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Friday, January 11, 2013

Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON  
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Attention: Kristen Walli, Board Secretary

Dear Ms. Walli:

**Re: North Bay Hydro Distribution Ltd. 2014 Cost of Service Application – Deferral Request**

North Bay Hydro Distribution Ltd. (NBHDL) is scheduled to file a Cost of Service (COS) application for rates effective May 1, 2014 as noted in the Ontario Energy Board (OEB) letter dated December 11, 2012. NBHDL is respectfully requesting a departure from this schedule and a one year deferral of the cost of service application.

NBHDL believes that deferring rate rebasing will enhance the quality of our submission and that the reasons set out below support this request:

- NBHDL is in the process of updating its Asset Management Plan (AMP) to reflect an in-depth, multi-year forecast that addresses requirements to invest and modernize NBHDL's infrastructure, building on the initial framework of the current AMP. The requirement of a multi-year detailed plan aligns with the Board's Renewed Regulatory Framework for Electricity (RRFE) and the focus on operational effectiveness; NBHDL agrees that addressing system reliability needs over a longer-term horizon will provide for a more rational, stable approach to capital planning while addressing financial viability, cash flow requirements and, more importantly, customer affordability. Significant planning, including resource requirements, will be undertaken in order to complete the AMP and the results will form the foundation of NBHDL's COS application. Ensuring that NBHDL has a solid multi-year capital plan is a top priority and a necessity regardless of NBHDL's choice of rate setting method, however, this information will be critical to NBHDL's transition to 4<sup>th</sup> Generation IR filing requirements. NBHDL recognizes that working groups are in the midst of addressing more of the specifics of the various initiatives under the RRFE and will ensure that the capital plan that is ultimately used as part of the rate setting process meets OEB guidelines and expectations,
- In coordination with the AMP, NBHDL will be developing a GEA plan that addresses renewable generation and smart grid investments.

- NBHDL is undertaking a complete review of the meter to cash process. From this analysis, NBHDL anticipates changes that could result in internal efficiencies. From a forward looking perspective, NBHDL believes that the results and any subsequent changes should be included in the COS application. The analysis is not yet complete and NBHDL will require time to determine next steps with regards to the possible implementation of findings/recommendations.
- NBHDL is in the process of converting capital asset data into a new fixed asset sub-ledger that will enable detailed tracking and componentization of assets that aligns with both the pending IFRS transition guidelines and the changes under CGAAP with regards to depreciation rates (based on the Kinetrics Report) and capitalization policies. The conversion to the new capitalization process in NBHDL's system requires a significant change to the way the Engineering and Finance departments handle capital work. Changes will be made to the entire work flow process; from how the Engineering department estimates a construction job through to how the costs are capitalized and rolled up into the financial statements by the Finance department. In addition to enabling a smoother transition to IFRS, these changes will greatly enhance NBHDL's ability to monitor operational efficiencies in the field. The success of the conversion requires the commitment of key resources, staff that would otherwise play a significant role in the preparation of the COS application.
- With respect to system reliability indicators and electricity service quality requirements, NBHDL does not foresee any compliance issues for 2013 or 2014.
- NBHDL's financial position is solid and NBHDL does not foresee any concern with sustaining its financial health an additional year under the IRM process. For the year ending December 31, 2011 NBHDL was within the  $\pm 300$  basis point of the ROE dead band as was filed with the OEB April 30, 2013. NBHDL does not anticipate any material deviations over the 2013-2014 periods.

There is an expectation by the OEB that distributors manage their resources and financial needs. NBHDL believes that it has done this successfully and given the reasons stated above, NBHDL believes that the request for deferral is reasonable and appropriate given the current circumstances.

Yours truly,

*Original signed by*

Todd Wilcox  
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