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March 28, 2014

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

Dear Ms. Walli:

Re: Thunder Bay Hydro Electricity Distribution Inc. - 2014 Electricity Distribution Rate Application EB-2013-0172

On March 25, 2014, Thunder Bay Hydro Electricity Distribution Inc. ("Thunder Bay Hydro") sent a letter to the Ontario Energy Board ("OEB") to request an adjustment in the 2012 activity to reflect the correct ending principle and carrying charge balances as at December 31, 2012 on Tab 5 "2014 Continuity Schedule" of the Rate Generator file in its 2014 IRM Application. The proposed adjustment is to properly allocate charges between Accounts 1588 Power and 1589 Global Adjustment which will have a material impact on the disposition split between 1589 Global Adjustment and the remaining Group 1 balances. The allocation adjustments that are proposed to the Accounts 1588 and 1589 and the disposal claims have been reproduced below:

Balance as at December 31, 2012			
RSVAs	Original	Adjustments	Revised
1588 Commodity Principle	1,417,594	(2,794,324)	(1,376,730)
1588 Commodity Carrying Charges	(7,844)	(42,167)	(50,011)
1589 Global Adjustment Principle	(807,345)	2,794,324	1,986,979
1589 Global Adjustment Carrying Charges	(13,109)	42,167	29,058
TOTAL	589,297	0	589,297

Group 1 Claims for 2014 IRM			
2014 IRM Claims	Original	Adjustments	Revised
Deferral/Variance Accounts Claim	425,779	(2,891,260)	(2,465,481)
Global Adjustment Claim	(1,878,225)	2,891,260	1,013,034
TOTAL	(1,452,446)	(0)	(1,452,446)

Please note that the difference of \$54,769 between the sum of the 2012 activity balance adjustments of \$2,836,491 versus the adjustment to the total 2014 IRM claims of \$2,891,260 is due to the change in the allocation between the Group 1 claim and Global Adjustment projected interest.

Committed to Customer Satisfaction

Thunder Bay Hydro's original balances as at December 31, 2012 were audited and received its Independent Audit Report on April 29, 2013. During the internal review of Thunder Bay Hydro's Deferral Variance Accounts as at December 31, 2013, it became apparent that the allocation of revenues and costs within Accounts 1588 Power and 1589 Global Adjustment were incorrect in 2012 and 2013 as filed. Specifically to 2012, the proposed principle adjustment of \$2,794,324 and associated carrying charges of \$42,167 between these accounts is reconciled below:

2012 Adjustments

Account 1588 Commodity	Explanation
(2,209,646)	Move reversal of Dec. 2011 unbilled revenue GA Accrual to 1589
(584,678)	Move allocation of GA portion of settlement reconciliation to 1589
(42,167)	Associated Carrying Charge adjustment
<u>(2,836,491)</u>	

Account 1589 Global Adjustment	Explanation
2,209,646	Reversal of Dec. 2011 unbilled revenue GA Accrual
584,678	Allocation of GA portion of settlement reconciliation
42,167	Associated Carrying Charge adjustment
<u>2,836,491</u>	

Prior to January 1, 2012, Account 1588 Power included Global Adjustment and Account 1589 (known as 1588 GA) was a sub-account for OEB Reporting purposes only and during this time, Thunder Bay Hydro accrued the unbilled Cost of Power and Global Adjustment together to the same account for the first time as at December 31, 2011 (previous reporting had been on a billed basis). Thus, the reversal of the Global Adjustment portion of the unbilled revenue accrual for December 2011 is required to recognize the correct revenues within the 2012 activity for \$2,209,646. In addition, the allocation of the Global Adjustment portion of the settlement reconciliations had been previously reported in Account 1588 Power for 2012 and has now been corrected in Account 1589 for a total adjustment of \$584,678. Please note that Thunder Bay Hydro confirms the balances reported prior to January 1, 2012 are correct.

Prior to the discovery of the adjustments required to the 2012 activity, Thunder Bay Hydro filed its Deferral Variance Account balances as at December 31, 2013 in its RRR 2.1.1 filing due February 28, 2014. Thunder Bay Hydro has contacted Board Staff to inform them that an adjustment to the Q4 2013 RRR 2.1.1 will be required and filed in the near future.

An electronic copy of this letter will be submitted through the Ontario Energy Board's e-Filing Services.

If you require any further information, please contact the undersigned at (807) 343-1016.

Yours truly,



Jenni Pajala, CMA
Supervisor of Regulatory Affairs, Finance

