



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

Tuesday, October 21, 2025

Ms. Nancy Marconi
Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge St., 27th Floor
Toronto, ON M4P 1E4

**Re: North Bay Hydro Distribution Limited
2027 Cost of Service Rate Application Deferral Request**

On December 9, 2024, the Ontario Energy Board ("OEB") issued a letter regarding Applications for 2026 Electricity Distribution Rates, which outlines a preliminary schedule of electricity distributors who are scheduled to file a Cost of Service ("COS") rate application for the years 2026 to 2029. According to the schedule, North Bay Hydro Distribution Limited ("NBHDL") is expected to file a COS application for rates effective May 1, 2027.

As a consolidated entity that previously selected a deferred rebasing period of 5 years (in EB-2021-0312), NBHDL is writing to request a one-year deferral to file a COS application for rates effective May 1, 2028. Such a deferral will allow NBHDL to:

1. better recover its costs associated with the acquisition of and subsequent merger with Espanola Regional Hydro Distribution Corporation;
2. complete its work on a new substation in Espanola, Ontario and incorporate actuals into rate base for its next COS; and
3. protect the interests of consumers by limiting rate increases to the OEB's IPI formula for one further year, while ensuring consumers benefit from ESM protections to prevent excess over-earnings.

For the reasons that follow, NBHDL submits that a one-year deferral of its COS rate application is in the public interest. If the deferral is granted, NBHDL understands that it will not have access to Incremental Capital Module funding during the deferral period and that it will not be required to file a Distribution System Plan.

Background

In 2019, NBHDL acquired Espanola Regional Hydro Distribution Corporation ("ERHDC"), through the Phase 1 MAADs application EB-2019-0015. At the time of acquisition, ERHDC had not filed a COS application since 2012, and had been operating under IRM Adjustments. As part of Phase 1 approval, the NBHDL commitment was to maintain both utilities as stand-alone entities until each filed a COS application. Additionally, NBHDL committed to deferring rebasing and rate harmonization for five years following the completion of Phase 2 of the transaction.

ERHDC subsequently filed its COS application under EB-2020-0020 on December 31, 2020, for rates effective May 1, 2021. The OEB issued a Decision and Rate Order on June 10, 2021. As part of the settlement in that proceeding, ERHDC was required to either amalgamate with NBHDL or file a new COS application with a five-year Distribution System Plan within two years. As discussed below, this condition was subsequently satisfied through the formal amalgamation of NBHDL and ERHDC on July 1, 2022.

NBHDL last filed a COS rate application under proceeding EB-2020-0043, with rates effective May 1, 2021. Since then, NBHDL has operated under the Price Cap Incentive Regulation (“IR”) framework for the 2022 to 2025 rate years.

Under the Phase 2 Decision and Order EB-2021-0312, NBHDL was granted a five-year rebasing deferral period for the amalgamated entity resulting from its merger with Espanola Regional Hydro Distribution Corporation. This deferral applies to rates effective May 1, 2027, meaning NBHDL is not required to file a COS application prior to that date. Importantly, the broader framework established in the Phase 1 application EB-2019-0015 allowed for up-to a ten-year period (October 1, 2019 to October 1, 2029) during which rate harmonization and rebasing flexibility are permitted, which was consistent with the 2016 MAADS Handbook that was in effect at that time.

Following the amalgamation, NBHDL established two separate rate zones— North Bay Rate Zone (“NBRZ”) and Espanola Rate Zone (“ERZ”). This structure was formalized through the Price Cap IR application EB-2022-0053, which served as the first consolidated rate application for the newly amalgamated entity, effective for May 1, 2023 rates.

Recognizing these facts, NBHDL is respectfully proceeding with this request to defer its scheduled 2027 Cost of Service (“COS”) rate application within the framework described in the OEB’s letter dated December 1, 2021. In this letter, the OEB communicated its revised approach to deferral requests, allowing distributors to request a deferral of one, two, or three years. When considering such requests, the OEB indicated it would evaluate both financial and non-financial performance, including metrics such as return on equity, capital expenditures, and OEB Scorecard performance results.

The 2016 MAADs Handbook that was in effect at the time of the former NBHDL and ERHDC merger further stated:

“The OEB considers that consolidations can provide for greater efficiencies and benefits to customers and is committed to reducing regulatory barriers to consolidations. The OEB has allowed for a deferred rebasing period to eliminate one of the identified barriers to consolidations. The OEB remains of the view that having consolidating entities operate as one entity as soon as possible after the transaction is in the best interest of consumers. That being said, when a consolidating entity has opted for a deferred rebasing period, it has committed to a plan based on the circumstances of the consolidation. For this reason, if the consolidated entity seeks to amend the deferred rebasing period, the OEB will need to understand whether any change to the proposed rebasing timeframe is in the best interest of customers.

Distributors who subsequently request a shorter deferred rebasing period than the one that has been selected (and where at least one of the pre-consolidation rate-setting plans has expired) will be required to file rationale to support the need to amend the previously selected deferred rebasing period. Similarly, a consolidated entity having selected a deferred rebasing period less than 10 years, that seeks to extend its selected deferred rebasing period must explain why this is required.”

Financial Performance

Return on Equity

The table below provides NBHDL’s historical regulated Return on Equity for the previous four (4) years. As stated above, should NBHDL earn above the 300 basis points during the additional deferral year, 50% will be shared with customers. While NBHDL does not currently anticipate over-earning, it remains fully committed to tracking performance and sharing any qualifying earnings with customers in accordance with the approved Earnings Sharing Mechanism.

NBHDL's Historical ROE

Year	Deemed	Actual	Variance
2024	8.34%	10.55%	2.21%
2023	8.34%	11.05%	2.71%
2022	8.34%	9.09%	0.75%
2021	8.34%	7.55%	-0.79%

An Earnings Sharing Mechanism (“ESM”) was approved in the Phase 2 Decision and Order EB-2021-0312, which designed to begin in year six following the closing of the Phase 1 transaction—i.e., October 1, 2024. Under this mechanism, NBHDL is required to share 50% of any earnings exceeding 300 basis points above the OEB-approved return on equity (“ROE”) with ratepayers. To date, NBHDL has not exceeded the threshold, but continues to track and will share any future overearnings in accordance with the approved framework, which is expected to end once rates are rebased.

Capital Expenditures

NBHDL continues to track close to the 2021-2025 Distribution System Plan (“DSP”) as filed in the 2021 Cost of Service rate application Settlement Proposal.

Table 1 below provides the historical annual capital expenditures for the years 2021 to 2024. A notable portion of the actual expenditures includes unplanned costs associated with the Building Broadband Faster Act, 2021, specifically the Make-Ready Work requirement of the initiative, which was not anticipated in the original 2021 COS budget.

Table 1 - NBHDL's Historical Annual Capital Expenditures

Year	Actual Capital Expenditures	Planned Capital Expenditures - DSP '21	Variance	% of Capital Expenditures
2024	9,145,861.18	7,232,988.00	1,912,873.18	26.45%
2023	8,449,927.29	6,719,068.00	1,730,859.29	25.76%
2022	6,666,285.42	6,549,383.00	116,902.42	1.78%
2021	7,683,086.00	6,430,156.00	1,252,930.00	
Aggregate	31,945,159.89	26,931,595.00	5,013,564.89	18.62%

Combined North Bay and Espanola utilized NBHDL's approved Distribution System Plan (DSP) from the 2021 Cost of Service (COS). ERH did not have a formal DSP and instead used the approved 2021 Capital Expenditure (CapEx) spending from the 2021 COS, adjusted forward using IRM inflationary increases.

To provide a clearer view of NBHDL’s core capital spending, Table 2 excludes the Building Broadband Faster Act, 2021, reflecting the actual annual capital expenditures. This demonstrates strong execution and proactive investment in system reliability and modernization, positioning NBHDL ahead of its strategic targets.

Table 2 - NBHDL's Historical Annual Capital Expenditures

Year	Actual Capital Expenditures	Planned Capital Expenditures - DSP '21	Variance	% of Capital Expenditures
2024	7,727,283.00	7,232,988.00	494,295.00	6.83%
2023	7,520,823.00	6,719,068.00	801,755.00	11.93%
2022	6,657,302.00	6,549,383.00	107,919.00	1.65%
2021	7,683,086.00	6,430,156.00	1,252,930.00	
Aggregate	29,588,494.00	26,931,595.00	2,656,899.00	9.87%

Combined North Bay and Espanola utilized NBHDL's approved Distribution System Plan (DSP) from the 2021 Cost of Service (COS). ERH did not have a formal DSP and instead used the approved 2021 Capital Expenditure (CapEx) spending from the 2021 COS, adjusted forward using IRM inflationary increases.

NBHDL expects that the annual Price Cap IR rate increases for the 2026 and 2027 rate periods will be sufficient to support the utility’s ongoing capital investment needs during the deferral period. A key factor supporting this deferral is the construction of a new substation in NBHDL’s Espanola service territory, with a planned investment of approximately \$4.49 million and a targeted in-service date at the end of 2026. This project represents a significant capital undertaking, and NBHDL will complete this project without seeking an Incremental Capital Module (“ICM”). By deferring the COS application, NBHDL intends to incorporate the actual costs of the substation into its next rebasing application, ensuring a more accurate reflection of its capital expenditures and rate base.

Total Cost Benchmarking

In the Pacific Economics Group (“PEG”) annual total cost benchmarking report, NBHDL has maintained a Group 3 efficiency ranking for eleven (11) successive years. NBHDL expects to maintain a Group 3 ranking for the 2026 and 2027 years while maintaining reliability and customer service excellence.

Non-Financial Performance

NBHDL maintains high standards for OEB Scorecard metrics. A copy of the 2024 OEB Scorecard with Management Discussion and Analysis is included as Appendix A.

SAIDI / SAIFI

Reliability is important and NBHDL strives to achieve reliability standards that meet both OEB and Corporate standards. Below are the historical SAIDI and SAIFI numbers.

Year	SAIDI	SAIFI
2024	0.93	0.61
2023	1.13	0.68
2022	1.53	1.01
2021	0.69	0.69
Distribution Target	1.37	1.17

Customer Satisfaction Survey

NBHDL has consistently demonstrated strong customer satisfaction, achieving a rating of 88% in both 2022 and 2024. This sustained performance reflects the utility’s ongoing commitment to delivering reliable service, engaging effectively with customers, and maintaining a high level of trust within the community. Maintaining such a consistent satisfaction level over multiple years reinforces customer confidence and positions the utility well for future initiatives, regulatory planning, and continued service excellence.

Conclusion

As shown above, NBHDL remains committed to continued reliability, safety, customer service and cost control. NBHDL requests that the OEB approve NBHDL’s request for one (1) year deferral of its Cost of Service rate application. Given the strong financial and non-financial performance, NBHDL believes this request is consistent with the OEB’s regulatory framework and in the best interest of ratepayers.

Should you require any questions or clarifications, please contact Melanie Brown at mbrown@northbayhydro.com or 705-474-8100 extension 301.

Sincerely,



Matt Payne, P.Eng.
President and Chief Executive Officer
North Bay Hydro Distribution Limited
(705) 474-8100 (259)
mpayne@northbayhydro.com

Cc: Melissa Casson, Vice President of Finance, NBHDL
Mélanie Brown, Regulatory and Billing Manager, NBHDL
John Vellone, BLG

Enc: Appendix A – NBHDL 2024 OEB Scorecard