2021, please find attached NBHDL's Responses to Interrogatories related to Updated Evidence Filed on May 28, 2021 for the above proceedings.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

Per:

Flora Ho

cc: Intervenors of record in EB-2020-0043

**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 ("NBHDL") for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity, effective May 1, 2021.

**NORTH BAY HYDRO DISTRIBUTION LIMITED**

**RESPONSES TO INTERROGATORIES RELATED TO UPDATED EVIDENCE FILED ON MAY 28, 2021**

**FILED: JUNE 14, 2021**

**Response to Interrogatories from School Energy Coalition**
**(Related to Updated Evidence filed on May 28, 2021)**

**SEC-1**

**Question:**

1. Please provide the conclusions that the Applicant believes the OEB and the parties should draw from the spreadsheet provided.

**Response:**

The intent is to show the benchmarking that NBHDL considered when assessing and determining that the resourcing requests made in its COS are, all things considered, reasonable on the overall FTE number but, also specifically on the number of management FTEs.

NBHDL contends that its current management compliment is not sufficient to properly run and resource NBHDL in 2021 and into the future.

Benchmarking of this kind can really only be an exercise in assessing overall reasonableness as limitations apply to over simplistic comparisons.

Every LDC will have variations in OM&A cost drivers including without limitation:

- Geographical differences in terrain and climate.
- The degree to which certain activities are, or can be, contracted out.
    - Northern Ontario utilities face unique cost and availability pressures when seeking competitive contracting options that are not faced by most southern Ontario utilities. Often options don't exist locally, causing bidders to be limited and bids to be inclusive of travel costs.
- Capitalization ratios for operations staff.
    - The degree to which a staffing complement is performing capital versus OM&A work can vary from utility to utility.

Further, there are objective limitations in the data provided by utilities and how it can be compared between LDCs. In the benchmarking table provided, columns F, G and H are from each comparator's most recent Chapter 2 Appendix 2-K. In reviewing these LDC's rate applications it is clear that there are inconsistencies with how this appendix is completed by different LDCs and what information can be gained from a comparison. As just one example, NBHDL completes this appendix with its fully loaded FTE complement and costs – regardless of whether those costs are paid for by ratepayers or they are funded by an affiliate of NBHDL. In the 2021 Test Year, Appendix 2-K includes $312,583 in total compensation that is billed out to affiliates or through recoverable work to customers – and is otherwise not funded by LDC ratepayers. In reviewing the comparators in detail, some other utilities have only included costs in Appendix 2-K that are funded directly by LDC ratepayers – thus excluding amounts billed out to affiliates or amounts funded through recoverable work to customers.

Others have a comparatively low count in column F due to certain tasks being contracted out or certain equivalent positions being labeled as non-management. The following is a listing of examples where one-to-one comparisons are not equitable and makes benchmarking imperfect (this is a far from exhaustive list):

- Westario Power Inc. contracts out its IT service to Canadian Niagara Power Inc.[1]
- Essex Powerlines excludes employees dedicated to non-rate regulated activities in affiliates.[2]
- Essex Powerlines receives IT, HR, procurement, executive, administrative and engineering support from affiliates.[3]
- Festival Hydro staffs a "Distribution Engineer" that it does not classify as management.[4]
- Kingston Hydro has no staff and is a "virtual utility". This makes its Appendix 2-K inclusive only of allocated FTEs.

These examples are from a cursory review of LDCs in the comparator group with fewer management staff than NBHDL. As stated, this is not an exhaustive list as more granular detail of staffing choices is unavailable. These are, however, examples of the limitations in benchmarking.

NBHDL also includes staff in its management count that may or may not be treated as such in other organizations. The submitted Appendix 2-K includes staff without direct reports or 'executive level' decision making authority. NBHDL's Communications Officer, Regulatory Manager, HR Manager and one Distribution Engineer are all staff without reports or authority levels that would deem them management in the traditional sense. They are however included in NBHDL management count by discretion.

[1] EB-2017-0084 – Westario Power Inc. 2018 Cost of Service Application, Exhibit 1, dated November 22, 2017, page 228.

[2] EB-2017-0039 – Essex Powerlines 2018 Cost of Service Application, Exhibit 4, dated August 28, 2017, page 31.

[3] EB-2017-0039 – Essex Powerlines 2018 Cost of Service Application, Exhibit 4, dated August 28, 2017, Figure 26.

[4] EB-2014-0073 – Festival Hydro 2015 Cost of Service Application, Exhibit 1, dated May 30, 2014, pdf page 245.

**SEC-2**

**Question:**

2. Please explain how the OEB and parties should adjust, if at all, the data for the comparators to reflect the fact that they come from different years.

**Response:**

Of course, consideration should be given to the different time periods, however, NBHDL is not aware of any prescribed methodology to adjust benchmarking figures across years. It is NBHDL's intent to provide as recent and transparent as possible information in the year it originated so that adjudicators could take date these comparators arose into consideration regarding the reasonableness of NBHDL's request.

**SEC-3**

**Question:**

3. With respect to the selection of the comparator group:

   a. Please explain the criteria used to determine which utilities would be included in, and excluded from, the comparator group.

   b. Please specifically explain why Greater Sudbury, although much larger than the Applicant was included.

   c. Please specifically explain why Kingston Hydro, although a similar size to the Applicant, was excluded.

**Response:**

a) NBHDL used the following criteria to determine the appropriateness of which LDCs to include in the table:
   - Number of customers
   - Net PP&E
   - Geographic region

b) As stated in 3a), NBHDL considered geographic region to be an important criterion when determining which other LDCs to include in the table. Northern utilities face unique OM&A cost drivers that our southern counterparts do not. Northern LDCs tend to have greater vegetation density, different population density and growth, and similar terrain to each other. Further, northern LDCs don't share service boundaries with other LDCs (excluding Hydro One), which makes shared service arrangements more difficult. Additionally, northern utilities have decreased flexibility with respect to contract work. Often services that could be contracted out have few or inflexible contracting options further north. This may necessitate in-housing certain functions for which other LDCs may have contract options.

c) Initially, Kingston was excluded due to their FTE count being absent from the 2019 yearbook. NBHDL has provided an updated table that includes Kingston Hydro as "NBHDL_Updated Appl_EVD_Benchmarking_20210614 – REVISED.xlsx".

**SEC-4**

**Question:**

4. With respect to the results for the comparator group selected by the Applicant, please confirm:

    a. Only Halton Hills and Sudbury have higher Management compensation per Management FTE than that proposed by the Applicant.

    b. The Management compensation proposed by the Applicant is 8.64% higher per FTE than the average of the Applicant's comparator group, and that translates into a variance from average of $166,244 per year.

    c. Only Halton Hills has higher Management compensation per customer than that proposed by the Applicant.

    d. The Management compensation proposed by the Applicant is 25.94% higher per customer than the average of the Applicant's comparator group, and that translates into a variance from average of $430,045.

**Response:**

a) Not confirmed. This benchmarking cannot be used to make overly simplistic comparisons as is proposed in this question, especially when data is taken from different time periods. Only Halton and Sudbury have data available from recent years (2021 and 2020 respectively). See also the other limitations identified in response to question 1 above.

b) Not confirmed. This benchmarking cannot be used to make overly simplistic comparisons as is proposed in this question, especially when data is taken from different time periods. In addition, there are readily identifiable inconsistencies with how different LDCs record and report some of the data in Appendix 2-K (for example, NBHDL's management compensation costs are overstated by $113,862when compared to other LDCs that excluded non-ratepayer funded compensation from Appendix 2-K).

c) Not confirmed. This benchmarking cannot be used to make overly simplistic comparisons as is proposed in this question, especially when data is taken from different time periods. Halton is the only other LDC in the benchmarking table with 2021 data. In addition, there are readily identifiable inconsistencies with how different LDCs record and report some of the data in Appendix 2-K (for example, NBHDL's management compensation costs are overstated by $113,862when compared to other LDCs that excluded non-ratepayer funded compensation from Appendix 2-K).

d) Not confirmed. This benchmarking cannot be used to make overly simplistic comparisons as is proposed in this question, especially when data is taken from different time periods. In addition, there are readily identifiable inconsistencies with how different LDCs record and report some of the data in Appendix 2-K (for example, NBHDL's management compensation costs are overstated by $113,862when compared to other LDCs that excluded non-ratepayer funded compensation from Appendix 2-K).

**SEC-5**

**Question:**

5. Attached to these interrogatories is a spreadsheet listing the OM&A, O&M, and G&A of each distributor from the 2019 OEB Yearbook. With respect to this data:

    a. Please confirm that the Applicant accepts the accuracy of the data and the calculations.

    b. Please confirm that the column GRP correctly identifies the LDCs included in the Applicant's comparator group.

    c. Please confirm that, excluding Toronto Hydro and Hydro One, the Applicant already had both O&M and G&A per customer higher than the industry average in 2019, before the increases proposed in this Application.

**Response:**

a) NBHDL confirms the accuracy of the data and calculations.

b) NBHDL confirms the column GRP correctly identifies the LDCs included in comparator group.

c) NBHDL confirms that if one were to arbitrarily remove from this benchmarking comparison a random number of LDCs with O&M and G&A costs per customer that are higher than NBHDL, that one could arrive at a variety of conclusions that NBHDL's costs are "higher than average". NBHDL does not agree that this approach represents an informed, reasonable or proper approach to utility benchmarking.

    Once could just as easily arbitrarily remove a random number of LDCs with O&M and G&A costs per customer that are lower than NBHDL, and arrive at a variety of conclusions that NBHDL's costs are "less than average".

    However, this does not paint an accurate picture.

    For the purpose of this analysis using the 2019 yearbook figures, NBHDL contends that a more appropriate analysis would be to either compare itself to the all LDCs or to the comparator group in the provided benchmarking table.