EB-2020-0043

NORTH BAY HYDRO 2021 RATES

SEC CROSS-EXAMINATION MATERIALS

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Appendix 2-JC
OM&A Programs Table

Programs	Last Rebasing Year (2015 OEB-Approved)	Last Rebasing Year (2015 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Bridge Year	2021 Test Year	Variance (Test Year vs. 2019 Actuals)	Variance (Test Year vs. Last Rebasing Year (2015 OEB-	Increase	Percent
Reporting Basis												
Customer Services, Billing & Collecting (1,4,5)	874,281	852,944	951,084	913,856	856,418	809,381	932,859	931,903	$122,522	$57,623	78,960	9.26%
Bad Debts (4)	191,079	131,849	72,850	163,484	167,985	121,132	200,000	200,000	$78,868	$8,921	68,151	51.69%
Locates (1,2)	249,857	281,031	342,115	271,936	189,340	293,933	183,361	172,430	($121,504)	($77,427)	-108,602	-38.64%
Customer Engagement (1,4,5)	62,000	33,590	51,273	57,655	67,979	108,844	66,790	164,820	$55,976	$102,820	131,230	390.68%
Executive, Financial, Regulatory, Professional, Insurance (all)	1,197,087	1,260,162	1,228,678	1,220,284	1,132,601	1,139,758	1,325,767	1,382,287	$242,529	$185,200	122,125	9.69%
Regulatory Reporting & Assessments (5)	222,552	163,255	275,338	270,027	269,009	270,260	140,496	270,679	$419	$48,127	107,424	65.80%
Information & Technology (1,4,5,6)	453,162	411,146	455,611	605,282	579,942	600,795	669,547	712,558	$111,764	$259,396	301,412	73.31%
Smart Meters, Meter Reading (4,5)	377,808	376,075	374,498	302,500	316,606	314,485	328,463	342,707	$28,222	($35,101)	-33,368	-8.87%
Human Resources (all)	376,108	401,609	335,128	439,642	355,030	425,209	491,812	568,201	$142,992	$192,093	166,592	41.48%
Corporate Policies, Initiatives, and Strategy (all)	0	0	0	0	0	0	110,000	150,000	$150,000	$150,000	150,000	
Training, Health & Safety (2,4)	215,387	238,322	266,588	166,018	251,168	218,912	288,647	294,009	$75,097	$78,622	55,686	23.37%
Overhead Operations & Maintenance (2,3,4)	711,686	705,682	755,322	731,007	740,328	866,065	853,864	1,141,750	$275,685	$430,065	436,069	61.79%
Underground Operations & Maintenance (2,3,4)	276,014	448,112	328,702	317,505	309,295	331,735	383,846	462,900	$131,166	$186,886	14,788	3.30%
Substation Maintenance, Load Dispatching, SCADA (2,3,4)	510,537	398,805	413,185	396,446	418,110	516,528	706,996	840,861	$324,333	$330,324	442,056	110.85%
Vegetation Management (2,3,4)	456,194	438,897	541,345	516,229	515,994	550,373	685,609	773,437	$223,065	$317,243	334,540	76.22%
Metering - Operations & Maintenance (2,3,4)	330,670	252,727	301,221	306,947	240,739	292,249	322,179	362,170	$69,920	$31,499	109,443	43.30%
Miscellaneous (4)	($74,692)	($180,997)	($285,992)	($247,722)	($170,733)	($170,777)	($237,408)	($204,775)	($33,998)	($130,083)	-23,779	13.14%
Total	**6,429,729**	**6,213,210**	**6,406,945**	**6,431,094**	**6,239,812**	**6,688,882**	**7,452,827**	**8,565,938**	**$1,877,056**	**$2,136,208**	2,352,728	37.87%

Notes:

1 Please provide a breakdown of the major components of each OM&A Program undertaken in each year. Please ensure that all programs below the materiality threshold are included in the miscellaneous line. Add more Programs as required.

2 The applicant should group projects appropriately and avoid presentations that result in classification of significant components of the OM&A budget in the miscellaneous category

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Appendix 2-L
Recoverable OM&A Cost per Customer and per FTE [1]

	Last Rebasing Year 2015 - OEB Approved	Last Rebasing Year 2015 - Actual	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Bridge Year	2021 Test Year
Reporting Basis								
OM&A Costs								
O&M	$ 2,502,736	$ 2,368,931	$ 2,499,939	$ 2,369,875	$ 2,297,928	$ 2,755,008	$ 2,981,844	$ 3,642,089
Admin Expenses	$ 3,926,993	$ 3,844,278	$ 3,907,005	$ 4,061,219	$ 3,941,884	$ 3,933,873	$ 4,470,983	$ 4,923,849
Total Recoverable OM&A from Appendix 2-JB [5]	$ 6,429,729	$ 6,213,210	$ 6,406,945	$ 6,431,094	$ 6,239,812	$ 6,688,882	$ 7,452,827	$ 8,565,938
Number of Customers [2,4]	24,040	24,023	24,086	24,107	24,142	24,197	24,234	24,271
Number of FTEs [3,4]	49	46	46	46	45	45	49	53
Customers/FTEs	489	524	529	521	542	540	494	458
OM&A cost per customer								
O&M per customer	$104.11	$98.61	$103.79	$98.31	$95.18	$113.86	$123.04	$150.06
Admin per customer	$163.35	$160.02	$162.21	$168.47	$163.28	$162.58	$184.49	$202.87
Total OM&A per customer	$267.46	$258.64	$266.00	$266.77	$258.46	$276.43	$307.54	$352.93
OM&A cost per FTE								
O&M per FTE	$50,889	$51,644	$54,932	$51,174	$51,616	$61,537	$60,742	$68,719
Admin per FTE	$79,849	$83,808	$85,849	$87,696	$88,542	$87,869	$91,077	$92,903
Total OM&A per FTE	$130,739	$135,453	$140,781	$138,871	$140,157	$149,405	$151,820	$161,621

Notes:

1 If it has been more than four years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than four years ago, a minimum of three years of actual

2 The method of calculating the number of customers must be identified. Should correspond with data provided in Appendix 2-IB.

3 The method of calculating the number of FTEs must be identified. See also Appendix 2-K.

4 The number of customers and the number of FTEs should correspond to mid-year or average of January 1 and December 31 figures.

5 For the test year, the applicant should take into account the system O&M (line 22 of Appendix 2-AB) in developing its forecasted OM&A.

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.

Comparison of 2019 OM&A Values

	Distributor	OM&A/Cust.	O&M/Cust	G&A/Cust	# of Customers	Grp.
1	Hydro One Networks Inc.	$419.58	$265.06	$154.51	1,343,959	
2	Alectra Utilities Corporation	$253.93	$111.21	$142.71	1,054,613	
3	Toronto Hydro-Electric System Limited	$344.50	$144.01	$200.49	777,904	
4	Hydro Ottawa Limited	$254.69	$84.05	$170.65	339,771	
5	Elexicon Energy Inc.	$187.19	$72.24	$114.95	167,653	
6	London Hydro Inc.	$250.00	$119.21	$130.78	160,598	
7	Kitchener-Wilmot Hydro Inc.	$202.23	$119.88	$82.35	97,695	
8	ENWIN Utilities Ltd.	$292.94	$107.25	$185.69	89,561	
9	Oakville Hydro Electricity Distribution Inc.	$256.42	$118.78	$137.64	73,133	
10	Burlington Hydro Inc.	$288.18	$141.24	$146.93	68,205	
11	Energy+ Inc.	$281.45	$92.77	$188.68	66,521	
12	Entegrus Powerlines Inc.	$237.59	$72.57	$165.02	59,810	
13	Oshawa PUC Networks Inc.	$220.36	$50.94	$169.42	59,183	
14	Waterloo North Hydro Inc.	$258.57	$134.24	$124.33	57,855	
15	Synergy North Corporation	$302.64	$156.68	$145.96	56,700	
16	Niagara Peninsula Energy Inc.	$340.98	$136.70	$204.28	56,067	
17	Greater Sudbury Hydro Inc.	$330.68	$170.16	$160.51	47,725	**
18	Newmarket-Tay Power Distribution Ltd.	$294.57	$102.10	$192.47	43,931	
19	Milton Hydro Distribution Inc.	$249.63	$98.38	$151.25	40,388	
20	Brantford Power Inc.	$278.30	$89.57	$188.73	40,124	
21	Peterborough Distribution Incorporated	$235.32	$85.32	$150.00	37,250	**
22	Bluewater Power Distribution Corporation	$371.34	$112.89	$258.45	36,743	**
23	PUC Distribution Inc.	$340.90	$187.30	$153.59	33,647	**
24	Essex Powerlines Corporation	$243.16	$86.76	$156.40	30,393	**
25	Canadian Niagara Power Inc.	$347.75	$135.12	$212.63	29,455	**
26	Kingston Hydro Corporation	$259.62	$124.88	$134.74	27,778	
27	North Bay Hydro Distribution Limited	$281.43	$113.85	$167.58	24,199	**
28	Westario Power Inc.	$250.64	$89.81	$160.83	23,774	**
29	Welland Hydro-Electric System Corp.	$293.74	$152.17	$141.57	23,664	**
30	ERTH Power Corporation	$315.50	$97.32	$218.18	23,380	**
31	Halton Hills Hydro Inc.	$284.79	$69.69	$215.11	22,528	**
32	Festival Hydro Inc.	$285.95	$112.60	$173.35	21,382	**
33	Innpower Corporation	$312.27	$105.54	$206.72	18,632	
34	EPCOR Electricity Distribution Ontario Inc.	$366.13	$126.06	$240.07	17,916	
35	Orillia Power Distribution Corporation	$352.91	$153.07	$199.84	14,366	
36	Wasaga Distribution Inc.	$249.97	$63.82	$186.14	14,003	
37	Lakeland Power Distribution Ltd.	$351.32	$124.30	$227.02	13,762	
38	Orangeville Hydro Limited	$275.36	$75.80	$199.56	12,652	
39	E.L.K. Energy Inc.	$231.66	$87.02	$144.64	12,478	
40	Algoma Power Inc.	$1,047.24	$564.65	$482.59	11,732	
41	Grimsby Power Incorporated	$276.58	$126.55	$150.04	11,631	
42	Ottawa River Power Corporation	$296.83	$102.38	$194.46	11,320	
43	Lakefront Utilities Inc.	$254.29	$93.46	$160.83	10,546	
44	Niagara-on-the-Lake Hydro Inc.	$300.81	$119.77	$181.04	9,558	
45	Centre Wellington Hydro Ltd.	$362.98	$118.92	$244.06	7,156	
46	Tillsonburg Hydro Inc.	$403.02	$119.92	$283.10	7,129	
47	Northern Ontario Wires Inc.	$464.54	$236.90	$227.64	5,977	
48	Rideau St. Lawrence Distribution Inc.	$385.26	$136.35	$248.91	5,910	
49	Hydro Hawkesbury Inc.	$201.03	$31.76	$169.27	5,549	
50	Renfrew Hydro Inc.	$315.32	$97.70	$217.62	4,325	
51	Wellington North Power Inc.	$478.24	$162.23	$316.01	3,830	
52	Fort Frances Power Corporation	$471.27	$202.77	$268.50	3,773	
53	Espanola Regional Hydro Distribution Corporation	$501.73	$217.89	$283.84	3,309	
54	Sioux Lookout Hydro Inc.	$546.28	$252.95	$293.33	2,848	
55	Hearst Power Distribution Company Limited	$408.05	$175.84	$232.22	2,700	
56	Cooperative Hydro Embrun Inc.	$296.26	$34.99	$261.28	2,366	
57	Atikokan Hydro Inc.	$681.34	$304.13	$377.21	1,629	
58	Hydro 2000 Inc.	$408.60	$33.39	$375.20	1,244	
59	Chapleau Public Utilities Corporation	$680.90	$148.40	$532.50	1,222	
	Total Industry	**$317.59**	**$154.68**	**$162.91**	5,253,152	
	Toronto Hydro and Hydro One	**$392.05**	**$220.68**	**$171.37**	2,121,863	
	Total Industry excl. Toronto Hydro and Hydro One	**$267.13**	**$109.95**	**$157.17**	3,131,289	

North Bay Unfavourable Variance to Adj. Industry	-$14.30	-$3.89	-$10.41
Percentage Unfavourable Variance	-5.08%	-3.42%	-6.21%
Dollar Impact	-$346,070	-$94,218	-$251,852

Comparison of 2019 OM&A Values - Comparator Group

	Distributor	OM&A/Cust.	O&M/Cust	G&A/Cust	# of Customers	Gr.
1	Bluewater Power Distribution Corporation	$371.34	$112.89	$258.45	36,743	**
2	Canadian Niagara Power Inc.	$347.75	$135.12	$212.63	29,455	**
3	PUC Distribution Inc.	$340.90	$187.30	$153.59	33,647	**
4	Greater Sudbury Hydro Inc.	$330.68	$170.16	$160.51	47,725	**
5	ERTH Power Corporation	$315.50	$97.32	$218.18	23,380	**
6	Welland Hydro-Electric System Corp.	$293.74	$152.17	$141.57	23,664	**
7	Festival Hydro Inc.	$285.95	$112.60	$173.35	21,382	**
8	Halton Hills Hydro Inc.	$284.79	$69.69	$215.11	22,528	**
9	North Bay Hydro Distribution Limited	$281.43	$113.85	$167.58	24,199	**
10	Westario Power Inc.	$250.64	$89.81	$160.83	23,774	**
11	Essex Powerlines Corporation	$243.16	$86.76	$156.40	30,393	**
12	Peterborough Distribution Incorporated	$235.32	$85.32	$150.00	37,250	**
	Total Industry	**$317.59**	**$154.68**	**$162.91**		
	Total Industry excl. Toronto Hydro and Hydro One	**$267.13**	**$109.95**	**$157.17**		

Comparator Group Average	$298.43	$117.75	$180.68
North Bay Favourable Variance percentage	5.70%	3.31%	7.25%
Dollar Impact	$411,461	$94,365	$317,096

Comparison of 2019 OM&A Values

	Distributor	OM&A/Cust.	O&M/Cust	G&A/Cust	# of Customers	Grp.
21	Peterborough Distribution Incorporated	$235.32	$85.32	$150.00	37,250	**
22	Bluewater Power Distribution Corporation	$371.34	$112.89	$258.45	36,743	**
23	PUC Distribution Inc.	$340.90	$187.30	$153.59	33,647	**
24	Essex Powerlines Corporation	$243.16	$86.76	$156.40	30,393	**
25	Canadian Niagara Power Inc.	$347.75	$135.12	$212.63	29,455	**
26	Kingston Hydro Corporation	$259.62	$124.88	$134.74	27,778	
27	North Bay Hydro Distribution Limited	$281.43	$113.85	$167.58	24,199	**
28	Westario Power Inc.	$250.64	$89.81	$160.83	23,774	**
29	Welland Hydro-Electric System Corp.	$293.74	$152.17	$141.57	23,664	**
30	ERTH Power Corporation	$315.50	$97.32	$218.18	23,380	**
31	Halton Hills Hydro Inc.	$284.79	$69.69	$215.11	22,528	**
32	Festival Hydro Inc.	$285.95	$112.60	$173.35	21,382	**
	Average of Comparators	**$292.51**	**$113.97**	**$178.54**	27,849	

North Bay Variance to Industry	$11.08	$0.13	$10.96
Percentage Variance	3.94%	0.11%	6.54%
Dollar Impact	$268,164	$3,049	$265,115

costs as an increase to O&M expenses, and then categorizing the elimination of those O&M incurred as a cost savings benefit in the system renewal project. However, in this situation, the O&M cost being reduced is actually O&M cost that could have been avoided altogether with a timelier System Renewal investment that would have kept the O&M cost marginal. The extra costs incurred in addition to its original cost may make the assets overall more expensive per year of its service.

The O&M cost savings attributed as a benefit to a System Renewal project under a life cycle optimization approach cannot be qualified as an elimination of an O&M cost because it is fundamentally **an avoidance of a cost increase**. The cost reduction in future O&M costs realized though investments in system renewal holds true as the cost of future O&M cost would be greater without these investments.

NBHDL's forecasted system O&M costs continue to increase in the 2022-2025 forecast period by approximately 1.95% per year. The continued increase in O&M by inflation is attributed to the reality that North Bay Hydro's O&M expenses such as employee wages, contracted services, and equipment, will also continue to increase with inflation. Staffing is required to continue the execution of North Bay Hydro capital program and meet the required needs of the business. As explained in (a) above, the cost savings that NBHDL is referencing within the DSP are more appropriately put into the context of future cost avoidance and more efficient use of resources, the direct cost savings that are identified are immaterial in the aggregate. NBHDL's O&M costs included in Table 4-5 of the DSP incorporate costs tied to the vegetation management program, on-going costs related to enhancing NBHDL's maintenance program, and the O&M related labour costs that are tied to NBHDL's Operations and Engineering department (33 FTEs), including the lines department, substations, metering, stores, and overall supervision. These costs do not decline in a one-to-one correlation with improved asset condition as a result of the practices followed in the AMP. These costs are required annually. NBHDL will continue to focus on productivity improvements and incorporate these savings where feasible. It is NBHDL's position that the continued focus on vegetation management and a properly planned and executed system renewal program will continue to harden and strengthen NBHDL's system, improve reliability and reduce costs related to reactionary maintenance and after-hours trouble and storm calls.

1.0-VECC-6

Reference: Exhibit 1, page 119

Preamble:

Question:

a) Please update Table 1-57 (PEG Summary Table) to show the results for 2015 to 2018 and the 2021 actual total costs results.

Response:

Table 1-57 has been updated to provide results for 2015 to 2018. 2021 actual results are not available. Based on preliminary calculations and using the most recently released OEB supplied 2021 Benchmarking Forecast Model, NBHDL submits the following Table 1.0-VECC-6 which includes an update for available 2020 actuals:

Table 1.0-VECC-6 – Updated Table 1-57

Cost Benchmarking Summary	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Bridge	2021 Test	2022 Forecast	2023 Forecast	2024 Forecast
Actual Total Cost	16,186,108	15,860,761	16,206,020	16,794,774	17,721,539	18,261,014	20,483,290	20,942,284	21,412,578	21,930,036
Predicted Total Cost	15,094,161	15,355,279	15,341,396	16,251,685	16,873,219	17,499,899	18,238,195	18,991,975	19,771,992	20,586,998
Difference	1,091,947	505,482	864,624	543,089	848,320	761,115	2,245,095	1,950,309	1,640,586	1,343,038
% Difference (Performance)	7.0%	3.2%	5.5%	3.3%	4.9%	4.3%	11.6%	9.8%	8.0%	6.3%
Three-year Average Performance			5.2%	4.0%	4.6%	4.1%	6.9%	8.5%	9.8%	8.0%
Stretch Factor Cohort										
Annual Result	3	3	3	3	3	3	4	3	3	3
Three-year Average			3	3	3	3	3	3	3	3

	LDC	Region	COS Year	ORG Chart	FTEs in Management [1]	Total Comp ('000s) (Salary, Wages and Benefits) for Management [1]	FTE (COS) [1]	FTE (Year book) [2]	Customer Count [2]	Service Area (sq km) [2]	Total Circuit km of Line [2]	OM&A Expenses ('000s)(Yearbook) [2]	OM&A ('000s)(COS) [5]	Net PP&E ('000s) [2]	PEG Model Grouping [3]
	North Bay Hydro Distribution Limited	Northeast Ontario - North/East of Sudbury	2021 (EB-2020-0043)	Exhibit 1, page 56 of pdf	13.00	$ 2,089	53.00	45	24,199	330	573	$ 6,810	$ 8,566	$ 72,561	3
1	Halton Hills Hydro Inc.	GTA and Central Ontario GTA West	2021 (EB-2020-0026)	Exhibit 1, page 51 of pdf	13.00	$ 2,166	55.50	51	22,528	281	1,686	$ 6,416	$ 7,000	$ 105,461	1
2	Greater Sudbury Hydro Inc.	Northeast Ontario - Sudbury/Algoma	2020 (EB-2019-0037)	Exhibit 1, page 169 of pdf	17.60	$ 3,064	111.10	59	47,725	410	1,015	$ 15,782	$ 16,238	$ 95,296	3
3	ERTH Power Corporation	Southwest Ontario - Greater Bruce/Huron	2018 (EB-2017-0038)	Exhibit 1 - Page 206 of pdf	14.00	$ 1,875	44.00	45	23,380	1,895	437	$ 7,376	$ 6,446	$ 64,121	3
4	PUC Distribution Inc.	Northeast Ontario - East Lake Superior	2018 (EB-2017-0071)	Exhibit 1, page 21 of pdf (not chart, but description of executive team)	19.10	$ 2,782	84.16	80	33,647	342	738	$ 11,470	$ 11,475	$ 95,805	3
5	Westario Power Inc.	Southwest Ontario - Greater Bruce/Huron	2018 (EB-2017-0084)	Exhibit 1, page 29 of pdf	9.00	$ 1,399	35.00	39	23,774	64	560	$ 5,959	$ 5,811	$ 62,607	3
6	Essex Powerlines Corporation	Southwest Ontario - Windsor-Essex	2018 (EB-2017-0039)	Exhibit 4, page 31 of pdf	11.00	$ 1,364	46.00	46	30,393	93	1,616	$ 7,390	$ 7,245	$ 64,361	2
7	Canadian Niagara Power Inc.	Southwest Ontario - Niagara	2017 (EB-2016-0061)	Exhibit 1, Tab 8, Schedule 1, page 5 of 6, page 593 of pdf	13.43	$ 2,124	71.41	88	29,455	357	1,602	$ 10,243	$ 9,914	$ 116,120	4
8	Welland Hydro-Electric System Corp.	Southwest Ontario - Niagara	2017 (EB-2016-0110)	Exhibit 1, page 32 of pdf	13.00	$ 1,889	41.00	38	23,664	81	490	$ 6,951	$ 6,800	$ 32,716	2
9	Festival Hydro Inc.	Southwest Ontario - Greater Bruce/Huron	2015 (EB-2014-0073)	Exhibit 1, page 245 of pdf	11.00	$ 1,361	45.00	41	21,382	43	261	$ 6,114	$ 5,156	$ 56,766	3
10	Bluewater Power Distribution Corporation	Southwest Ontario - Chatham-Kent/Lampton/Sarnia	2013 (EB-2012-0107)	Exhibit 1, page 39 of pdf	17.00	$ 2,727	114.50	122	36,743	208	773	$ 13,644	$ 12,278	$ 72,438	3
11	Peterborough Distribution Inc. [4]	East Ontario - Peterborough to Kingston	2013 (EB-2012-0160)	Exhibit 1, Appendix B, page 144 of pdf (not chart and only Executive Leadership Team)	14.80	$ 1,868	70.60	32	37,250	68	573	$ 8,766	$ 8,440	$ 82,439	3
AVG					13.90	$ 2,056	65.30	58	29,995	349	886	$ 9,101	$ 8,800	$ 77,103	

Notes

(1) The source of information provided in this column is from Exhibit 4 of each of LDC's last Cost of Service Application

(2) The source of this information is from each LDC as presented in the Ontario Energy Board Yearbook of Distributors 2019/20dated August 13, 2020

(3) The source of this information is from each LDC's latest scorecard, using the Efficiency Assessment number from 2019

(4) The source of Peterborough Distribution Inc.'s information in Columns F, G, and H is from interrorgatory response to 4-SEC-21 as the information wa

(5)(a)The source of information provided in this column for North Bay Hydro Distribution Limited is from its 2021 Cost of Services Application (EB-2020-0043) Revenue Requirement Workform filed with the Settlement Proposal

(5)(b) The source of information provided in this column for all other LDCs is from their Revenue Requirement Workform approved with their Settlement Proposal or Draft Rate Order from their last of Cost of Service per Column D.

Appendix 2-K
Employee Costs

	Last Rebasing Year (2015 OEB Approved)	Last Rebasing Year (2015 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Bridge Year	2021 Test Year	2015 Actuals	2019 Actuals
Number of Employees (FTEs including Part-Time)[1]										
Management (including executive)	10	9	10	10	10	10	11	13	44.44%	30.00%
Non-Management (union and non-union)	39	37	36	36	35	35	38	40	8.49%	15.04%
Total	49	46	46	46	45	45	49	53	15.54%	18.38%
Total Salary and Wages including ovetime and incentive pay										
Management (including executive)	$ 1,099,796	$ 979,953	$ 1,164,976	$ 1,311,168	$ 1,409,417	$ 1,255,530	$ 1,390,483	$ 1,678,677	71.30%	33.70%
Non-Management (union and non-union)	$ 3,224,921	$ 2,956,975	$ 3,007,910	$ 3,041,437	$ 2,930,546	$ 2,968,695	$ 3,335,071	$ 3,482,832	17.78%	17.32%
Total	$ 4,324,717	$ 3,936,928	$ 4,172,886	$ 4,352,605	$ 4,339,963	$ 4,224,225	$ 4,725,554	$ 5,161,508	31.10%	22.19%
Total Benefits (Current + Accrued)										
Management (including executive)	$ 262,792	$ 224,320	$ 267,451	$ 296,192	$ 318,365	$ 289,892	$ 326,695	$ 410,522	83.01%	41.61%
Non-Management (union and non-union)	$ 772,676	$ 726,635	$ 742,759	$ 746,253	$ 724,583	$ 726,492	$ 831,494	$ 891,859	22.74%	22.76%
Total	$ 1,035,468	$ 950,955	$ 1,010,210	$ 1,042,446	$ 1,042,948	$ 1,016,384	$ 1,158,188	$ 1,302,381	36.96%	28.14%
Total Compensation (Salary, Wages, & Benefits)										
Management (including executive)	$ 1,362,589	$ 1,204,273	$ 1,432,427	$ 1,607,361	$ 1,727,782	$ 1,545,422	$ 1,717,178	$ 2,089,199	73.48%	35.19%
Non-Management (union and non-union)	$ 3,997,597	$ 3,683,610	$ 3,750,669	$ 3,787,691	$ 3,655,129	$ 3,695,187	$ 4,166,565	$ 4,374,690	18.76%	18.39%
Total	$ 5,360,185	$ 4,887,883	$ 5,183,096	$ 5,395,051	$ 5,382,911	$ 5,240,609	$ 5,883,743	$ 6,463,889	32.24%	23.34%
Per FTE										
Management (including executive)	$136,259	$133,808	$149,835	$157,430	$174,700	$154,542	$156,107	$160,708	20.10%	3.99%
Non-Management (union and non-union)	$102,032	$99,908	$104,330	$104,922	$105,548	$106,275	$109,387	$109,367	9.47%	2.91%
Total	$108,991	$106,559	$113,889	$116,499	$120,910	$117,056	$119,856	$121,960	14.45%	4.19%

SEC-11

Reference: Exhibit 4, page 11

Preamble: None.

Question:

With respect to Table 4-4 and Appendix 2-L:

a. Please advise whether the figure $5,883,743 for 2020 Actual is actual or forecast. If the latter, please provide the actual figure.

b. Please confirm that the total amounts included in rates for compensation for all six years 2015-2020 were $33,373,440, and the amount of compensation actually paid in that same period was $31,923,273, a shortfall of $1,400,167 or 4.2%.

Response:

a. The amount provided in Table 4-4 for the 2020 Bridge Year was based on forecast. The 2020 Actual value is $5,559,418. As a result of COVID-19, recruitment in 2020 took longer than expected and several positions were not filled until later in the year and early 2021.

b. The amounts in Table 4-4 utilize the 2015 Board-Approved compensation totals and escalate at NBHDL's IRM rates to show a total compensation incorporated into rates of $33,373,440. NBHDL's compensation paid from 2015 to 2020 is $31,973,293 for that same time period; a variance of $1,399,639.

In 2015, the Board-Approved compensation total of $5,360,185 represented 45% of the distribution revenue requirement that was approved (excluding other revenue) of $11,793,143. Utilizing this percentage against NBHDL's actual distribution revenue from 2015-2020 results in compensation of $32,696,156 covered through rates. As stated above, NBHDL's actual compensation paid through that time period was $31,973,293; a variance of $722,862.

The 2016-2020 period, which NBHDL submits is more appropriate given the impact of a COS year on the business, provides the following values utilizing the same methodology – compensation in rates of $27,335,970 and actual compensation paid of $27,085,410; a variance of $250,560.

Table CCC-29 – Updated Table 4-11 with 2020 Actuals

Programs (Core Vaues "CV")	Last Rebasing Year (2015 Board-Approved)	Last Rebasing Year (2015 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Bridge Year	2020 Actuals	2021 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Customer Services, Billing & Collecting (1,4,5)	$874,281	$852,944	$951,084	$913,856	$856,418	$809,381	$932,859	$811,497	$931,904
Bad Debts (4)	$191,079	$131,849	$72,850	$163,484	$167,985	$121,132	$200,000	$113,333	$200,000
Locates (1,2)	$249,857	$281,031	$342,115	$271,936	$189,340	$293,933	$183,361	$241,077	$172,430
Customer Engagement (1,4,5)	$62,000	$33,590	$51,273	$57,655	$67,979	$108,844	$66,790	$23,695	$164,820
Executive, Financial, Regulatory, Professional, Insurance (all)	$1,197,087	$1,260,162	$1,228,678	$1,220,284	$1,132,601	$1,139,758	$1,325,767	$1,368,387	$1,382,280
Regulatory Reporting & Assessments (5)	$222,552	$163,255	$275,338	$270,027	$269,009	$270,260	$140,496	$140,142	$270,679
Information & Technology (1,4,5,6)	$453,162	$411,146	$455,611	$605,282	$579,942	$600,795	$669,547	$550,301	$712,558
Smart Meters, Meter Reading (4,5)	$377,808	$376,075	$374,498	$302,500	$316,606	$314,485	$328,463	$293,275	$342,707
Human Resources (all)	$376,108	$401,609	$335,128	$439,642	$355,030	$425,209	$491,812	$441,971	$568,202
Corporate Policies, Initiatives, and Strategy (all)	$0	$0	$0	$0	$0	$0	$110,000	$56,220	$150,000
Training, Health & Safety (2,4)	$215,387	$238,322	$266,588	$166,018	$251,168	$218,912	$288,647	$122,273	$294,009
Overhead Operations & Maintenance (2,3,4)	$711,686	$705,682	$755,322	$731,007	$740,328	$866,065	$853,864	$967,556	$1,141,750
Underground Operations & Maintenance (2,3,4)	$276,014	$448,112	$328,702	$317,505	$309,295	$331,735	$383,846	$466,963	$462,900
Substation Maintenance, Load Dispatching, SCADA (2,3,4)	$510,537	$398,805	$413,185	$396,446	$418,110	$516,528	$706,996	$468,846	$840,861
Vegetation Management (2,3,4)	$456,194	$438,897	$541,345	$516,229	$515,994	$550,373	$685,609	$596,124	$773,437
Metering - Operations & Maintenance (2,3,4)	$330,670	$252,727	$301,221	$306,947	$240,739	$292,249	$322,179	$321,663	$362,170
Miscellaneous (4)	($74,692)	($180,997)	($285,992)	($247,722)	($170,733)	($170,777)	($237,408)	($205,727)	($204,776)
Total	**6,429,729**	**6,213,210**	**6,406,945**	**6,431,094**	**6,239,812**	**6,688,882**	**7,452,827**	**6,777,595**	**8,565,931**

The key drivers of the variance between the 2020 Bridge Year forecast and 2020 Actuals are as follows:

- Compensation costs are lower than expected as a result of delaying recruitment due to COVID-19. NBHDL experienced delays in recruitment with respect to the following positions: Substation Electrician, Meter-to-Cash Specialist, Accountant, and a Distribution Engineer. The positions were filled in late 2020 and early 2021. NBHDL will have its full proposed compliment in 2021. Please see 4-Staff-47.
- Customer engagement costs (related to annual activities, not COS application) were put off as a result of COVID-19. Proposed 2021 activities are expected to move forward as planned. Please see 4-Staff-48.
- As a result of a focused effort by NBHDL to work with customers on individualized payments plans, NBHDL's bad debt came in lower than expected. Please see 4-Staff-51.
- As a result of COVID-19, corporate policies and initiatives, and cyber security related projects came in lower than anticipated and will be incorporated into the proposed 2021 budget. Initiatives are expected to move forward as planned in 2021. Please see 4-Staff-45.

4-Staff-57

Employee Compensation

Reference: Exhibit 4, Page 58

Preamble:

For benchmarking purposes, North Bay Hydro participates in and reviews the MEARIE Management Salary Survey of Local Distribution Companies.

Question:

(a) Please provide the results for North Bay Hydro in the most recent survey.
(b) Has North Bay Hydro taken any steps in response to the results from the benchmarking surveys?

Response:

(a) When compared to the most recent 2020 MEARIE Management Salary Survey of Local Distribution Companies, the majority of North Bay Hydro's management employees are below the 50th percentile or median of their respective salary ranges.
(b) Please see 1-Staff-3. The results from the benchmarking survey are currently being reviewed and compared with North Bay Hydro's management compensation structure.

SEC-10

Reference: Exhibit 4, page 8

Preamble: None.

Question:

Please explain why the new Communications Officer, hired in 2019, did not implement the initiatives "reaching out to the industrial and commercial classes" in 2020, in support of the large rate increases in this Application.

Response:

As mentioned on page 85 of Exhibit 1, a great deal of planned Customer Engagement activities by the Communications Officer (hired December 2019) were postponed due to the pandemic. In March 2020, NBHDL shifted away from planned activities to address the many uncertainties surrounding COVID-19. At that time the Management team committed to ensuring its employees had a safe working environment, focused on ensuring strong reliability of the power grid and implemented new processes to ensure business continuity. This included a commitment to customer service to help all customers negatively impacted by the pandemic. Unfortunately, this shift required other business elements to cease, one of them being the engagement of the GS<50 and GS>50 customers originally planned for April/May. In a time where the province told everyone to stay home and cease interaction, and with some customers struggling, convening customer focus groups and visiting customers seemed to go against the provincial mandate. By the time things started to settle and the business had deployed effective communication technology, the window to engage this group of customers and incorporate their feedback in the COS test year budget had passed. The phase 1 and phase 2 surveys conducted in the fall of 2019 were open to all customers and were well advertised through social media platforms, and the website. As detailed in Exhibit 1, Section 2.1.7.5, page 96, NBHDL plans on engaging this group of customers on an annual basis to seek continual feedback on their wants and needs starting in 2021 so they can be included in future decision making and rate setting.

SEC-13

Reference: Exhibit 4, page 15, 29-30

Preamble: None.

Question:

With respect to Vegetation Management:

a. Please explain why the Applicant has been unable to achieve the four-year tree trimming cycle anticipated in the 2015 COS.

b. Please provide all benchmarking and other analysis done by the Applicant since 2015 to show that the Applicant's ability to implement an industry-standard tree trimming cycle is prevented by circumstances unique to the Applicant. If no such analysis has been done, please explain why the Applicant's tree trimming program has had such significant problems.

c. Please provide, with respect to 17 Trees Inc.:

   i. A list of the shareholders and their shareholdings.

   ii. A list of the Board of Directors.

   iii. A copy of the current Shareholders' Agreement, if any.

   iv. The most recent financial statements.

d. Please provide any forecast beyond 2021 of the overall cost of Vegetation Management by the Applicant, and the split of that cost between internal resources, 17 Trees Inc., and other external resources.

Response:

a. Please see response to 1-DDR-9.
b. Benchmarking against other LDCs has not been completed and NBHDL would submit that every LDC's tree trimming cycle is unique to their service territory and can vary greatly based on a number of different factors including the amount of rural area in the service territory, the amount of right of way work, the ability to stay on a consistent cycle which ensures ease of removal next time around, the geographic area, the age of system, and customer communication. For example, with respect to the age of a system, a new development in a service territory is typically void of trees (totally removed) where other areas could be 70 years old, which means trees are much more mature and require a lot more attention. If one were to look at the newest areas of urban sprawl in Barrie or Orillia – there are very few trees as the houses are very tightly situated, whereas the City of North Bay has trees throughout the entire urban area. With respect to communication with customers, NBHDL believes this component of our vegetation management program is critical; some programs are set-up with less engagement and simply show up and cut. Please see response to a) above with respect to the explanation around the challenges NBHDL has had with the vegetation management program.
c. The information requested for 17 Trees Inc. is not relevant to this proceeding. NBHDL interacts with this company in the same manner as other external third-party vendors and the company is not an

affiliate of NBHDL as defined under the OEB's Affiliate Relationships Code and the *Business Corporations Act* (Ontario).

d. NBHDL plans on continuing to have one internal resource dedicated to the vegetation management program to ensure the program is properly managed and interaction with customers continues. With respect to the external third-party costs, NBHDL plans to tender 50% of the work to local contractors and commit the other 50% to 17 Trees Inc.. Based on the experience NBHDL has with this program, local contractors cannot meet NBHDL's annual tree trimming needs. However, it is extremely important to NBHDL to support the local community and tendering 50% of this work provides that opportunity. Based on how NBHDL has divided the work, with an ability to have dedicated resources from 17 Trees Inc., the goal of completing 5 cycles by 2026 is achievable. NBHDL expects to have a similar level of spending throughout the forecast period.

4-Staff-53

Vegetation Management

Reference: Exhibit 4, Pages 29-30, 76

Preamble:

North Bay Hydro's 2015 vegetation management budget was $456,194 to complete tree trimming under a four-year cycle. Starting in the test year, North Bay Hydro is proposing an annual budget of $773,437 to complete tree trimming under a five-year cycle.

North Bay Hydro explained that it has historically struggled to complete its vegetation management due to lack of contractor availability, pricing volatility, poor contractor performance, and contractor crew constraints that led to work not being completed.

To address these issues, North Bay Hydro along with two other utilities found a solution through the formation of 17 Trees.

Question:

(a) Please explain the corporate relationship between North Bay Hydro and 17 Trees. How did North Bay Hydro help form this company?
(b) OEB staff notes that work contracted to 17 Trees is sole sourced. How does North Bay Hydro ensure that the prices from 17 Trees are competitive?

As described by North Bay Hydro, it is OEB staff's understanding that 17 Trees addresses the issues noted above, namely price volatility and contractor availability.

(c) Given that 17 Trees is expected to provide better service, and North Bay Hydro's tree trimming cycle is being increased from a four-year cycle as budgeted in 2015 to a five-year cycle in 2021 (i.e. less work each year), please explain why an increase to the vegetation management budget is required.
(d) Please explain how North Bay Hydro determined that a five-year cycle would be the optimal vegetation management strategy in balancing costs, resourcing and system reliability.

Response:

(a) 17 Trees is a collaboration between NBHDL and two other northern Ontario LDCs (in Sudbury and Sault Ste. Marie) to create a northern utility-focused arborist service, created in response to the unavailability of local contractors, the inability of awarded contractors to complete all the work in given timeframes, to mitigate the price volatility involved in vegetation management bids, and finally

to ensure a consistent workforce, well trained and able to meet the safety requirements of vegetation management work.

(b) The intention behind the formation of the company was to correct a number of issues found within the competitive market for vegetation management, all of which are outlined in the response to 4-Staff-53 a). The costs are competitive within the vegetation market based on comparison to other work. The question becomes productivity and to date, the costs associated with the work performed by 17 Trees is comparable to similar work performed by other contractors. NBHDL will continue to monitor this to ensure costs for the sole sourced work remain competitive.

(c) An increase to the Vegetation Management budget is necessary because NBHDL needs to get the work back under a cycle that keeps reliability and safety at acceptable levels. The increase is required to achieve a 5-year cycle not to maintain a 5-year cycle. Presently, NBHDL is clearing areas that have not received vegetation maintenance for 10 years that have become substantially overgrown and will continue to do so until the completion of its first 5-year cycle. 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. As vegetation continues to grow annually, the incremental cost of clearing it grows exponentially. This is due to the fact that not only is there more volume removed, but the vegetation also grows closer to high voltage conductors and require much more care and time to clear away. In some cases, an outage is required to perform the work safely since it can no longer be done while maintaining the safe limits of approach. NBHDL's budget for its 4-year cycle in 2015 was not sufficient to achieve a 4-year cycle and NBHDL has continued to fall behind every year without the necessary funding to catch up. NBHDL has lengthened this work to a 5-year cycle that still enables the company to meet safety and reliability standards.

Please also see SEC-13 and 1-DDR-9.

(d) In determining the optimal strategy for a vegetation management, NBHDL has considered reliability, safety, cost, and resourcing. This involves evaluating NBHDL's safety and reliability objectives and determining the cost and resources required to achieve these goals. Reliability and safety objectives are established by determining a minimum distance that vegetation must be maintained away from high voltage conductors. Once this minimum clearance to be maintained was established, NBHDL built a vegetation management program around it. The length of a cycle is determined by how much of a growth buffer is allowed before NBHDL must return to clear an area. The longer a cycle, the more of a buffer is needed and the more vegetation must be cleared as a result. The longer the cycle, the more vegetation is removed, but this is offset by less km of line needed to clear in a year. In determining a cycle, NBHDL also evaluated the present state of overgrown vegetation in proximity to its lines to understand where it is as a starting point. The cost to achieve a cycle is not the same as the cost to maintain a cycle. A 5-year cycle is the best balance of km of line cleared versus clearance required versus cost and resources needed to complete the work. A 4-year cycle would be more expensive to achieve, given the current state of vegetation in proximity to NBHDL lines. A 6-year cycle would involve a more aggressive clearing practice that would have a greater impact to adjacent customers as NBHDL will have to clear deeper into their property. It may mean the difference between a tree trimmed versus a tree removed and may ultimately be more expensive with no benefit. Failure to execute the Vegetation Management

program within the cycle as planned will have an adverse impact to reliability and safety objectives. To minimize the funding increase requirement to get to a 4-year cycle, NBHDL is increasing the vegetation management cycle to 5 years. In order to maintain a 4-year cycle, NBHDL would need to further increase its vegetation management budget. With the increased funding requested as part of this COS application, NBHDL plans to complete the 5-year cycle by 2026.

Further extending the vegetation management cycle to 6-years or longer would allow too much time between clearing periods and vegetation growth would be too significant to properly maintain. In order to maintain a 5-year cycle, the vegetation clearing and trimming requirements have to be low for each area. 6-year cycles would increase the amount of clearing that would need to be undertaken in each year and increase the overall long-term vegetation management costs. However, based on customer feedback, from the Phase 3 customer engagement NBHDL would consider moving to 6 years, but anything longer than that and safety and reliability worsen, and the actual removal of trees is much more difficult as they are denser and touching or within the safe limits of approach of high voltage lines, slowing down removal work.

1 – DDR – 9

Reference: Page 35-4

Preamble:

Increase to tree trimming costs to ensure the completion of a 5-year cycle in 5 years (Proposed modification of cycle length from 4 years to 5 years in 2021 to reduce annual increase).

In Exhibit 4 Page 37-6 it is indicated that NBHDL is now in year 10 of what was initially intended to be a 4-year cycle in 2015. On Page 39-22 in Exhibit 4 it is indicated that in 2021 NBHDL will be in the eleventh year of what was originally intended to be a 4-year cycle.

Question:

This statement is unclear. Please explain what that statement means in terms of understanding the point being made.

Response:

The completion of a Vegetation Management cycle is defined as when every area in a LDC's service area containing overhead conductors has received vegetative maintenance. This is the maintenance activity of clearing vegetation away from high voltage energized conductors, also referred to as line clearing. When a Vegetation Management program is described as a 4-year cycle, it means that the intent of the program is to perform line clearing in every area of the service territory in 4 years. In NBHDL's case, this is the entire City of North Bay.

In 2010, NBHDL intended its Vegetation Management program to be a 4-year cycle. This was the same plan in 2015.

However, based on decisions that had to be made as a result of the OEB settlement process which significantly cut the OM&A budget proposal, and all of the issues that are identified in Exhibit 4 (Section 2.4.2.12), NBHDL is now (in 2021) in year 11 of the program that began in 2010. When the evidence at Exhibit 4 at page 37 was written (in 2020), NBHDL was in year 10 of the program that began in 2010.

Under a 10+ year cycle, NBHDL has a significantly higher safety risk for employees and the public and a higher risk of decreased reliability of service. In this 10-year cycle scenario, clearance standards are not being met and trees are growing into the dedicated space that should be reserved for the high voltage distribution lines.

To minimize the funding increase requirement to get to a 4-year cycle, while maintaining the safety and reliability priorities, NBHDL is proposing to increase the vegetation management cycle to 5 years. With the increased funding requested as part of this COS application, NBHDL plans to complete the 5-year cycle by 2026.

4.0-VECC-35

Reference: Exhibit 4, Section 2.4.1.6/2.4.2.12 Vegetation Management.

Preamble: None.

Question:

a) For each year 2015 to 2021 (forecast) please provide the number of kilometers cleared.
b) What are the total kilometers to be maintained?
c) Who are the other two Utilities co-owning the vegetation management company?

Response:

a) Shown in Table 4.0-VECC-35 below are the kilometers of trees cleared for 2015 through to 2020 and the forecast for 2021.

Table 4.0-VECC-35 – Kilometers of Trees Cleared

Year	km of Line Cleared	Comments
2015	45.0	Urban
2016	27.4	Rural
2017	39.4	Rural / Urban Mix
2018	35.6	Rural
2019	22.1	Rural (Very Heavy)
2020	19.0	Rural (Very Heavy)
2021	33.7	Rural

b) NBHDL has 408km of linear pole lines to be cleared and maintained in the entire service territory. The goal is to complete this entire area in the next 5 years.
c) NBHDL collaborated with two Northern LDCs in the conception and development of the company, but the LDCs themselves do not own the company. Please see 4-DDR-23, 4-Staff-53, and SEC-13.

Year: **2015 Actual**

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
NBHDL	NBHS	Executive Services	Cost (subject to Admin Fees)	$72,831	
NBHDL	NBHS	Financial and Administrative Services	Cost (subject to Admin Fees)	$74,446	
NBHDL	NBHS	Operation Maintenance Services	Cost (subject to Admin Fees)	$64,180	
NBHDL	NBHS	Vehicle Charges	Hourly rate by vehicle (subject to Admin Fees)	$14,162	
NBHDL	NBHS	NBHS Payroll Services	Cost (subject to Admin Fees)	$34,548	
NBHDL	NBHS	Insurance	Cost (subject to Admin Fees)	$19,336	
NBHDL	NBHS	Purchases of materials and contractor services	Cost (subject to Admin Fees)	$66,712	
NBHDL	NBHS	Occupancy Cost	Cost per square foot (subject to Admin Fees)	$1,292	
NBHDL	NBHS	Human Resources	Specific costs allocated by headcount (subject to Admin Fees)	$3,099	
NBHDL	NBHS	Information Technology Services	Specific costs allocated by system user (subject to Admin Fees)	$2,714	
NBHDL	NBHS	Rental Unit Billing / Postage	Cost per bill / Charge per letter (subject to Admin Fees)	$60,604	
NBHDL	NBHS	Management Fee (Administration Fee)	15% of purchase and services	$71,975	
NBHDL	NBHS	Vehicles Transferred	Blue Book Value	$22,475	
NBHDL	CNB	Power Purchase	Market based	$2,605,803	
NBHDL	CNB	Street Light Energy	Market based	$720,900	
NBHDL	CNB	Construction Activity	Cost recovery formula	$42,550	
NBHDL	CNB	Street Light Installs	Cost basis	$21,054	
CNB	NBHDL	Loan Interest	5% on principle balance as per loan agreement		$975,580
CNB	NBHDL	Property Taxes	Assessment at market price		$76,986
CNB	NBHDL	IT Services	Service agreement		$99,241
CNB	NBHDL	Vehicle Fuel	Bulk price plus 5% markup		$81,888
CNB	NBHDL	Water and Sewer	Market price		$2,871
				$485,899	

Year: **2021 Test Year**

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
NBHDL	NBHS	Executive Services	Cost (subject to Admin Fees)	$160,420	
NBHDL	NBHS	Financial and Administrative Services	Cost (subject to Admin Fees)	$138,726	
NBHDL	NBHS	Operation Maintenance Services	Cost (subject to Admin Fees)	$16,066	
NBHDL	NBHS	Vehicle Charges	Hourly rate by vehicle (subject to Admin Fees)	$4,748	
NBHDL	NBHS	Purchases of materials and contractor services	Cost (subject to Admin Fees)	$19,732	
NBHDL	NBHS	Occupancy Cost	Cost per square foot (subject to Admin Fees)	$19,766	
NBHDL	NBHS	Human Resources	Specific costs allocated by headcount (subject to Admin Fees)	$15,730	
NBHDL	NBHS	Information Technology Services	Specific costs allocated by system user (subject to Admin Fees)	$23,310	
NBHDL	NBHS	Rental Unit Billing / Postage	Cost per bill / Charge per letter (subject to Admin Fees)	$67,113	
NBHDL	NBHS	Management Fee (Administration Fee)	15% of purchases and services	$67,344	
NBHDL	NBHS	Community Energy Park - Power Purchased	Market based	$236,636	
NBHDL	NBHS	Promissory Note - Interest Charged	Prime rate	$4,985	
NBHDL	CNB	Power Purchase	Market based	$2,677,584	
NBHDL	CNB	Street Light Energy	Market based	$485,992	
NBHDL	CNB	Construction Activity	Cost recovery formula	$24,718	
NBHDL	CNB	Street Light Installs	Cost basis	$7,092	
NBHDL	ERHDC	Promissory Note - Interest Charged	Prime rate	$28,574	
NBHDL	ERHDC	Trade A/R - Interest Charged	Prime rate	$8,757	
CNB	NBHDL	Property Taxes	Assessment at market price		$96,232
CNB	NBHDL	Vehicle Fuel	Bulk price plus 5% markup		$77,187
CNB	NBHDL	Water and Sewer	Market price		$2,535
NBHS	NBHDL	Building Maintenance	Cost (subject to Admin Fees)		$14,879
NBHS	NBHDL	Capital Electricial work	Cost (subject to Admin Fees)		$1,704
				$532,956	

4-Staff-48

Customer Engagement

Reference:

Ref 1: Exhibit 4, Pages 14, 77-78
Ref 2: Chapter 2 Appendices, Appendix 2-JC

Preamble:

On page 77 under regulatory costs, North Bay Hydro has included $71,300 for customer engagement and consultation related to this cost of service application. In table 4-6 on page 14, the amortized costs of this application are included in North Bay Hydro's 2021 total regulatory costs of $270,679. OEB staff notes that this corresponds to the "Regulatory Reporting & Assessments" item in Appendix 2-JC.

In Appendix 2-JC, there is another separate line item for customer engagement with test year costs of $164,820.

Question:

(a) Please explain what customer engagement costs are included as part of regulatory costs, and what costs are included under the "customer engagement" line item.
(b) Please confirm that no customer engagement costs have been double counted in both accounts.

Response:

(a) Cost related to customer engagement that are included as part of regulatory costs are those specific to this COS application. The budget included external costs surrounding the specific engagement activities that were contemplated and explained throughout the application, including additional components added to the bi-annual customer satisfaction survey to help begin to frame NBHDL's understanding at the beginning of this process, several online surveys completed through Phase 1 and Phase 2, and the costs surrounding Phase 3. Also included in the forecast were external costs to manage this faucet of work and prepare the accompanying reports and analytics.

The costs included under the "Customer Engagement" line of $164,820 are separate and distinct from this and are related to the annual on-going customer engagement activities that NBHDL plans to implement, outside of the compensation costs of the Communications Officer which are included in the "Executive, Financial, Regulatory, Professional, Insurance (all)" line of the cost driver table (4-11). Customer engagement activities are detailed in Exhibit 1 and are explained in the "Overview" and "OM&A Summary and Cost Driver Tables" within Exhibit 4. As referenced on page 12, costs included in the Test Year include the creation of a secure mobile app to aid in better real-time self-serve options for billing, account management and consumption monitoring, continued

updating and enhancements of NBHDL's website to ensure relevant and timely information, bill inserts, bi-annual survey regulatory survey requirements, on-going marketing, advertising, and formal engagement sessions with commercial and industrial customers including focus groups, one-on-one working sessions, and annual open forum meetings. These costs are required to meet increasing customer communication and engagement requirements and expectations as well as address outcomes of meaningful engagements to ensure NBHDL is able to respond to evolving needs and preferences.

(b) NBHDL confirms that no customer engagement costs have been double counted in both accounts.

SEC-6

Reference: Exhibit 1, page 49

Preamble: None.

Question:

Please provide the total cost included in the 2021 Application for the "review of management compensation" that the Applicant agreed to carry out during the last IRM period.

Response:

As evidenced in Exhibit 4, Table 4-3, NBHDL has included $150,000 in the Test Year to address the need for ongoing annual costs related to corporate initiatives, health and safety, and departmental process and procedure reviews required to effectively and efficiently run the day-to-day operations of the business. A review of the NBHDL's compensation plan is a 2021 initiative and will be funded from this envelope of dollars. At this time, NBHDL does not have a quote for this specific work.
Please also see 1-DDR-8.

4-Staff-45

OM&A

Reference:

Ref 1: Exhibit 4, Pages 12-13, 26
Ref 2: Exhibit 1, Pages 121-122

Preamble:

North Bay Hydro forecasted $150k annually towards “corporate policies, initiatives, and strategy.”

OEB staff notes that $110k was already spent in this category in 2020.

Question:

(a) Please indicate if this was the actual amount spent or a forecast at the time of filing. If forecast, please provide the actual amount spent in 2020.
(b) Please provide a breakdown of the costs incurred.
(c) Please provide a breakdown of what costs are expected to be incurred in 2021 (e.g. the external consultants that North Bay Hydro expects to contract).
(d) Please provide further details on the need for continual annual spending in this category. What initiatives does North Bay Hydro have planned for 2022-2025, and what of these initiatives cannot be completed by North Bay Hydro’s executive team and employees?

North Bay Hydro expects to merge with Espanola Regional Hydro Distribution Corporation in 2022.

(e) Please explain why it is preferable to engage in these initiatives now, such as a comprehensive update of North Bay Hydro’s Conditions of Service, instead of waiting until after the merger, when these initiatives can be applied to the merged utility?

Response:

(a) The $110k was a forecast at the time of filing. The actual amount spent in 2020 was $56,220. Due to the pandemic, NBHDL was forced to delay or defer several initiatives in 2020. These decisions were made so that the Management team could commit to ensuring its employees had a safe working environment, focus on ensuring strong reliability of the power grid and implement new processes to ensure business continuity.
(b) In 2020, NBHDL funded an updated Lead/Lag study through this budgeted envelope of dollars and began initial discussions around the updating of Health and Safety policies.
(c) Please see 1-DDR-8. NBHDL notes that the $150k referenced is for external consultants.
(d) Please see 1-DDR-8.

(e) Although efforts have been made over the last five years to address outdated policies, procedures, and processes, and to implement new frameworks that foster improvement, drive efficiency, enhance safety, create accountability, and align NBHDL with emerging trends and best practices, these types of initiatives have not progressed due to the leanness of the resource complement and the lack of available dollars in the OM&A budget. It is critical that NBHDL is able to move these initiatives forward regardless of a potential merger with ERHDC. Because of the difference between NBHDL and ERHDC in terms of utility size and organizational capacity, it is important that NBHDL have an updated CoS document to form a strong basis for integrating ERHDC should a potential merger occur.

TO BE UPDATED AT THE DRAFT RATE ORDER STAGE

File Number:	EB-2020-0043
Exhibit:	
Tab:	
Schedule:	
Page:	
Date:	

Appendix 2-M
Regulatory Cost Schedule

	Regulatory Cost Category	USoA Account	USoA Account Balance	Last Rebasing Year (2015 OEB Approved)	Last Rebasing Year (2015 Actual)	Most Current Actuals Year 2019	2020 Bridge Year	Annual % Change	2021 Test Year	Annual % Change
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)=[(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)
	Regulatory Costs (Ongoing)									
1	OEB Annual Assessment	5655		72,332	74,577	71,538	73,931	3.35%	107,855	45.89%
2	OEB Section 30 Costs (OEB-initiated)	5655		3,054	2,079	3,821	3,056	-20.03%	3,114	1.90%
3	Legal costs for regulatory matters	5655								
4	Consultants' costs for regulatory matters	5655		15,780	-	-	-		-	
5	Operating expenses associated with staff resources allocated to regulatory matters	5655/5610		119,104	147,056	160,698	163,209	1.56%	169,121	3.62%
6	Intervenor costs	5655								
	Regulatory Costs (One-Time)									
1	Expert Witness costs									
2	Legal costs									
3	Consultants' costs	5655		459,215	722,331	72,764	423,536	482.07%	130,000	-69.31%
4	Incremental operating expenses associated with staff resources allocated to this application.	5655/5610		111,273	92,027	4,476	77,774	1637.54%	-	-100.00%
5	Incremental operating expenses associated with other resources allocated to this application. [1]	5655/5610		23,443	22,045	-	-		-	
6	Intervenor costs	5655		63,000	84,494	-	-		85,000	
7	OEB Section 30 Costs (application-related)									
29	*#5 - temporary staff*									
30										
1	Sub-total - Ongoing Costs [2]		$ -	$ 210,270	$ 223,712	$ 236,056	$ 240,196	1.75%	$ 280,090	16.61%
2	Sub-total - One-time Costs [3]		$ -	$ 656,931	$ 920,898	$ 77,240	$ 501,310	549.03%	$ 215,000	-57.11%
3	Total		$ -	$ 867,201	$ 1,144,610	$ 313,296	$ 741,506	136.68%	$ 438,800	-40.82%

Application-Related One-Time Costs	Total
Total One-Time Costs Related to Application to be Amortized over IRM Period	$ 793,550
1/5 of Total One-Time Costs	$ 158,710

Notes:

[1] Please identify the resources involved.

[2] Sum of all ongoing costs.

[3] Sum of all one-time costs related to this application.

SEC-3

Reference: Exhibit 1, page 16

Preamble: None.

Question:

Please provide the updated Business Plan referred to as soon as it is available.

Response:

As mentioned in Exhibit 1, section 2.1.2.2.4, the information in the Business Plan will be updated in or around Q2 of 2021. The Business Plan will not be available until on or after June 15, 2021 when NBHDL will meet with NBHHL. As such, it is currently not available at this time and will unlikely be available before the close of this proceeding.