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June 18, 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: OEB File No. EB-2020-0043
North Bay Hydro Distribution Limited (“NBHDL”)
2021 Rates Application
Hearing – Summary of Opening Remarks**

In advance of the Hearing on June 22, 2021, please find enclosed a summary of opening remarks of NBHDL’s witness panel.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Per:

A handwritten signature in black ink, appearing to read 'Flora Ho', is written over a horizontal line.

Flora Ho

cc: Intervenor 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

SUMMARY OF OPENING REMARKS

FILED: JUNE 18, 2021

NORTH BAY HYDRO DISTRIBUTION LIMITED

SUMMARY OF OPENING REMARKS

The following is an outline of the opening remarks that the North Bay Hydro Distribution Limited (“NBHDL”) witness panel plans to provide at the outset of its testimony at the oral hearing for the unsettled items in this proceeding.

A. Operations, Maintenance & Administration (OM&A)

The proposed OM&A expenditures for the 2021 Test Year of \$8.6 million has been derived through detailed budgeting and business planning.

1. Resourcing

A primary cost driver for OM&A relates to NBHDL’s resourcing requirements.

Between 2017 and 2019, 82% of management positions experienced turnover.¹ NBHDL has been operating on an extremely lean workforce, which is unsustainable. This creates risk, causes employee burnout, makes addressing customer’s needs and preferences difficult and limits the amount of resources available to tackle key initiatives required to improve the business.²

As shown in Response to Pre-Settlement Clarification Question No. 4,³ there are a number of initiatives that need to be completed as part of NBHDL’s policies and procedures update, including compensation review, customer service policy update, safety programs, conditions of service update, etc. However, the lack of resources has impeded the completion of these initiatives.

To address these issues, in 2018 the new management team immediately started the process to realign the employee complement to better meet the needs of the utility, such as eliminating positions and re-tasking positions.⁴ However, this could not fully address the operational risks. With continued assessment, NBHDL has identified the need for a complement of 53 FTEs in the 2021 Test Year (i.e. 4 incremental FTEs over the 2015 OEB Approved 49 FTEs). The 4 FTEs are as follows:

¹ EB-2020-0043, Exhibit 4 filed January 5, 2021, [Exhibit 4] s. 2.4.1.1 at page 5.

² Interrogatory Response, Filed April 1, 2021 [IRR] 1-DDR-3

³ EB-2020-0043, Response to Pre-Settlement Clarification Questions, filed May 17, 2021 at page 24.

⁴ Exhibit 4, s. 2.4.1.1.3 at page 10.

- (a) Communications Officer (2019):⁵ Dedicated resource to help NBHDL to, among other things, improve and formalize customer engagement, increase social media presence and awareness, and promote NBHDL and its programs in the community.
- (b) Administrative Assistant (2021):⁶ Additional resource to help with company-wide administration and to assist the senior management and executive team, so that they are not being pre-occupied with administrative tasks and distracted from their areas of expertise.
- (c) Operations Coordinator (2021):⁷ This resource will provide the operations department with additional support to help find efficiencies, improve productivity, create accountability and continue to prioritize safety at the management level.
- (d) Succession for Operations Manager and Supervisor (2021-2025):⁸ Succession planning resource for two operation employees who are both currently eligible for retirement and will need to ensure continuity and allow for the transfer institutional knowledge and utility experience to the new employee.

These four incremental FTEs will help NBHDL deliver on its key outcomes of this application, which are: (1) enhance customer engagement; (2) support improvements (formalization and modernization) of policies and procedures; (3) drive improved O&M practices and performance; and (4) support succession planning.

2. OM&A - Formula Adjustments

In its recent decisions, the OEB Commissioners have used a formulaic approach to assess the reasonableness of an OM&A request in a rate application. However, NBHDL believes that several adjustments should be taken into consideration to this formulaic approach in assessing NBHDL's OM&A increase.

First, the formula currently does not take into account several cost drivers that are outside of management control, including increase to OEB license fees, incremental cybersecurity costs, mandated customer safety/satisfaction surveys, increase in pole rental costs pursuant to OEB decision; and increase in smart meter re-verifications.

Second, apart from these cost drivers, adjustments should also be made to reflect the misallocation of capital and OM&A for NBHDL's operations and engineering staff. NBHDL's 2015 OM&A

⁵ EB-2020-0043, Exhibit 4 filed January 5, 2021, [Exhibit 1] s. 2.1.2.2.1, page 12, s. 2.1.7.5.3 at page 99; Exhibit 4, s. 2.4.1.1 at page 5, s. 2.4.1.1.2 at page 8, s. 2.4.1.10 at page 16, IRR 4-Staff-49, 1-DDR-2, 4-DDR-17, 4-DDR-25.

⁶ Exhibit 1, s. 2.1.7.5.3 at page 99, Exhibit 4, s. 2.4.1.1 at page 5, s. 2.4.1.1.2 at pages 8 to 9,

⁷ Exhibit 4, s. 2.4.1.1 at page 5, s. 2.4.1.1.2 at pages 9 to 10

⁸ Exhibit 4, s. 2.4.1.1 at page 5,

underestimated the actual time these staff members dedicated towards OM&A on an annual basis and any historical comparison must be corrected to take this into consideration. This adjustment results in a \$156,000 increase over 2015 OEB Approved OM&A.

Third, NBHDL has been required to back-fill a high number of vacancies to address resource gaps due to the one-time significant transition within the executive and management team that occurred during the historical period.⁹

Fourth, over the historical period, one of the most substantial changes within the business was the development of the IT Department and bringing the work in-house. This was necessary for NBHDL to address OEB's cybersecurity requirements and implementing best practice guidelines for the company. As IT costs are all OM&A, there is an incremental OM&A impact to the business with these new IT positions. For example, although NBHDL took advantage of two retirements in the operations department to offset two of the additional IT resources, there is still an incremental impact on OM&A because the retirements were from the operations department and a percentage of their costs were capitalized on an annual basis.¹⁰

Fifth, the incremental FTEs as described above under Section A(1) should also be taken into consideration in assessing NBHDL's OM&A.

For a detailed list of the adjustments to the formulaic approach, please see Appendix A attached.

3. Vegetation Management

The Vegetation Management program is the largest OM&A cost that NBHDL incurs outside of labour and it significantly contributes to maintaining reliability and safety of NBHDL's overall system. Tree contact with overhead distribution circuits is a major cause of power interruptions.¹¹

Standard industry and ESA guidelines recommend that a vegetation management cycle should be four or five years, but NBHDL's program is at its eleventh year. An increase to the Vegetation Management budget is necessary because NBHDL needs to get the work back to a cycle that keeps reliability and safety at acceptable levels. It is substantially more expensive to clear 10 years of overgrowth compared to clearing 5 years of growth once the cycle has been established and is being maintained.¹²

In the past, NBHDL has struggled to complete its vegetation management program because of contractor availability, contractor pricing volatility, and poor contractor performance in execution

⁹ Exhibit 4, s. 2.4.1.10 at page 16.

¹⁰ Exhibit 4, s. 2.4.1.1.1 at page 6, s. 2.4.1.1.3 at page 10.

¹¹ Exhibit 4, s. 2.4.1.6 at page 14.

¹² Exhibit 4, s. 2.4.1.6 at page 14 and 15; IRR 4-Staff-53

of work and safety because of inexperienced resourcing. Awarded contract work tends to not be completed in the given year due to contractor crew constraints.¹³ In response to the unavailability of local contractors, inability of awarded contractors to complete work in given timeframes, and to mitigate price volatility in bids and ensure a consistent workforce, NBHDL's affiliate collaborated with two other northern Ontario utilities to create 17 Trees Inc., a northern utility-focused arborist service.¹⁴

Data Collection

Improvement in data collection will assist NBHDL in better justifying its expenditure requirements and managing its asset management program. Additional testing of NBHDL's assets will help identify failure risk and optimize investment planning, which will help avoid negative impacts to system reliability. To achieve improved data collection, NBHDL is proposing a cable testing program and pole testing program.¹⁵ In addition, NBHDL is proposing to complete an ARC flash study in 2021.

B. Impacts of COVID-19 and Other Changes

On March 17th, 2020, the Ontario government declared a state of emergency in response to the COVID-19 pandemic. NBHDL, like other businesses, was required to react immediately and respond to this sudden change, with its main focus on the safety of its employees and business continuity.

In addition to operational changes due to COVID-19, NBHDL had to adapt to new regulatory directions from the OEB with new programs and changes such as CEAP and the GA Deferral, emergency rate orders, disconnection rule changes, as well as the OEB's customer choice initiative.¹⁶

In addition, NBHDL has and continues to maintain its commitment to help its customer and community during these times. It deferred May 1, 2020 rates, created customer payment arrangements for customers as required and waived all late payment charges. These are items that NBHDL will not be seeking recovery for.

¹³ Exhibit 4, s. 2.4.1.6 at page 14, s. 2.4.2.12 at page 29,

¹⁴ IRR 4-Staff-53

¹⁵ Exhibit 4, s. 2.4.1.8 at pages 15 to 16, s. 2.4.2.11 page 29, s. 2.4.3.1.1 at page 35.

¹⁶ Exhibit 1, s. 2.1.2.2.1 at page 10, s. 2.1.3 at page 42, s. 2.1.2.2.2 at page 14.

APPENDIX A – ADJUSTMENTS TO FORMULAIC APPROACH

2021 Test Year Adjustments to Formulaic Approach	2015 Board Approved	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual
Customer Engagement (other external costs)	\$ 81,320	\$ 109,730	\$ 108,397	\$ 92,515	\$ 85,591	\$ 55,676	\$ 131,095
Customer Surveys (Safety & Satisfaction)	\$ 21,500	\$ 21,500	\$ 5,150	\$ 14,650	\$ 11,250	\$ 300	\$ 10,030
Cyber Security (external costs)	\$ 34,395	\$ 40,442	\$ 38,886	\$ 899	\$ 29,275	\$ 35,076	\$ 35,771
Employee Future Benefit Valuation	\$ 10,048	\$ 10,066	\$ 10,360	\$ 35,835	\$ 39,792	\$ 28,956	\$ 53,661
Enhanced Vegetation Management	\$ 260,033	\$ 332,560	\$ 250,462	\$ 262,746	\$ 246,787	\$ 178,986	\$ 127,048
Joint Use Incremental Costs	\$ 32,092	\$ 35,615	\$ 31,994	\$ 29,119	\$ 31,410	\$ 6,374	\$ -
Labour - Accounting - Capital vs OM&A Ratios	\$ 146,967	\$ 5,570	\$ 25,185	\$ 153,372	\$ 57,623	\$ (16,193)	\$ (79,701)
Labour - Historical Vacancies and Retasking	\$ 65,534	\$ 293,918	\$ 237,442	\$ 306,870	\$ 529,056	\$ 363,840	\$ 383,097
Labour - New Positions	\$ 306,720	\$ 306,720	\$ 306,720	\$ 306,720	\$ 306,720	\$ 304,295	\$ 229,698
Maintenance Programs	\$ 198,525	\$ 199,025	\$ 189,525	\$ 203,725	\$ 205,525	\$ 205,525	\$ 205,525
OEB Assessment Fees	\$ 35,583	\$ 34,313	\$ 34,385	\$ 35,843	\$ 36,691	\$ 35,610	\$ 35,296
Policies and Procedures	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 93,780
Smart Meter Re-verification Costs	\$ 10,382	\$ 9,579	\$ 9,619	\$ 3,845	\$ 8,412	\$ 5,088	\$ 1,830
	\$ 1,353,100	\$ 1,549,037	\$ 1,398,125	\$ 1,596,139	\$ 1,738,132	\$ 1,353,533	\$ 1,227,130