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BY EMAIL

February 7, 2022

Nancy Marconi  
Acting Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: EB-2021-0312 – North Bay Hydro Limited and Espanola Regional Hydro Distribution Corporation – Application of Approval to Amalgamate**

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicants and intervenors have been copied on this filing. The responses of North Bay Hydro Limited and Espanola Region Hydro Distribution Corporation to interrogatories are due by February 15, 2022.

OEB staff note that, in the numbering of their interrogatories, the first number corresponds to the Issue number per the approved Issues List attached to Procedural Order No. 1.<sup>1</sup>

Any questions relating to this letter should be directed to Keith Ritchie at [keith.ritchie@oeb.ca](mailto:keith.ritchie@oeb.ca) or 416-440-8124. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Keith C. Ritchie  
Senior Advisor – Major Rate Applications and Consolidations

Encl.

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<sup>1</sup> Schedule B to Procedural Order No. 1, issued January 28, 2022

**OEB Staff Interrogatories**  
**North Bay Hydro Limited and Espanola Regional Hydro Distribution Corporation**  
**EB-2021-0312**

Please note, North Bay Hydro Limited (North Bay Hydro) and Espanola Regional Hydro Distribution Corporation (Espanola Hydro) are responsible for ensuring that all documents they file with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

**1-Staff-1**

**Ref: Application/page 31/Table 6-3**

Preamble:

In Table 6-3, North Bay Hydro and Espanola Hydro (collectively, the Applicants) provide the following table of service reliability (SAIDI and SAIFI) in each of their respective service areas for each of the years from 2016 to 2020.

**Table 6-3: Historic Service Quality Indicators 1 of ERHDC and NBHDL**

Service Quality Indicators					
	2020	2019	2018	2017	2016
<b>SAIDI:</b>					
ERHDC	0.21	0.35	0.16	0.35	0.55
NBHDL	1.08	1.16	1.95	1.11	2.29
<b>SAIFI:</b>					
ERHDC	0.06	0.17	0.06	1.1	0.1
NBHDL	0.78	1.35	1.40	0.94	1.98

Espanola Hydro's SAIDI statistics are lower, indicating better performance, than North Bay Hydro's SAIDI statistics in all years. For SAIFI, Espanola Hydro's statistics are lower (i.e., better) than North Bay Hydro's for all years except 2017.

Question(s):

- a) Please update Table 6-3 with 2021 actuals.
- b) A few lines below Table 6-3, the Applicants indicate that one benefit of the merger will be the extension of North Bay Hydro's SCADA system to Espanola

Hydro's service territory. What impact is this expected to have on the reported reliability statistics, based on the historical differences shown in Table 6-3?

**1-Staff-2**

**Ref: Appendix F – Pro Forma Financial Statements for 2023**

In Appendix F of the application, the pro-forma statements for 2023, the first year after amalgamation, show Income/Loss from Operating Activities forecasted at \$2.88 million.

Question(s):

- a) Please explain the methodology used to forecast amounts in the pro forma financial statements.
- b) Please provide the pro forma income statements for the newly amalgamated company for 2022 – which includes the sum of the two companies for the stub period prior to the merger and the post-merger portion of 2022 - and provide a comparison to the 2023 pro forma income statements, explaining any material variances, including identification of amounts attributable to merger-related activities.
- c) For the pro forma income statement for 2022 referred to in b), please also include a comparison between that year and the combination of the approved revenues and expenses for North Bay Hydro and Espanola Hydro in their respective 2021 cost of service proceedings, and explain any material variances.

**3-Staff-3**

**Ref: Application/page 15**

**Preamble:**

The Applicants state that, if necessary and for the period between the expiration of the Service Agreement between PUC Distribution Inc. and Espanola Hydro on February 28, 2022 and the date of the closing of the proposed merger, they intend to put a service agreement in place for North Bay Hydro to provide services to Espanola Hydro, that is equivalent to the existing Service Agreement with PUC Distribution Inc. and is compliant with the *Affiliate Relationships Code for Electricity Distributors and Transmitters (ARC)*.

**Question(s):**

- a) Please provide a status update on the proposed interim service agreement between North Bay Hydro and Espanola Hydro that would come into effect on March 1, 2022.
- b) Please provide further details on what terms and conditions of the proposed service agreement are different from the existing Service Agreement between PUC Distribution Inc. and Espanola Hydro in order to ensure compliance with the ARC.
- c) Are there services currently being provided to Espanola Hydro by North Bay Hydro (i.e., separate from the services provided by PUC Distribution Inc. through the latter's Service Agreement with Espanola Hydro)?
- d) If the response to c) is yes, please provide the following:
  - i. A description of the services provided and of the arrangements between North Bay Hydro and Espanola Hydro, including a description of how the service arrangement is ARC-compliant.
  - ii. Please confirm that this service arrangement will continue until the closing of the proposed merger, assuming OEB approval. In the alternative, please explain any changes to existing service provided by North Bay Hydro to Espanola Hydro and the service arrangements for the provision of these services.
- e) Both Espanola Hydro and North Bay Hydro were approved rates in their recent cost of service applications to rebase their distribution rates.<sup>2</sup> Please confirm the following:
  - i. Costs paid by Espanola Hydro to PUC Distribution Inc. or to North Bay Hydro have been factored into Espanola Hydro's approved revenue requirement and are being recovered through Espanola Hydro's approved distribution rates.
  - ii. Revenues received from Espanola Hydro to North Bay Hydro for services provided by the latter to the former are factored into North Bay Hydro's revenue requirement (as a revenue offset) and are thus not recovered from North Bay Hydro's distribution customers.

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<sup>2</sup> EB-2020-0020 for Espanola Regional Distribution and EB-2020-0043 for North Bay Hydro, both of which applications were for 2021 distribution rates.

#### 4-Staff-4

**Ref: Application/page 40**

Preamble:

On page 40, the Applicants document their proposal for the Earnings Sharing Mechanism (ESM) to be in place following year 5 after the closing of Phase 1. The Applicants state the following on page 40:

In accordance with the MAADs Decision, by way of correspondence, NBEAI notified the OEB of the closing of the Phase 1 transaction on October 1, 2019.<sup>23</sup> Therefore, year six following the closing would be starting October 1, 2025, which is when the ESM is proposed to commence.

23 EB-2019-0015 – Letter from NBEAI to OEB Re: Securities Purchase Agreement dated October 12, 2018 between The Corporation of the Town of Espanola, The Corporation of the Township of Sables-Spanish Rivers, North Bay Hydro Holdings Ltd. and North Bay (Espanola) Acquisition Inc. dated October 1, 2019.

OEB staff have provided the following table documenting the period subsequent to the Phase 1 closing on October 1, 2019.

**Table 1: Years Following the Phase 1 Closing on October 1, 2019**

<b>Year</b>	<b>Starting Date</b>	<b>Ending Date</b>
1	October 1, 2019	September 30, 2020
2	October 1, 2020	September 30, 2021
3	October 1, 2021	September 30, 2022
4	October 1, 2022	September 30, 2023
5	October 1, 2023	September 30, 2024
6	October 1, 2024	September 30, 2025
7	October 1, 2025	September 30, 2026
8	October 1, 2026	September 30, 2027

Question(s):

- a) Please confirm OEB staff's entries in Table 1.
- b) Please provide a copy of the letter referenced in footnote 23. Please also file copies of any correspondence subsequently received from, or sent to, the OEB with respect to North Bay Hydro's letter of October 1, 2019.

- c) Please explain why the Applicants propose that the ESM would commence on October 1, 2025, rather than on October 1, 2024, the starting date of the sixth year since the Phase 1 closing.

#### **4-Staff-5**

**Ref: Application, page 40**  
**Appendix G, Espanola Hydro's 2021 Tariff of Rates and Charges**

Page 40 of the application states that:

The Applicants proposed to include an ESM that would share overearnings 300 basis points above the OEB-approved ROE on a 50:50 basis with ratepayers beginning in year six following the closing of the Phase 1 transaction.

The Applicants propose that the ESM would commence on October 1, five years (i.e., beginning of the sixth year) after the closing of the transaction (i.e., acquisition of all shares in Espanola Regional Distribution Co.) approved in Phase 1 MAADs application. The ESM would remain in effect until the Applicants, as the merged entity "New North Bay" would rebase its rates, which the Applicants propose would be five (5) years after the closing of the Phase 2 merger, assuming OEB approval.

OEB staff note that this proposal would have one or more stub periods (i.e., partial years) at the start or end of the period when the ESM would be in place.

OEB staff also notes that, on Espanola Hydro's 2021 Tariff of Rates and Charges provided in Appendix G, the Rate Riders for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) are effective until April 30, 2026.

Question(s):

- a) When do the Applicants plan to report and dispose of any non-zero ESM amounts, if any are calculated?
- b) Given that the proposed ESM effective period starts before the ending of the LRAM rate riders for Espanola Hydro, please explain whether and how the new amalgamated company would adjust the rate rider revenues from the ESM calculations.
- c) Please provide details of how the Applicants propose to deal with the stub periods during its ESM, with respect to calculating the achieved ROE in a stub period. For example, are the Applicants proposing prorating of the calendar year earnings in the calendar year that a stub period would fall in? Please provide the supporting rationale for the proposed approach.

- d) Please file a draft accounting order for the proposed account in which amounts to be shared via the ESM are to be recorded, for the OEB's consideration in this proceeding.

#### **5-Staff-6**

**Ref: Application/page 40**

**EB-2020-0020, Decision and Rate Order, June 10, 2021**

**EB-2020-0043, Decision and Rate Order, September 9, 2021**

Preamble:

In Appendix G of the application, the Applicants provide their current Tariff of Rates and Charges as approved by the OEB. The Tariff of Rates and Charges for each of the Applicants document that their rates are effective on a May 1 to April 30 rate year.

Question(s):

- a) Assuming that New North Bay remains on a May 1 to April 30 rate year, for which year (either beginning May 1, 2027, or May 1, 2028) are the Applicants proposing the next cost of rebasing would be filed for?

#### **6-Staff-7**

**Ref: Application, p. 41**

Page 41 of the application states that:

The Applicants request the OEB's approval to continue to track costs in the deferral and variance accounts currently approved by the OEB for all Ontario LDC's as well as for each of NBHDL and ERHDC.

Question(s):

- a) When do the Applicants expect the IESO settlement process for North Bay Hydro and Espanola Hydro to be merged, and when is the newly amalgamated company (New North Bay) expected to receive one consolidated IESO invoice?
- b) Please explain whether (and how) the Applicants will be able to maintain separate Group 1 accounts for North Bay Hydro and Espanola Hydro after the IESO invoice is consolidated. If not, how do the Applicants propose to track Group 1 accounts separately?
- c) Would the Applicants be open to the notion of consolidating their Group 1 accounts after they start to receive one consolidated IESO invoice, rather than

performing allocations and maintaining separate rate zone-level accounts? If not, please explain.

- d) Please confirm that North Bay Hydro and Espanola Hydro will continue to keep track and record the transactions separately for all Group 2 accounts during the post-amalgamation period, including Account 1592 sub-account CCA changes? If Group 2 accounts are not kept separately, please explain why not.