



74 Commerce Crescent
P.O. Box 3240
North Bay, Ontario
P1B 8Y5

Tel. (705) 474-8100
Fax: (705) 495-2756 Administration
Fax: (705) 474-3138 Engineering/Purchasing
Fax: (705) 474-8579 Customer Services/Accounting
Fax: (705) 474-4634 Operations

March 17, 2023

Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Attention: Nancy Marconi, Registrar

Dear Ms. Marconi:

Re: EB-2022-0053 Application for 2023 Rates

In accordance with Procedural Order #2, please find attached North Bay Hydro Distribution Limited's (NBHDL) responses to Round 1 interrogatories from Board Staff and Vulnerable Energy Consumers Council.

Please be advised that in a separately filed letter, NBHDL has rescinded its request for RSVA account disposition for the Espanola Rate Zone. As such, the accompanying updated IRM model reflects this change.

Respectfully Submitted,

Micheal Roth, CPA
Regulatory Manager
North Bay Hydro Distribution Limited
705-474-8100 ext263
mroth@northbayhydro.com

**OEB Staff Interrogatories
North Bay Hydro Distribution Limited (North Bay Hydro Distribution)
EB-2022-0018**

REPONSES

OEB Staff-1

Ref: North Bay Rate Zone IRM Rate Generator Model, Tab 11, 17

OEB staff has updated the North Bay Rate Zone IRM rate generator model for the following items:

1. Updated Uniform Transmission Rates per (Sheet 11)
2. Updated Hydro One Sub-Transmission Rates per decision EB-2021-0110 (Sheet 11)
3. Updated Wholesale Market Service Rate and Rural or Remote Electricity Rate Protection Charge (Sheet 17)

Question(s):

- a) Please confirm that the model attached to these interrogatories reflects these updates.

RESPONSE

NBHDLD confirms the model attached to these interrogatories reflects these updates.

OEB Staff-2

Ref: Espanola Rate Zone IRM Rate Generator Model, Tab 11, 17

OEB staff has updated the Espanola Rate Zone IRM rate generator model for the following items:

1. Updated Uniform Transmission Rates (Sheet 11)
2. Updated Hydro One Sub-Transmission Rates per decision EB-2021-0110 (Sheet 11)
3. Updated Wholesale Market Service Rate and Rural or Remote Electricity Rate Protection Charge (Sheet 17)

Question(s):

- a) Please confirm that the model attached to these interrogatories reflects these updates.

RESPONSE

NBHDL confirms the model attached to these interrogatories reflects these updates.

OEB Staff-3

Ref 1: North Bay Hydro 2023 IRM Application, Page 13

Ref 2: Decision and Rate Order, EB-2021-0046, Page 8

Ref 3: Chapter 3 Filing Requirements, 2022 Edition for 2023 Rate Applications, page 11

Ref 4: North Bay Hydro 2023 GA Analysis Workform

Ref 5: EB-2021-0046, North Bay Hydro's Responses to OEB Staff Questions

North Bay Hydro states in Reference 1 that as of 2020, it had completed its review and had applied the new accounting guidance for Accounts 1588 and 1589 for the historical period 2017-2019. North Bay also states that its 2020 and 2021 RRR balances are consistent with the new accounting guidance.

The OEB indicated in Reference 2 that it expects North Bay Hydro to identify and explain any material adjustments resulting from the application of the accounting guidance on Accounts 1588 and 1589 from 2017 onwards in its application for 2023 rates.

Question(s):

- a) Per Reference 3, a distributor is expected to provide a summary of the review performed, a discussion of the results of the review, and whether any systemic issues were noted.
 - i. Please provide a summary of the review performed, a discussion of the results of the review, and whether any systemic issues were noted.
 - ii. Please confirm and explain if there is any adjustment or change made to the 2017-2019 review submitted in North Bay Hydro's 2020 rates proceeding.
 - iii. Please explain if there are any changes made to the review methodology from what North Bay Hydro had previously provided in its responses to the staff's interrogatory question in the 2022 IRM application as per reference 5. If so, what are the changes, and why these changes are made.
- b) OEB Staff finds North Bay Hydro provided the same explanation as in its 2021 IRM application for GA 2017 reconciling item #7 in Reference 4, which states that North Bay Hydro is currently investigating the driving factors, prior to seeking disposition.
 - i. Please confirm the status of the investigation of the 2017 review
 - ii. Please update the explanation for GA 2017 reconciling item #7 in Note 5 accordingly.
- c) In Reference 4, North Bay Hydro identifies reconciling item #6 of a credit amount of \$186,599 in GA 2017 Note 5. The explanation for this reconciling item states that "Dec and July had material variances between 3rd rate at AQEW and actual

rate charged. This is presumed Non-RPP share allocated at % of month.”.
Please clarify what the 3rd rate at AQEW is in the explanation provided for this reconciling item.

- d) Please confirm that all principal adjustments have already been recorded in North Bay Hydro’s general ledger of the respective years.

RESPONSE

- a) i - As noted in previous descriptions of NBH’s previous settlement methodology, NBH used to calculate balances for 1588 and 1589 using a “bottom-up” approach from actual billed data. For example, NBH would presume that the values to remain in 1589 were to be only the differences between billed and charged GA for non-RPP customers only. Any variation to this would be allocated to 1588 or settled with the IESO. This methodology was performed on a rolling true-up basis month over month. While correct in spirit and in a perfectly allocated and charged system, it missed certain items that became clear once the OEB released their updated methodology. Further, the rolling true-up nature of the adjustments made it difficult to track.

The OEB model operates on a more “top-down” approach to allow an allocation of all actual costs paid across the system’s customer types. This methodology naturally corrects for imperfect billed-vs-charged kWh and variations in the IESO’s charge types.

NBH’s review first involved the ability to input the proper items into the OEB’s model; based on historical methodology, there was never a need to perfectly allocate revenues across months with both the kWh and \$ charged. Variations in unbilled vs actual accruals were incorporated into financial statements and corresponding true up. Once NBH was able to input the required data into the model, the process was completed for the years 2017-2019 to determine proper entries across the historic periods. From there, comparisons between the model and the financial statements (continuity schedules for DVAs) were completed and further true-up adjustments made.

The results of the analysis proved that there were items missing in the bottom-up approach. Missing items included allocation of actual revenues, recalculating the “actual RPP energy price” to include all the proper model inputs, and capturing any GA rate variances from the IESO.

NBH would not consider these issues “systemic”, however, it is clear that certain pieces were missing in the process in order to be compliant with the updated

guidance. The 2017-2019 historic adjustments are reflected in the continuity schedule.

ii - There has been no further adjustments or changes made to the previously filed 2017-2019 review submitted in NBH's 2020 rate proceeding.

iii - NBH's review methodology remains the same; the OEB model is now utilized throughout the year to perform the IESO settlement process. The limitation to this is that only 2 months are open at any given time. The prior month true-up and the current month estimate. At year-end NBH then recalculates the entirety of the year, month-by-month, and makes any adjustments to the fiscal period as necessary.

b) i - The review of 2017 is complete and resulted in identifying the variance noted in item #7.

ii - The description in #7 itself should have been updated and is provided below for ease of reference:

NBHDL completed a review of 1588 and 1589 balances for the historical periods 2017-2019. This principal adjustment is the result of that historical analysis, using the 1588/1589 workbooks and updated methodology.

c) The referenced 'third rate' is the implied rate charged at the AQEW level (not including Class A) and is as follows:

- July \$0.10846/kwh
- Dec \$0.08525/kwh

d) NBH does not confirm that all principal adjustments have already been recorded in North Bay Hydro's general ledger of the respective years. The principal adjustments for the 2017-2019 period were recorded in the 2020 general ledger.

OEB Staff-4

Ref 1: North Bay Hydro 2023 GA Analysis Workform

Ref 2: North Bay Hydro 2023 NBRT IRM Rate Generator Model

OEB staff finds the net change in principal balance in the GL stated in GA 2020 (\$296,276) does not agree to the transactions during 2020 amount of \$269,726 stated in the continuity schedule.

Question(s):

- a) Please explain the discrepancies noted above and update the relevant schedule/model as applicable.

RESPONSE

- a) The discrepancies noted above are the result of a transposition error. The correct amount of \$269,726 is reflected in the continuity schedule and the GA Workform has been updated.

OEB Staff-5

Ref 1: North Bay Hydro 2023 GA Analysis Workform

Ref 2: North Bay Hydro 2023 NBRT IRM Rate Generator Model

Per the Principal Adjustments tab in reference 1, It appears that North Bay Hydro didn't book the 2021 principal adjustments to Accounts 1588 (\$130,949) and 1589 (\$15,515) in the general ledger because that the year recorded in the GL cells for these adjustments are entered as "N/A". OEB staff finds that these adjustments are identified as principal adjustments during 2021 in the continuity schedule in Reference 2.

Question(s):

- a) Please clarify whether the principal adjustments mentioned above are recorded in North Bay Hydro's general ledger. If so, please update the note section of the Principal Adjustment tab in the reference 1. If not, why not.

RESPONSE

- a) These adjustments are not recorded in NBH's general ledger. The principal adjustments of (33,499) for 1589 and the 112,547 for 1588 were incorporated after the close of 2021 financials and flow naturally through the general ledger activity in 2022. All unbilled variances are recorded in the OEB model for completeness. This is the methodology that Board Staff instructed NBHDL to utilize through previous year's IRM interrogatory processes.

OEB Staff-6

Ref 1: 2023 ERT IRM Rate Generator Model

Ref 2: Espanola Hydro's 2021 Cost of Service Application, DVA continuity Schedule file at Settlement Proposal, May 10, 2021

Ref 3: Espanola Hydro's 2022 IRM Application, ERHDC_2022-IRM-Rate-Generator-Model_20220218

Per the Decision and Rate Order for its 2022 rate application (EB-2021-0022), Espanola Hydro deferred the disposition of Accounts 1588 and 1589 to investigate potential errors in the DVAs. Espanola rate zone's last final disposal of Accounts 1588 and 1589 was in the 2021 cost of service (CoS) rate application for the 2019 balances. OEB staff notes that for Accounts 1588 and 1589, the 2019 closing balances in the DVA continuity schedule filed in this application do not match the 2019 closing balances in the DVA continuity schedule filed in the 2021 cost of service settlement proposal:

Closing Balance as of Dec 31, 2019			
Account 1588	(Per the DVA continuity Schedule in this application)	(Per the DVA continuity Schedule in 2021 CoS settlement Proposal dated May 10, 2021)	Difference
Principle	373,973	(23,801)	397,773
Interest	(12,469)	(34,911)	22,442
Total	361,504	(58,712)	420,215

Closing Balance as of Dec 31, 2019			
Account 1589	(Per the DVA continuity Schedule in this application)	(Per the DVA continuity Schedule in 2021 CoS settlement Proposal dated May 10, 2021)	Difference
Principle	(208,211)	50,628	(258,839)
Interest	(12,899)	5,117	(18,015)
Total	(221,110)	55,745	(276,854)

Question(s):

- a) Please update the DVA continuity schedule in this application to ensure that the 2019 ending balances for all DVAs match with the 2019 ending balances in

Espanola Hydro Hydro's 2021 cost of service DVA continuity schedule for the settlement proposal.

- b) Please address the control issue presented in the preparation of the DVA continuity schedule as OEB staff notes that the variances in the closing balances mentioned above were the same issues discussed in the staff interrogatories for the 2022 rate application where Espanola Hydro had already updated the continuity schedule to match the 2019 ending balances as submitted in the 2021 cost of service DVA continuity schedule.

RESPONSE

- a) NBHDL has updated the IRM model to reflect the previously submitted balances in the 2021 COS.
- b) This is the first IRM for the Espanola Rate Zone submitted under the current management structure. The discrepancies that have arisen are a result of prior year balances within the application models not aligning with financial statements, which are further compounded by presumed adjustments (to account for these prior period adjustments) that require further investigation. The questions received from Board Staff have resulted in reconciliations that require further detailed investigation and have led to the rescinding of the request for disposition as outlined in the accompanying letter. NBHDL apologies for the confusion and delays this may have caused.

OEB Staff-7

Ref 1: 2023 ERT GA Analysis Workform

Ref 2: 2023 ERT IRM Rate Generator Model, Tab 3 Continuity Schedule

OEB staff notes that the 2020 principal adjustment of \$72,669 and 2021 principal adjustment of a credit amount of \$94,158 for Account 1588 stated in Reference 1 Note 7 do not agree to the principal adjustment amounts in Reference 1 note 9 which is shown below:

Account 1588 - RSVA Power			
Year	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Reversals of prior approved principal adjustments (auto-populated from table above)</i>		
	1		
	2		
	3		
	4		
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments		-
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual RPP volumes		
	2 CT 1142/142 true-up based on actuals		
	3 Unbilled to actual revenue differences		
	4 GA Unadjusted months allocation correction	94,158	2,021
	5		
	6		
	7		
	8		
	Total Current Year Principal Adjustments		94,158
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model		94,158

OEB staff further notes that the principal adjustments for periods 2020 and 2021 are different from the amounts provided in Reference 2. Below is summary table for the discrepancies.

Account 1588 Principal Adjustments	A. DVA Continuity Schedule	B. Workform (Note 7)	C. Workform (Note 9)	Difference (A-B-C)
2020	(164,681)	72,669	94,158	(331,508)
2021	-	(94,158)	-	94,158
Total	(164,681)	(21,489)	94,158	(237,350)

Question(s):

- a) Please explain the discrepancies noted above and update the relevant schedule/model as applicable.

- b) Please provide the reasons beside the line loss differences for the Account 1588 balance being greater than 1% of the Account 14805 balance if the updated Note 7 did not pass the reasonability test.

RESPONSE

- a) NBHDL has updated the Model with the appropriate principal adjustments as corrected in Staff Q6.
- b) The updated tab maintains a % above the OEB deemed reasonability in 2020, however the cumulative reasonability stands at 0.7%. As stated in the letter filed with these IRRs, NBHDL has rescinded the request for disposition due to prior period issues highlighted through these IRs. NBHDL will review and, if necessary, correct items from prior periods after a full review.

OEB Staff-8

Ref 1: 2023 ERT IRM Rate Generator Model, Tab 3 Continuity Schedule

Ref 2: 2023 ERT GA Analysis Workform

For Account 1589, OEB staff notes that the 2020 principal adjustment of a credit amount of \$94,158 stated in Reference 2 does not agree with the principal adjustment amount in Reference 1:

Account 1589 Principal Adjustments	DVA Continuity Schedule	Workform (Note 9)	Difference
2020	164,681	(94,158)	258,839

OEB staff further notes that the net change in principal balance in the GL stated in Note 5 GA 2021 (a credit amount of \$25,531) does not match with the 2021 transactions of \$119,255 for Account 1589 stated in Reference 1.

Question(s):

- a) Please explain the discrepancies noted above for the 2020 principal adjustment and update the relevant schedule/model as applicable.
- b) Please explain the discrepancies noted above for the 2021 transactions and update the relevant schedule/model as applicable.

RESPONSE

- a) NBHDL has updated the Model with the appropriate principal adjustments as corrected in Staff Q6.
- b) NBHDL has updated the Model with the appropriate principal adjustments as corrected in Staff Q6. This now creates an unresolved difference in the presumed explainable 2021 1589 activity. As stated in the letter filed with these IRRs, NBHDL has rescinded the request for disposition due to prior period issues highlighted through these IRs. NBHDL will review and, if necessary, correct items from prior period after a full review.

OEB Staff-9

Ref 1: North Bay 2023 IRM Application, Section 15, Page 16

Ref 2: North Bay 2023 IRM Application. Appendix O

Ref 3: 2023-ERT_GA_Analysis_Workform_20221123, Note 9

As per Reference 1, North Bay Hydro has completed the review of the potential errors in the invoicing from the Espanola rate zone's host distributor related to GA Deferral charges. North Bay Hydro states that the confusion is related to inconsistencies between provided PDF copies of host distributor invoices and the host distributor's excel invoices. The excel versions were prepopulated with consumption data that was different from the PDF invoice itself (this did not affect the charges as these figures are not formulas). Compounding the confusion was that the excel version combined the GA deferral amounts, while the PDF version did not. The reconciliation of the reference charges is provided by North Bay Hydro in Reference 2.

Question(s):

- a) Please provide the Excel version and the PDF version of the charges from Espanola rate zone's host distributor as mentioned in Reference 2.
 - i. Please demonstrate how the referenced charges are reconciled in Appendix O.
 - ii. Please update the reconciliation as needed.
- b) Please confirm if there is no impact to the GL as per the outcome of the review conducted mentioned in Reference 1. If so, please quantify the impact and update the relevant schedule/model as applicable.

RESPONSE

- a) The Excel version and the PDF version of the charges from Espanola rate zone's host distributor as mentioned in Reference 2 are provided as attachments to the IRM responses.
 - i - ERT is charged at two injection points for GA and Spot Price. Charge #1 in Appendix O relates to the "255 KING ST, NAM ACCT 539805 / MASSEY DS:MASSEY ME" point on page 1. Charge #2 and #3 are charged at "539805 ESPANOLA TS, NAM ACCT 539805 / ESPANOLA TS" on page 5.
 - ii – The reconciliation remains the same and demonstrates the actual charges with the actual kWh.

- b) There has been no adjustments made to the GL as a result of the review.

OEB Staff-10

Ref 1: North Bay Hydro Revised Manager's Summary, page 19

Ref 2: Espanola Hydro RRR 2.1.5.6 ROE Filing for 2021

Ref 3: RRR 2.1.5.6 ROE Complete Filing Guide, March 2016

In Reference 1, North Bay Hydro states an error was made in determining the "Appendix 6 PILs Adjustments" which includes PILs expenses recovery of the net impact of Espanola rate zone's prior approved ICM recognition (\$1,095,000 Revenue, \$296,313 Expense, Net \$798,687).

North Bay Hydro further states that the net impact of ICM recognition is a non-taxable event in 2021, it should not have been included in the Appendix 6 PILs adjustments. North Bay Hydro provided in Table 13 below for the summarized calculation for the Espanola rate zone's 2021 ROE:

TABLE 13 – 2.1.5.6 AS FILED

2.1.5.6 - 2021 RRR Filing		
Income		
Reported Net income	1,599,639	
Appendix 1 Adjustments	(1,130,702)	Add
Appendix 2 Adjustments	-	
Appendix 3 Adjustments	44,331	
Appendix 4 Adjustments	247,800	
Unrealized Gains/Losses	(577,075)	
	183,993	
PILs Reported	18,197	Add
Appendix 6 PILs Adjustments	(204,024)	Less
Adjusted Regulated Net Income	406,214	(A)
Rate Base		
WCA	652,262	
Average PP&E	6,089,049	
	6,741,311	
Deemed Equity @ 40%	2,696,524	(B)
ROE	15.06%	(A)/(B)

North Bay Hydro provides Table 14 below which shows the removal of the net ICM impact from income for tax purposes is grouped within line 6 in Schedule 1 from its 2021 tax return for the Espanola rate zone.

TABLE 14 – SCHEDULE 1 – ERT 2021 TAX

Deduct:

Other deductions:

	1 Description 705	2 Amount 395
1	Movement in reg deferred taxes	594,630
2	Actual benefits paid	9,286
3	Accrued future benefit costs	299
4	Interest rate swap mark to market adj	577,075
5	Deferred revenue amortization	11,133
6	Movement in reg assets/liab	1,079,171
7	decrease in regulatory liabilities	260,893
8	other comprehensive income	4,566
	Total of column 2	2,537,053

North Bay Hydro also provides Table 16 below for the Appendix 6 adjustments.

TABLE 16 – APPENDIX 6 Reconciliation

App 6 - Tax Adjustment			
		App 6 Calculated	
	Adjustments	As filed	Revised
PIL's included		18,197	18,197
APP1			
ICM	(798,687)	(211,652)	-
LRAM	(329,270)	(87,257)	(87,257)
CDM	(2,745)	(727)	(727)
APP3	44,331	11,748	11,748
APP4	247,800	65,667	65,667
Tax Adjustment		(204,024)	7,628

North Bay Hydro recalculated the 2021 ROE of 7.22% using the updated tax adjustment figure of \$7,628 in Table 16.

Page 22 of the ROE Guidance per Reference 3 provides the instruction for Current Tax Adjustment required to reconcile to RRR trial balance (Cell fb) on the ROE filing that:

This cell represents the current tax effect of any reconciling items required to balance net income on the AFS to the RRR trial balance. An example would be current taxes associated with non-rate-regulated business income included in the AFS, but not the RRR trial balance. The line item may not be applicable when a distributor does not have non-rate-regulated business.

Question(s):

- a) In Table 13, the reported net income of \$1,599,639 is added or deducted with a number of adjustments to derive the adjusted regulated net income of \$406,214. One of the adjustments is the PILs reported of \$18,197, which is added to the reported net income. Please confirm that the reported net income of \$1,599,639 includes the deduction of the actual PILs reported of \$18,197 and the add-back on the ROE calculation of the PILs reported of \$18,197 basically cancels the impact of the actual PILs reported in 2021 on the 2021 ROE. If not confirmed, please explain how the 2021 actual PILs reported of \$18,197 impact the 2021 ROE for Espanola rate zone.
- b) Please provides a table laying out when and how the PILs for the associated ICM revenues mentioned above are recognized over the years. Please modify the table as needed.

	2014	2015	2016	2017	2018 etc.
ICM rate rider revenues included in the actual tax return					
Actual PILs paid on the ICM revenue on the tax return					

- c) Please provide a breakdown of the line 6 Movement in reg. assets/liab. (\$1,079,171) in Schedule 1 provided in table 14.
- d) In Table 16, please confirm whether the PILs included of \$18,197 has removed the impact of ICM rate rider revenues \$.
- e) Please provide a variance analysis using the lines in the approved revenue requirement work form as approved in Espanola's 2021 cost of service

proceeding and Espanola's 2021 actual revenues and expenses with the associated regulatory adjustments.

RESPONSE

a) NBDHL confirms that the net income in table 13 includes the deduction of \$18,197. NBHDL further confirms that the add-back cancels out the impact. This table is consistent with the "ROE Summary" section of the file 2.1.5.6 of the 2021 RRR.

b) The table below shows the actual ICM revenues collected from 2014 to 2021:

	2014	2015	2016	2017	2018	2019	2020	2021	Total	Projected in COS
ICM Rider Revenue	\$ 86,076	\$ 159,676	\$ 154,509	\$ 152,004	\$ 157,479	\$ 157,397	\$ 156,526	\$ 58,830	\$ 1,082,498	\$ 1,080,143

With respect to the actual taxes paid on these revenues, this is a difficult value to quantify as there are many moving parts in a tax return. Combine this with the fact that Espanola has been carrying a loss-carry forward, it would be burdensome to produce the actual dollar amounts in taxes paid in previous years without the assistance of third-party tax specialists.

The methodology utilized can be explained which provides the context for how PILs was impacted each year. The above revenues flow to the ICM asset in account 1508. This has the effect of decreasing a regulatory asset which then results as an addition on Schedule 1 of the tax return, thereby increasing taxable income.

c) Please see the below table for a summary of the #6 in the referenced Schedule 1:

Net Movement Line	Category
74,839	Other Operating Activities
329,270	LRAMVA Establishment
675,062	ICM Recognition
1,079,171	Line 6

d) The \$18,197 of 2021 would include the taxable effect of the final year of rate riders flowing to the ICM asset in account 1508.

e) Please see the table below for a representation of the ROE as approved in the 2021 COS as compared to the 2021 actual and the filed 2021 adjusted.

For further comparison, NBHDL has also included the same table with variances for the proposed revised ROE as compared to the COS:

	COS	2021 Actual	Regulatory Adj as Filed	Adjusted	Adjusted to COS Variance
Rev From Services	2,048,900	3,257,972	(1,424,270)	1,833,702	(215,198)
Other Op Rev	129,131	127,462	-	127,462	(1,669)
Other Income	-	598,963	(579,820)	19,143	19,143
Inv Income	-	132,850	(131,496)	1,355	1,355
Total Revenues	2,178,031	4,117,247	(2,135,586)	1,981,661	(196,370)
OMA	1,573,431	1,508,060	-	1,508,060	(65,371)
Amortization	226,618	451,661	(296,313)	155,348	(71,270)
Interest	126,357	537,690	(423,627)	114,063	(12,294)
TX	-	18,197	(222,221)	(204,024)	(204,024)
Other	2,613	2,000	-	2,000	(613)
Total Expenses	1,929,019	2,517,608	(942,161)	1,575,447	(353,572)
Net Income	249,012	1,599,639		406,214	157,202
Equity	2,985,760	2,696,522		2,696,522	
ROE	8.34%			15.06%	

	COS	2021 Actual	Regulatory Adj as Proposed	Adjusted	Adjusted to COS Variance
Rev From Services	2,048,900	3,257,972	(1,424,270)	1,833,702	(215,198)
Other Op Rev	129,131	127,462	-	127,462	(1,669)
Other Income	-	598,963	(579,820)	19,143	19,143
Inv Income	-	132,850	(131,496)	1,355	1,355
Total Revenues	2,178,031	4,117,247	(2,135,586)	1,981,661	(196,370)
OMA	1,573,431	1,508,060	-	1,508,060	(65,371)
Amortization	226,618	451,661	(296,313)	155,348	(71,270)
Interest	126,357	537,690	(423,627)	114,063	(12,294)
TX	-	18,197	(10,571)	7,626	7,626
Other	2,613	2,000	-	2,000	(613)
Total Expenses	1,929,019	2,517,608	(730,511)	1,787,097	(141,922)
Net Income	249,012	1,599,639		194,564	(54,448)
Equity	2,985,760	2,696,522		2,696,522	
ROE	8.34%			7.22%	

OEB Staff-11

Ref 1: Espanola Hydro RRR 2.1.5.6 ROE Filing for 2021

Ref 2: North Bay Hydro Revised Manager's Summary, p.19

OEB staff notes that the Espanola rate zone reported total non-rate regulated adjustments of a credit amount of \$1,130,702 in Appendix 1 in Reference 1. This amount is comprised of ICM income of \$798,687 (comprised of \$1,095,000 rate rider revenues net of \$296,313 of depreciation) and LRAMVA rate rider income of \$329,270. The reported tax impact on the total non-rate regulated adjustments as stated in Appendix 6 is a credit amount of \$299,636.

Per Reference 2, North Bay Hydro revised the Appendix 6 PILs adjustments to a debit amount of \$7,628 from a credit amount of \$204,024. The net change of \$ \$211,652 represents the tax impact of the net ICM rate rider income of \$798,687 ($26.5\% \times \$798,687$).

Question(s):

- a) Please confirm:
 - i. If the LRAMVA rate rider revenues are included in the Movement in Reg. Assets/Liab of \$1,079,171 as reported by North Bay Hydro in the "Deductions" section of Schedule 1 from its 2021 tax return for the Espanola rate zone.
 - ii. If there is any LRAMVA revenues pertaining to 2021 should be included in the ROE calculation
- b) If so, please explain why an adjustment similar to the ICM adjustment to the Appendix 6 PILs adjustment is not proposed. If part a above is not confirmed, please explain when and how the PILs for the associated LRAMVA rate rider revenue mentioned above are recognized.
- c) Per the 2021 CoS application, Espanola rate zone's rates were effective May 1, 2021. The 2021 ROE calculated in this application is for the calendar year. Has North Bay Hydro considered using a blended ROE of the prorated 2021 CoS ROE and the previously approved ROE as the approved ROE for 2021?
- d) In the 2021 CoS settlement agreement, rates were effective May 1, 2021, but implemented July 1, 2021. Please confirm if North Bay Hydro has considered the foregone revenue realized in the four months (Jan.- April) from 2022 in its 2021 ROE calculation. If not, why not.
 - i. Please quantify the impact of the four months' forgone revenues collected in 2022 on the 2021 ROE.

RESPONSE

- a) i – The ***establishment*** of the LRAMVA asset is included Movement in Reg. Assets/Liab of \$1,079,171 as reported by North Bay Hydro in the “Deductions” section of Schedule 1 from its 2021 tax return for the Espanola rate zone. The riders themselves will be collected over the approved recovery period.

ii – Espanola collected approximately \$22,591 in LRAMVA revenues in 2021 that would have been part of the overall taxable income calculation.
- b) The OEB highlights an interesting point with respect to the equitable treatment of the LRAMVA and ICM assets. In both cases it is the revenue collection creating decreases in regulatory assets that drives a taxable event (the increase in taxable income in Schedule 1). If the OEB deems it appropriate, NBHDL will account for the LRAMVA in a future RRR revision request, the same way it has adjusted for the ICM in the Revised Manager’s Summary.
- c) NBHDL has not considered using a blended ROE of the prorated 2021 COS ROE and the previously approved ROE as the approved ROE for 2021. NBHDL is unaware of this practice being utilized historically but would take this into consideration if it was a viable option. NBHDL would request further input and perspective from Board Staff on this matter.
- d) Distribution revenue is not accrued into NBHDL’s financial statements until billed and there is a reasonable expectation of collection. In the case of January through April 2023, this revenue will not be billed to Espanola service territory customers until late February 2023 through to the end of May 2023.
 - a. NBHDL collected \$27,439 in the Espanola Rate Zone in 2022. The represents Foregone Revenue for January-April.

VECC-1

Ref: Revised Manager's Summary p.18

ERHDC reported its Return on Equity (ROE) for 2021 as 15.06%.

Please provide a copy of the 2021 RRR 2.1.5.6 for ERHDC that was filed including Input Appendices 1 to 6.

RESPONSE

The filed 2.1.5.6 from the 2021 RRR has been included as at attachment.

VECC-2

Ref: Revised Manager's Summary p.18-19

NBHDHDL believes there is an error in determining the "Appendix 6 PILs Adjustments". Table 13– 2.1.5.6 As Filed on page 18 includes a PILs adjustment that includes PILs expense recovery of the net impact of Espanola Rate Territory's (ERT) prior approved ICM recognition (\$1,095,000 Revenue, \$296.313 Expense, Net \$798,687). As this is a non taxable event in 2021, NBHDL indicates it should not have been included in the Appendix 6 PILs adjustments. NBHDL recalculates a 2021 ROE of 7.22%.

- a) Please describe the ICM project.
- b) Please provide the references to OEB policy/guidelines that support this PILs adjustment/recalculation and explain how NBHDL has applied OEB policy/guidelines.
- c) Please provide references for each value in Table 13 on page 18 and the revised values in Table 15 on page 20.
- d) Please provide references for each value in Table 16 on page 21.
- e) Please provide a copy of the updated 2021 RRR 2.1.5.6 with the adjustments.
- f) Please provide the ROE for 2022 and forecast ROE for 2023 and provide any relevant supporting details.

RESPONSE

- a) This ICM project was related to the construction of a substation and was approved in 2014 (EB-2013-0127). As part of its 2021 Cost of Service Application (EB-2020-0020), specifically Exhibit 2, Espanola proposed to end the ICM and incorporate the costs into rate base. Espanola received approval for this in the Decision and Order issued June 10, 2021.
- b) There is no specific policy that describes the updated treatment in relation to the ERT ROE calculation. However, the guidance does describe "Activity in Regulatory Accounts included in taxable income on Schedule 1" of the tax return. It is NBH's position that this ICM adjustment relates specifically to that. Further, part 6.g of Section A.6 of the filing guide refers to accounting for the tax effects of reconciling items in Appendix 1, which the ICM recognition was part of.

- c) NBHDL has updated the tables below to include reference points to the filed 2.1.5.6 provided in VECC #1:

Table 13

2.1.5.6 - 2021 RRR Filing			RRR Ref
Income			
Reported Net Income	1,599,639		ROE Summary - A
Appendix 1 Adj	(1,130,702)		Input Apendices - App 1
Appendix 2 Adj			
Appendix 3 Adj	44,331	Add	Input Apendices - App 3
Appendix 4 Adj	247,800		Input Apendices - App 4
Unrealized Gains/Losses	(577,075)		ROE Summary - C
	<u>183,993</u>		
PILs Reported	18,197	Add	ROE Summary - J
Appendix 6 PILs Adj	(204,024)	Less	Input Apendices - App 6
Adjusted Regulated Net Income	406,214	(A)	
Rate Base			
WCA	652,262		ROE Summary - Q
Average PP&E	<u>6,089,049</u>		ROE Summary - T
	6,741,311		
Deemed Equity @40%	2,696,524	(B)	ROE Summary - X1
ROE	15.06%	(A)/(B)	

Table 15

2.1.5.6 - 2021 RRR Filing			RRR Ref
Income			
Reported Net Income	1,599,639		ROE Summary - A
Appendix 1 Adj	(1,130,702)		Input Apendices - App 1
Appendix 2 Adj			
Appendix 3 Adj	44,331	Add	Input Apendices - App 3
Appendix 4 Adj	247,800		Input Apendices - App 4
Unrealized Gains/Losses	(577,075)		ROE Summary - C
	183,993		
PILs Reported	18,197	Add	ROE Summary - J
Appendix 6 PILs Adj	7,626	Less	Proposed Revision
Adjusted Regulated Net Income	194,564	(A)	
Rate Base			
WCA	652,262		ROE Summary - Q
Average PP&E	6,089,049		ROE Summary - T
	6,741,311		
Deemed Equity @40%	2,696,524	(B)	ROE Summary - X1
ROE	7.22%	(A)/(B)	

d) NBHDL has updated the table below to include references to the filed 2.1.5.6 provided in VECC #1:

App 6 - Tax Adjustment					
		RRR Ref	App 6 Calculated		RRR Ref
	Adjustments		As filed	Revised	
PIL's included			18,197	18,197	App 6 - FC
APP1					
ICM	(798,687)	App 1 - AA, AN	(211,652)	-	App 6 - FD
LRAM	(329,270)	App 1 - AM	(87,257)	(87,257)	App 6 - FD
CDM	(2,745)	App 1 - AC	(727)	(727)	App 6 - FD
APP3	44,331	App 3 - CC	11,748	11,748	App 6 - FG
APP4	247,800	App 4 - DG	65,667	65,667	App 6 - FH, FI
Tax Adjustment			(204,024)	7,628	

- e) The updated 2021 RRR 2.1.5.6 with the referenced adjustments have not yet been filed with the OEB. As this issue arose through the application, NBHDL thought it prudent to go through the application process before filing the updated and corrected ROE.
- f) Espanola Hydro has been amalgamated with North Bay Hydro and as such, there will not be a separate filing and ROE for Espanola beyond 2021.