

R. Ware

Ontario Energy
Board
P.O. Box 2319
26th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie
de l'Ontario
C.P. 2319
26e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY PRIORITY POST

2002 April 5

Larry Hebert
General Manager & Secretary
Thunder Bay Hydro Electricity Dist. Inc.
34 N. Cumberland Street
Thunder Bay, ON
P7A 4L4

Dear Mr. Hebert:

**Re: Thunder Bay Hydro Electricity Dist. Inc.
Market Adjusted Rate of Return (MARR) Application
Board File No. RP-2002-0026/EB-2002-0035**

The Board has today issued its Decision and Order in the above matter and an executed copy is enclosed herewith.

Yours truly,

A handwritten signature in black ink, appearing to read "P. O'Dell", written over a horizontal line.

Peter H. O'Dell
Assistant Board Secretary

c: H. Johns



RP-2002-0026
EB-2002-0035

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by
Thunder Bay Hydro Electricity Distribution Inc. for an
order or orders approving or fixing just and
reasonable rates.

BEFORE: Paul Vlahos
Vice Chair and Presiding Member

George Dominy
Vice Chair and Member

DECISION AND ORDER

On December 21, 2001 the Ontario Energy Board ("the Board") issued filing guidelines to all electricity distribution utilities for the March 1, 2002 distribution rate adjustments. Supplemental instructions were issued on January 18, 2002.

Thunder Bay Hydro Electricity Distribution Inc. ("the Applicant") filed an Application ("the Application"), dated January 30, 2002 for an order or orders under section 78 of the *Ontario Energy Board Act, 1998* approving or fixing just and reasonable rates for the distribution of electricity, effective May 1, 2002.

The Applicant filed a revised application ("the Revised Application") dated February 21, 2002.

The Board published a generic Notice in newspapers across Ontario informing ratepayers of the distribution rate adjustments to be effective no earlier than March 1, 2002 and providing the opportunity for ratepayers to participate in the proceeding or comment on the utility's application. In response to the Board's generic Notice, the Board received a total of 148 submissions in the form of a letter, facsimile, or e-mail. The total may be apportioned to the following four categories:

- 100 were copies of a template submission seeking an oral hearing, wanting to make oral submissions, claiming that rates are not just and reasonable. Another 9 were of the same template but indicated they did not wish to make an oral submission.
- 10 indicated that there should be an oral hearing and wanted to make a submission.
- 11 indicated that there should be an oral hearing but did not wish to make an oral submission.
- 18 made substantive submissions.

In some cases the submission named a specific electricity distributor, in other cases it did not. The Applicant was named in one of the template submissions.

By letter dated February 11, 2002 the Board directed electricity distributors to serve the Notice to the municipal corporation in the distributors' service area. No submissions were received.

The Applicant applied to adjust its distribution rates for the following:

- Input Price Inflation (IPI) and Productivity Factor as provided for in the Performance Based Regulation (PBR) Plan.
- the second of three installments of the utility's incremental Market Adjusted Revenue Requirement (MARR), \$387.
- the 2001 deferred Payments in Lieu of Taxes (PILs), \$372,382.
- the 2002 Payments in Lieu of Taxes (PILs), \$1,518,344.
- a change in the Applicant's late payment penalty and a provision for the revenue losses incurred by this change, \$219,098.

The Applicant also applied for certain new specific service charges relating to change of occupancy and requests for account history.

Copies of the Application and supporting material are available for review at the Board's offices.

While the Board has considered all of the evidence filed in this proceeding, the Board has only referenced the evidence to the extent necessary to provide background to its findings.

Board Findings

As noted above, a number of persons have written to the Board requesting that the Board hold an oral hearing in the matter of the applications by electricity distributors.

Under subsection 5.1(2) of the *Statutory Powers Procedure Act*, the Board shall not hold a written hearing where a party satisfies it that there is good reason not to hold a written hearing, in which case the Board will proceed by way of an oral or electronic hearing. Good reasons for proceeding by way of an oral hearing may include the existence of questions of credibility in which the Board will be assisted by the ability to observe the demeanor of witnesses or the complexity of evidence which parties should have the ability to test through cross-examination. Another good reason may be where an oral hearing would allow the Board to more expeditiously deal with an application.

The persons who have requested an oral hearing have not cited any such reasons but have in most cases merely stated that “the rates are not just and reasonable” and that they “would like the opportunity to present to the Board on this matter”.

The current proceeding is an extension of the process undertaken by the Board to restructure Ontario’s electricity distribution industry. To facilitate this work, the Board developed a regulatory framework that was the result of extensive consultation and public hearings. The current applications are the result of this framework, which is largely formulaic and includes for the first time the provision for the legislative requirement of PILs.

Persons have received an opportunity to make their concerns known to the Board through the published Notice which invited written submissions on the applications. The Board notes that a written hearing is a public process in which all documents received by the Board are available to the public. The Board further notes that most of the issues raised by the submissions of the persons requesting an oral hearing are outside of the scope of the Board's jurisdiction in this proceeding. For example, some persons raised issues of privatization of electricity services and limitations in international trade agreements on the ability of the government to make changes to Ontario's electricity system in the future. These are not relevant to the Board's duty in this proceeding to approve just and reasonable rates for an individual distributor regulated by the Board.

Therefore, the Board has decided not to hold an oral hearing in this matter.

The Board adjusts the Applicant's proposals for the following reasons: the Applicant entered an incorrect amount for Sentinel Light Distribution Revenue; the 2nd installment of 1/3 Incremental MARR was incorrectly included in the RAM as the 2nd installment was already included in the Approved Unbundled Rates in the RUD Application in November 2001; in the calculation of Capital Cost Allowance for 2001 PILs, the CCA submitted was not based on 50% of the net asset value; for both 2001 and 2002 PILs, the Applicant incorrectly entered the 1st 1/3 MARR in the amount allowed in 2001.

As a result,

- the Distribution Revenue for Sentinel Lights was changed from \$12,121 to \$8,522.
- the 2002 2nd installment of 1/3 Incremental MARR was set to zero.

- the 2001 deferred Payments in Lieu of Taxes (PILs) amount was adjusted to correct for an understatement of \$204,093.
- the 2002 Payments in Lieu of Taxes (PILs) amount was adjusted to correct for an overstatement of \$128,539.

The Applicant proposed certain new specific service charges. The Board recognizes that cost related charges are an important regulatory principle and there should not be undue subsidization for specific services offered by the Applicant. The Board has not had an opportunity to deal with this issue and other issues related to the specific services offered and fees charged by Ontario's electricity distributors. The Board intends to initiate a comprehensive review of these issues at the earliest opportunity. In the meantime the Board is reluctant to deal with changes to the existing services and charges on a utility-specific and/or piecemeal basis. The Board therefore does not approve the Applicant's proposal to introduce new service charges at this time. In making this finding, the Board considered that the cost and revenue consequences for the Applicant appear to be minor.

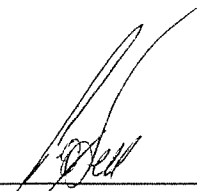
Subject to these adjustments, the Board finds that the Applicant's proposals in the Revised Application conform with the Board's earlier decisions, directives and guidelines and the resulting rates are just and reasonable.

THE BOARD ORDERS THAT:

- 1) The rates set out in Appendix "A" of this Order are approved effective May 1, 2002.
- 2) The Applicant shall notify its customers of the rate changes coincident with the first bill reflecting the new rates.

DATED at Toronto, April 5, 2002.

ONTARIO ENERGY BOARD




Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2002-0026
EB-2002-0035

April 5, 2002

ONTARIO ENERGY BOARD

A handwritten signature in black ink, appearing to read "P. O'Dell", is written over a horizontal line.

Peter H. O'Dell
Assistant Board Secretary

Thunder Bay Hydro Electricity Distribution Inc
Schedule of Rates and Charges
 Effective May 1, 2002

RP-2002-0026
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Time Periods for Time of Use (Eastern Standard Time)

Winter : All Hours, October 1 through March 31
 Summer: All Hours, April 1 through September 30
 Peak : 0700 to 2300 hours (local time) Monday to Friday inclusive, except for public holidays, including New Year's Day, Good Friday, Victoria Day, Canada Day, Civic Holiday (Toronto), Labour Day, Thanksgiving Day, Christmas Day and Boxing Day.
 Off Peak: All Other Hours.

Cost of Power rates valid only until subsection 26(1) of the Electricity Act, 1998 comes into effect.

RESIDENTIAL

Monthly Service Charge	(per month)	\$	10.88
Distribution Volumetric Rate	(per kWh)	\$	0.0110
Cost of Power Rate	(per kWh)	\$	0.0739

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per month)	\$	17.21
Distribution Volumetric Rate	(per kWh)	\$	0.0106
Cost of Power Rate	(per kWh)	\$	0.0729

GENERAL SERVICE > 50 KW (Non Time of Use)

Monthly Service Charge	(per month)	\$	165.38
Distribution Volumetric Rate	(per kW)	\$	0.8035
Cost of Power Demand Rate	(per kW)	\$	8.1493
Cost of Power Energy Rate	(per kWh)	\$	0.0513

GENERAL SERVICE > 50 KW (Interval Metered) *1000 KW*

Monthly Service Charge	(per month)	\$	1,638.91
Distribution Volumetric Rate	(per kW)	\$	1.2387
Cost of Power - Winter Peak	(per kW)	\$	8.9170
Cost of Power - Summer Peak	(per kW)	\$	6.6928
Cost of Power - Winter Peak	(per kWh)	\$	0.0706
Cost of Power - Winter Off Peak	(per kWh)	\$	0.0422
Cost of Power - Summer Peak	(per kWh)	\$	0.0596
Cost of Power - Summer Off Peak	(per kWh)	\$	0.0313

Thunder Bay Hydro Electricity Distribution Inc
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LARGE USE

Monthly Service Charge	(per month)	\$	11,396.42
Distribution Volumetric Rate	(per kW)	\$	1.3992
Cost of Power - Winter Peak	(per kW)	\$	8.9532
Cost of Power - Summer Peak	(per kW)	\$	7.3333
Cost of Power - Winter Peak	(per kWh)	\$	0.0689
Cost of Power - Winter Off Peak	(per kWh)	\$	0.0412
Cost of Power - Summer Peak	(per kWh)	\$	0.0582
Cost of Power - Summer Off Peak	(per kWh)	\$	0.0306

SENTINEL LIGHTS (Non Time of Use)

Monthly Service Charge	(per connection)	\$	5.67
Distribution Volumetric Rate	(per kW)	\$	3.6604
Cost of Power Demand Rate	(per kW)	\$	5.9900

STREET LIGHTING (Non Time of Use)

Monthly Service Charge	(per connection)	\$	1.47
Distribution Volumetric Rate	(per kW)	\$	5.4673
Cost of Power Demand Rate	(per kW)	\$	5.9900

UN-METERED SCATTERED LOADS

Un-metered scattered loads such as cable amplifiers, car park lights, and traffic lights will be billed at General Service < 50 kW rates.

Energy usage is based on connected load estimates. Charges per account will be as follows:

Monthly Service Charge	(per connection)	\$	17.21
Distribution Volumetric Rate	(per kWh)	\$	0.0106
Cost of Power Rate	(per kWh)	\$	0.0729

Thunder Bay Hydro Electricity Distribution Inc
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SPECIFIC SERVICE CHARGES

Customer Administration:		
Account Setup Charge	\$	15.00
Dispute Meter Test	\$	10.00
Arrears Certificate	\$	10.00
Returned Cheque	\$	25.00
Late Payment Charge (interest on past due accounts)	(per month)	1.50%
	(per annum)	19.56%
Collection of Account Charge	\$	15.00
Non-payment of Account		
Restore after Regular Working Hours	\$	50.00
Restore During Regular Working Hours	\$	30.00
Reconnection - During Regular Working Hours	\$	20.00
Reconnection - After Regular Working Hours	\$	40.00
Service Calls		
Other Times	\$	66.30
During Regular Working Hours	\$	30.60
Temporary Service - Includes Installation & Removal		
- single phase for distances up to 100 feet from existing pole	\$	127.50
- for single direct service to permit relocation of existing pole	\$	127.50