

**D. D Rennick - Interrogatories
MAAD's Application
North Bay Hydro Distribution Ltd. (NBHDL)
And
Espanola Regional Hydro Distribution Corporation
EB-2021-0312 (Application)**

Application

DDR – 1 – Page 15 – 7

Preamble

“The Proposed Amalgamation will positively impact customers of NBHDL and ERHDC with respect to price..... due to the efficiencies to be generated.”

The Handbook to Electricity Distributor and Transmitter Consolidations (Handbook) indicates: *“the OEB will assess the underlying cost structures of the consolidating utilities.”* as well as *“it is important for the OEB to consider the impact of a transaction on the cost structure of consolidating entities both now and in the future “*¹

The underlying costs structure includes OM&A, amortization, taxes and the principal and interest payments required to service debts.

Question

Please provide a cash flow statement specifically related to the repayment of \$10,417,694 in long term liabilities shown on ERHDC financial statements as of December 31, 2020. The calculations should indicate the specific source of the funding and the customer group (NBHDL or ERHDC) providing the funds for payments which are scheduled to continue of the next 25 years.

¹ Handbook – p 6

“Table 6-1 is a cost structure analysis showing the forecasted synergies for ERHDC and NBHDL from 2021 to 2027.”²

Preamble

The 2027 projected OM&A savings of \$4.16 per NBHDL customer per year is insignificant and subject to the vagaries of predicting future cost or savings including the personnel numbers required to service the increased customer load.

If the savings estimate was over stated by \$200,000 this would result in a combined 2027 OM&A cost per customer of \$371.68. This amount is \$13.96 higher than the estimated per customer \$357.72³ if the amalgamation did not occur.

This relatively small error indicates how ephemeral any savings are and how quickly any amalgamation would be harmful as to price for NBHDL customers.

The OM&A savings estimates in this Application were calculated in late 2018 and early 2019 during the Phase 1 application (EB-2019-0015) of this process. Two years later following the formation of the new ERHDC, the Applicant filed a CoS application (EB-2020-0043). In that application concerns were expressed about staffing levels being unsustainable most notably in the administration area where all the suggested savings from amalgamation are estimated to be realized.

One small example of many is contained in the oral transcript of the CoS where it was stated that: *“A lean management is simply unsustainable. The management team was routinely working 60 to 70 hours”⁴*

The Applicant has also suggested its intention to increase staffing levels substantially during the coming years. The following statement is evidence of these plans.

“Having compared its operations with other local distribution companies (“LDCs”) of similar size, NBHDL considered the addition of the following six positions to align with the management structures of other LDCs and fill NBHDL’s resource gaps:

- • *Purchasing Manager*
- • *Risk Management Officer*
- • *Controller*
- • *Safety Coordinator*

² Application – p 26

³ Application – p 27

⁴ EB-2020-0043 – Oral Transcript – p 12 – line 20

- • *Executive Assistant*
- • *Departmental administrative support positions”*⁵

This view regarding a lack of staff resources is a complete reversal from the position taken by the Applicant in their previous CoS application (EB-2014-0099) which contained a number of statements indicating that staffing was more than adequate and they did not foresee the situation changing in any way.

It may be helpful to include some of the comments made in EB-2014-0099 to indicate the extent to which the Applicant expressed satisfaction with its staffing levels at that time.

*“NBHDL currently has a complement of 48 employees and will maintain this complement level to deliver the 2015 Test Year programs. One of NBHDL’s core business objectives is to maintain consistent staffing levels in accordance with its succession plan. To achieve this objective, NBHDL is managing to a target of maintaining 50 full-time employee equivalents or less.”*⁶

*“Having great and empowered employees has allowed NBHDL to implement and achieve the improvements in performance and customer satisfaction described above”*⁷

*“The universal trend in business is for each employee to do more and to be available at any time to respond to problems. NBHDL has been able to handle this with very little impact to the business and its employees.”*⁸

The inference to draw from these facts is that the current staff compliment is not sufficient to handle the Applicant’s own operations let alone the burden of 3,300 additional customers and raises some question about the accuracy of the savings calculations shown in the Application.

Question

Please provide an explanation.

⁵ EB-2020-0043 – NBHDL – IRR – p 182 of 322

⁶ EB-2014-0099 – Exhibit 1 – page 44 of 107

⁷ Ibid – page 84 of 107

⁸ Ibid – page 85 of 107