



# Ontario Energy Board Commission de l'énergie de l'Ontario

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## DECISION AND ORDER

EB-2016-0105

## THUNDER BAY HYDRO ELECTRICITY DISTRIBUTION INC.

Application for electricity distribution rates beginning May 1, 2017

**BEFORE: Allison Duff**  
Presiding Member

**Paul Pastirik**  
Member

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September 21, 2017

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## 1. INTRODUCTION AND SUMMARY

Thunder Bay Hydro Electricity Distribution Inc. (Thunder Bay Hydro) filed an application with the Ontario Energy Board (OEB) to change its electricity distribution rates effective May 1, 2017. Under section 78 of the Ontario Energy Board Act, 1998 (OEB Act), a distributor must apply to the OEB to change the rates it charges its customers.

Thunder Bay Hydro provides electricity distribution services to over 50,000 customers in the City of Thunder Bay and the Fort William First Nation.

Thunder Bay Hydro asked the OEB to approve its rates for five years using the Price-Cap Incentive rate-setting option. With this option, the approved 2017 rates are adjusted mechanistically each year for four years through a price cap adjustment based on inflation, industry productivity and the OEB's assessment of Thunder Bay Hydro's efficiency.

On April 27, 2017, Thunder Bay Hydro filed a partial settlement proposal with the OEB on behalf of the parties to the settlement. The OEB accepted the partial settlement proposal (see Schedule A attached) and held an oral hearing regarding the unsettled issues.

This Decision addresses the unsettled issues. The OEB approves Thunder Bay Hydro's proposed cost of capital of 4.67%, operating expenses of \$15.210 million which is a reduction of \$0.471 million from the proposed expenses and a capital budget of \$11.526 million which is a reduction of \$1.0 million from the proposed capital budget.

## 2. THE PROCESS

The OEB's policy for rate setting is set out in the "*Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*" (RRFE, now referred to as the RRF). The RRF provides the distributor with performance-based rate application options that support the cost effective planning and efficient operation of a distribution network.

Thunder Bay Hydro filed an application on September 9, 2016 for 2017 rates under the Price-Cap Incentive rate-setting option of the RRF. The OEB issued a Notice of Application on November 9, 2016, inviting parties to apply for intervenor status. The Association of Major Power Consumers in Ontario (AMPCO), the School Energy Coalition (SEC) and the Vulnerable Energy Consumers Coalition (VECC) (collectively the intervenors) applied for, and were granted, intervenor status. OEB staff also participated in this proceeding.

On November 23, 2016, the OEB held a community meeting in the City of Thunder Bay. The OEB and Thunder Bay Hydro made presentations at the meeting, and there were two customer presentations at the meeting as well. A summary of the community meeting was added to the record of the proceeding. The comments during the community meeting focused on the costs of monthly billing, general concerns regarding affordability and rising electricity rates, as well as provincial energy policy. Specifically with respect to Thunder Bay Hydro, customers voiced concerns about the requested rate increase, citing increasingly unaffordable electricity bills.

The OEB issued Procedural Order No.1 on December 5, 2016. This order established, among other things, the timetable for a written interrogatory discovery process, the filing of a proposed issues list and a settlement conference.

A settlement conference was held from February 14, 2017 to February 16, 2017, which was attended by Thunder Bay and the intervenors. A partial settlement proposal was filed on April 27, 2017. OEB staff, which was not a party to the partial settlement proposal, filed a submission in support of it. The partial settlement proposal was approved by the OEB. The remaining unsettled issues were:

- Issues 1.1 and 2.1 Capital
- Issues 1.2 and 2.1 Operations, Maintenance & Administrative Expenses (OM&A)
- Issue 2.1 Cost of Capital

An oral hearing began on April 20, 2017, but was adjourned pending the filing of supplementary evidence by Thunder Bay Hydro related to the unsettled issues. After additional discovery on the supplementary evidence was completed, the oral hearing resumed on June 29, 2017 and June 30, 2017. All parties filed written submissions on the unsettled issues.

### 3. DECISION ON THE UNSETTLED ISSUES

#### 3.1 OM&A

##### Background

Thunder Bay Hydro proposed an OM&A budget for 2017 of \$15,680,655. A table with year over year OM&A comparisons follows.

**Table 1: OM&A 2013 - 2017**

<b>Year</b>	<b>OM&amp;A</b>	<b>\$ Change</b>	<b>% Change</b>
2013 OEB approved	\$14,300,000		
2013 Actual	\$13,232,884	(\$1,067,116)	(7.46%)
2014 Actual	\$13,822,518	\$589,634	4.46
2015 Actual	\$14,244,004	\$421,486	3.05
2016 Actual	\$15,430,638	\$1,186,634	8.33
2017 Proposed	\$15,680,655	\$250,017	1.62

OEB staff and intervenors argued for reductions from the original budget resulting in recommended OM&A levels ranging from \$14.5<sup>1</sup> to \$15 million<sup>2</sup>, as compared to the proposed test year level of \$15.681 million.

##### Findings

The OEB approves a 2017 OM&A budget of \$15.210 million, a reduction of \$0.471 million from Thunder Bay Hydro's proposed budget. The OEB makes this reduction after considering the actual 2016 OM&A costs net of one-time costs and the proposed 2017 OM&A increase.

The OEB assessed the reasonableness of the proposed 2017 OM&A expense using two methods:

<sup>1</sup> EB-2016-0105, School Energy Coalition July 13, 2017, p. 19

<sup>2</sup> EB-2016-0105, Ontario Energy Board Staff Submission, July 14, 2017, pp. 19-20

- Calculating the increase over the actual OM&A spend in 2016, net of one-time, non-recurring costs
- Applying an annual inflationary increase to the total OM&A spend in 2013 (adjusted for certain costs related to 2013) and adding other costs incremental to inflation

In this application, Thunder Bay Hydro requested an increase in OM&A costs of \$0.250 million over its 2016 actual spend, an increase of 1.62%. While 1.62% seems reasonable as it is below the 2017 approved inflation rate of 1.9%, the OEB finds that the proposed budget must be considered in the context of the increase that occurred in 2016. From 2015 to 2016, OM&A costs increased by \$1.186 million or 8.3%. The OEB finds 8.3% to be a significant increase in one year and worthy of further review.

In approving the 2017 budget, the OEB has first considered the one-time items that resulted in the significant increase in the 2016 OM&A. The OEB has determined from the evidence that the total of one-time costs that would not carry on into 2017 was approximately \$0.471 million. These costs are outlined in the following table:

**Table 2: OEB-Determined 2016 One-Time Costs**

	\$
Legal Costs related to load transfer	50,000
Renovations to operating centre	168,000
Supervisory Control and Data Acquisition (SCADA) training	40,000
Fire retardant clothing	116,000
Start of monthly billing process	65,000
Collective Bargaining costs	12,000
Electrical Safety Authority (ESA) public safety survey	20,000
<b>Total</b>	<b>471,000</b>

Accordingly, the OEB considers \$14.960 million to be the appropriate 2016 cost base for costs that will recur in 2017. The OEB finds Thunder Bay Hydro's proposed 2017 OM&A increase of \$0.250 million to be reasonable and approves a total 2017 OM&A budget of \$15.210 million.

In approving the 2017 budget, the OEB has also assessed the total OM&A increase from 2013 to 2017. The OEB reviewed the total increase as a secondary check of the actual five year spend. In 2013, Thunder Bay Hydro proposed a budget of \$14.7 million and the OEB approved \$14.3 million, yet the actual spend was lower still at \$13.2 million. The company explained that after the 2013 budget was prepared it needed to make some corrections and new information became available.

Starting from the actual spend in 2013 of \$13.2 million, the OEB finds it appropriate to add certain costs related to 2013 given the explanations provided by Thunder Bay Hydro as shown in the following table:

**Table 3: OEB Adjustments to 2013 Actual OM&A**

	\$
2013 Actual OM&A	13,232,884
Change in affiliate costs	175,000
Correction of supervisory classification costs	182,000
Pension evaluation costs	190,000
2013 OEB Adjusted OM&A amount	13,779,884

Applying an annual inflation rate of 1.9% from 2013 to 2017 to the 2013 OEB-adjusted OM&A amount of \$13.780 million in Table 3, Thunder Bay Hydro's 2017 budget would approximate \$14.857 million.

The OEB agrees with SEC's submission that two costs were incremental to inflation, which were the OEB fee assessment cost increase of \$118,000 and the move to monthly billing of \$221,000. Adding these two increases to the inflation-based estimate, the result is a total 2017 OM&A amount of \$15.196 million. The OEB notes that this inflationary-based calculation approximates the OEB's approved 2017 budget of \$15.210 million.

For these reasons, the OEB approves for rate-setting purposes an OM&A budget of \$15.210 million for 2017.

### 3.2 Customer Engagement

"Customer feedback and preferences" were unsettled sub-issues under Capital and OM&A on the OEB-approved issues list for this proceeding. The topic of customer engagement was explored extensively during the oral hearing. Thunder Bay Hydro's witnesses provided oral testimony regarding the customer engagement process that included a customer survey and community meetings.

SEC submitted that Thunder Bay Hydro appears to have provided information to its customers in a manner that was misleading. As a result, SEC submitted that for the purpose of Thunder Bay Hydro's 2017 rate order only, the OEB should closely supervise the communications from Thunder Bay Hydro to its customers explaining the drivers and impacts of the 2017 rate increase.



Thunder Bay Hydro submitted that parties appeared to have ignored the detailed evidence of its extensive customer engagement activities undertaken to better understand customer feedback and to ensure its application was responsive to customer preferences. Thunder Bay Hydro submitted that it had made changes to its application, including targeting its grid modernization plan, directly in response to customer needs and preferences.

Thunder Bay Hydro indicated that customer engagement is difficult given the limited time to talk about every issue before a rate case begins. Thunder Bay Hydro committed to move beyond these minimum engagement requirements and create a Local Advisory Committee consisting of key customer stakeholders. The Local Advisory Committee would be able to learn about future utility plans on a regular basis, improving the quality of dialogue and ensuring all of Thunder Bay Hydro's actions were better aligned with customer needs and preferences.

Thunder Bay Hydro submitted that it had taken note of each of the parties' comments and would make continuous improvements to its customer engagement efforts in the future.

## Findings

Given the testimony at the oral hearing, the OEB is concerned with the customer engagement evidence filed with the application. The OEB finds that multiple questions and issues were either incorrect or misleading. For example, the survey question regarding a five-year tree trimming cycle was incorrect as Thunder Bay Hydro proposed a seven-year cycle. As a result, the OEB will not rely on all customer survey responses.

The OEB acknowledges Thunder Bay Hydro's commitment to improving its customer engagement activities through a Local Advisory Committee, although the details of this committee were not fully reviewed in the hearing.

The OEB will not supervise Thunder Bay Hydro's communications with its customers regarding this Decision, as suggested by SEC. The OEB's Decision is a publically available document and the OEB's findings are clear. It is a utility's responsibility to manage the relationship with its customers and ensure the accuracy of the information provided to its customers.

### 3.3 Capital Expenditures and Rate Base

Thunder Bay Hydro's proposed 2017 rate base is \$110,301,976, which included a working capital allowance of 7.5% or \$10,072,538.

Thunder Bay Hydro's historic and proposed capital expenditures are key inputs into its rate base calculations. Thunder Bay Hydro filed an asset condition assessment report by Kinectrics (ACA Report) and a five-year distribution system plan (DSP) to support its proposed capital expenditures from 2017 to 2021.

**Table 4: Capital Expenditures (historical and forecast) 2012 to 2021<sup>3</sup>**

Category	Historic Actual Expenditures					Forecast Expenditures				
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Actual	Actual					
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000				
System Access	2,864	2,154	2,937	2,412	2,516	2,662	2,422	2,432	2,445	2,505
System Renewal	6,664	5,888	5,994	7,413	7,184	8,380	8,818	8,976	9,217	9,261
System Service	-	-	-	-	1	230	300	280	280	300
General Plant	877	4,246	989	1,345	1,538	1,253	1,360	946	901	969
<b>Total Capital Expenditure</b>	<b>10,405</b>	<b>12,287</b>	<b>9,920</b>	<b>11,171</b>	<b>11,239</b>	<b>12,526</b>	<b>12,900</b>	<b>12,634</b>	<b>12,842</b>	<b>13,036</b>

Thunder Bay Hydro's proposed budget increases in System Renewal were driven by a change in investment strategy for asset replacement. In prior years, the focus was on the decommissioning of aged 4kV substation assets in conjunction with aged wood poles connected to the substation. The strategy was to convert the 4kV network to 25kV through an accelerated wood pole renewal plan. All 4kV power transformers would be removed from service over 10 years.

After reviewing the results from the ACA Report, Thunder Bay Hydro learned that these assets were in better condition than previously assumed, which led to a change in strategy for asset replacement. Thunder Bay Hydro proposed a graduated increase in investment over the next three years to align with the recommendations in the 10-year levelized Flagged for Action plan in the ACA Report. As indicated in the evidence of its expert witness Mr. Tsimberg, the ACA Report provided Thunder Bay Hydro with new information regarding its assets to develop a revised renewal plan and a project priority list. Thunder Bay Hydro indicated that it considered a number of factors in establishing its 2017-2021 capital budgets.

Parties were generally in agreement with Thunder Bay Hydro's proposed expenditures in the System Access, System Service and General Plant categories. The only exception was that AMPCO argued that an 11% reduction in the General Plant category was appropriate.

Intervenor and OEB staff submissions were critical of the level of the proposed capital expenditures in the System Renewal category of \$8.4 million, considering it to be excessive. Intervenors submitted that the OEB should reduce the proposed System

<sup>3</sup> EB-2016-0105, Ontario Energy Board Staff Submission, July 14, 2017, p. 4 and Exhibit J2.1

Renewal budget by an amount ranging from \$0.5 million<sup>4</sup> to \$1.7<sup>5</sup> million. Intervenors also argued that Thunder Bay Hydro should address data gaps in its ACA Report and slow the pace of investment increases in its DSP.

Thunder Bay Hydro's evidence included the following table, which identified data gaps for various categories of assets:<sup>6</sup>

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<sup>4</sup> EB-2016-0105, VECC Final Submission, July 14, 2017, p. 13

<sup>5</sup> EB-2016-0105, SEC Final Argument, July 13, 2017, p. 10

<sup>6</sup> EB-2016-0105, Kinectrics Inc., *Thunder Bay Hydro Asset Condition Assessment*, August 11, 2016, p.22

**Table 5: Data Assessment by Asset Category**

Asset Category		Average DAI	Data Gap
Station Transformers	All	93%	Low-Medium
	4 kV	92%	
	12 kV	93%	
Breakers	Breakers	61%	Low-Medium
Wood Poles	All	100%	Medium-High
	4 kV	100%	
	25 kV	100%	
Distribution Transformers	Pad Mounted Transformers	85%	Low-Medium
	Pole Mounted Transformers	100%	Medium-High
	Vault Transformers	100%	Medium-High
OH Switches	All	42%	High
	4kV In-Line	46%	
	4kV Manual Air Break	29%	
	12 and 25kV In-Line	37%	
	12 and 25kV Manual Air Break	40%	
	12 and 25kV Motorized Load Break	26%	
Underground Switches	25kV Underground Load Break Switches	38%	High
Underground Cables	All	48%	High
	4kV	65%	
	12 and 25kV	47%	

Thunder Bay Hydro also filed its prioritized list of material capital projects and programs. The projects and programs often combine various asset categories<sup>7</sup>:

<sup>7</sup> Application, Exhibit 2, *Distribution System Plan*, p. 143

**Table 6: Material Capital Projects and Programs in 2017**

OEB Category	Thunder Bay Hydro Project	Project Description	Total Expenditure	Driver	Priority Level	Overall Priority
System Access	A 01	PCB Transformer Replacements	\$118,655	Mandated Obligations	P3	8
	A 02	Customer Recoverable System Modifications	\$281,092	Customer Requests	P3	10
	A 11	Customer Driven System Expansions	\$209,034	Customer Requests	P3	5
	A 12	Residential Service Connections	\$445,213	Customer Requests	P3	6
	A 13	General Service Connections	\$926,898	Customer Requests	P3	7
	A 14	Expansions for Residential Subdivisions	\$230,530	Customer Requests	P3	4
	A 15	System Relocations	\$164,881	Third Party Requests	P3	9
	A 21	Meter Installations	\$286,129	Mandated Obligations	P3	11
System Renewal	A 16	Small Pole Replacements	\$342,512	OH Renewal	P2	3
	A 17	Lines Safety Reports	\$761,834	Safety	P2	1
	A 18	Transformer and Switch Replacements	\$756,484	Asset Failure Renewal	P2	2
	B11140	25kV Pole Replacements	\$584,384	OH Renewal	P4	12
	B12111	Black Bay-Dewe Voltage Conversion	\$1,174,112	OH Renewal	P4	14
	B12112	Dewe-Rita Voltage Conversion	\$1,489,302	OH Renewal	P4	15
	B1270	Cumming-Brodie Voltage Conversion	\$580,677	OH Renewal	P4	16
	B1277	Donald-Mountdale Voltage Conversion	\$310,256	OH Renewal	P4	13
	B1298	McDougall-Court Voltage Conversion	\$789,716	OH Renewal	P4	19
	B12135	Finlayson - Brodie Voltage Conversion	\$893,725	OH Renewal	P4	17
	B14129	Underground Replacements	\$376,868	UG Renewal	P4	18
System Service	A	Grid Modernization	\$230,375	Reliability	P5	21
General Plant	C	Fleet - Double Bucket Replacement	\$450,000	System Maintenance Support	P5	20

Table 5.4.5-5 2017 Material Capital Projects and Programs

In its reply submission, Thunder Bay Hydro stated that it had carefully reviewed its System Renewal plan to identify opportunities to defer spending without affecting lower priority projects. As a result of its review, Thunder Bay Hydro identified one project, the McDougall-Court Voltage Conversion project, for which \$0.4 million could be deferred in

2017 without cancelling the project entirely. Thunder Bay Hydro also emphasized the inter-dependencies of its capital expenditure plans and the expertise of its electrical engineering staff. Thunder Bay Hydro questioned the expertise of intervenors to recommend that the OEB reduce its proposed budget and prioritized capital projects.

## Findings

The OEB disagrees with Thunder Bay Hydro's reply submission that intervenors, or those without electrical engineering expertise, are not qualified to comment on its capital budget. Thunder Bay Hydro is a natural monopoly. The intervenors in this proceeding represent customer groups that Thunder Bay Hydro serves - customers that will pay for the approved capital expenditures.

The OEB wants to hear from customers, especially regarding significant increases such as the proposed capital budget increase of 11% or \$1.3 million from 2016 to 2017. Intervenors were particularly concerned with the proposed increase of \$1.2 million in the System Renewal budget from 2016 to 2017 and the cumulative \$2.1 million or 29% increase from 2016 to 2021. Again, the OEB was unable to rely on the customer survey responses as it was unable to reconcile these 11% or 29% increases with the 3.5% System Renewal increase, year-over-year for the next five years, indicated in the Decision Partners survey question<sup>8</sup>.

Although Thunder Bay Hydro reduced its proposed System Renewal budget by \$0.4 million to \$8.0 million in its reply submission, this reduction was less than the reductions recommended by intervenors and OEB staff.

The OEB regards 2017 as an important year, as Thunder Bay Hydro indicated that its System Renewal budget was influenced by a change in investment strategy prompted by the ACA Report. The OEB supports Thunder Bay Hydro's move toward a more condition based asset management strategy and enhanced outage reporting.

This is the first five-year DSP that Thunder Bay Hydro has filed and it was driven by the ACA Report. It is a good start. However, the OEB is concerned with the data gaps in the ACA Report and the inherent risk of increased investment without better information. Three asset categories have high data gaps or low data availability indicators. Underground switches, underground cables and overhead switches all have average availability indicators of less than 50%. Yet the proposed project budget for underground replacements is \$376,868 and for transformer and switch replacements is

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<sup>8</sup> Exhibit 1, Mental Models DSP Survey, Decision Partners, page 25

\$756,484. Asset categories with medium-high data gaps were wood poles, pole-mounted and vault distribution transformers.

Thunder Bay Hydro acknowledges these data gaps and plans to acquire more complete and reliable data where economically feasible. Thunder Bay Hydro characterized its investment strategy as “conservative” as it plans a shift in expenditures over a three-year period to align with the levelized Flagged for Action plan suggested by Kinectrics.

The OEB does not find the proposed three-year alignment period to be conservative. It is expensive. It is expensive because Thunder Bay Hydro wants to respond to the ACA Report and replace assets in poor condition, yet is unable to sufficiently decrease expenditures in other asset categories or defer its work-in-progress on assets in better condition than previously assumed.

The OEB finds that the three-year adjustment period should be extended further. An extended alignment period would allow for data acquisition in outage causes and asset condition to inform investment decisions. The OEB agrees with VECC’s submission that an increase in capital spending of this magnitude, with a consequent increase in customer rates, requires robust and accurate asset information.

Further, the evidence suggests that reliability is not an issue. Thunder Bay Hydro’s reliability has been improving overall. The OEB found no evidence in the application of an imminent risk of significant service disruption associated with asset condition. The OEB agrees with SEC’s and OEB staff’s submissions that Thunder Bay Hydro has not demonstrated the customer benefit of the significant proposed increase in capital expenditures in the System Renewal category.

Mr. Tsimberg testified that Thunder Bay Hydro’s prioritization process could be improved to be less subjective<sup>9</sup>. The OEB recommends Thunder Bay Hydro continue to review its 2017 project prioritization beyond the \$0.4 million reduction identified in the reply submission. For example, Thunder Bay Hydro submitted that its lowest priority project, Grid Modernization, would be eliminated in 2017 if the proposed capital budget was not approved. The OEB questions Thunder Bay Hydro’s weighting of customer preferences when this project, added in response to customer preferences to improve service reliability for small business and large-use customers, is prioritized last.

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<sup>9</sup> Tr. Vol. 3, p. 127

The OEB will set rates based on a reduction of \$1.0 million from Thunder Bay Hydro's proposed capital expenditure budget. As a result, the approved 2017 total capital budget for 2017 is \$11.526 million, which is a \$0.287 increase over the 2016 actual capital budget.

In adjusting its capital expenditure budget and determining its 2017 revised rate base, the OEB acknowledges that Thunder Bay Hydro's management team is still in the best position to prioritize its annual capital spending, given its expertise and knowledge of its system. The OEB will not approve individual budgets for the System Access, System Service, System Renewal and General Plant, thereby allowing Thunder Bay Hydro to prioritize its spending across all capital expenditure categories.

### **3.4 Cost of Capital**

#### **Background**

Thunder Bay Hydro noted in its reply submission that no party had opposed its proposed cost of capital. Thunder Bay Hydro argued that this was because its proposed cost of capital complied strictly with the OEB's guidelines and it had voluntarily agreed to use a lower weighted average cost of debt, which benefitted ratepayers with even lower rates, and further demonstrated its ongoing commitment to its Rate Minimization Model.

#### **Findings**

The OEB approves Thunder Bay Hydro's 2017 proposed cost of capital, which includes the OEB's deemed ROE of 8.78%, a weighted long-term debt rate of 1.95%, the deemed short-term debt rate of 1.76% and deemed capital structure of 40% equity and 60% debt. The approved weighted average cost of capital is as follows:



**Table 7: Approved 2017 Cost of Capital**

	Capitalization Rate	Cost Rate
<b>Debt</b>		
Long-term Debt	56%	1.95%
Short-term Debt	4%	1.76%
<b>Total Debt</b>	60%	1.94%
<b>Equity</b>		
Common Equity	40%	8.78%
Preferred Shares	0%	0%
<b>Total Equity</b>	40%	8.78%
<b>Total</b>	100%	4.67%

Thunder Bay Hydro's proposed ROE for 2017 is the OEB's deemed ROE for 2017. This proposal is in contrast to Thunder Bay Hydro's proposal in its last cost of service application for 2013 rates when it proposed a rate lower than the OEB's deemed ROE. The OEB acknowledges that it is appropriate for Thunder Bay Hydro to earn the OEB's deemed rate for 2017 and its proposal is consistent with the OEB's *Review of the Cost of Capital for Ontario's Regulated Utilities* (EB-2009-0084). The increase will assist in funding Thunder Bay Hydro's capital expenditures and other business needs.

### 3.5 Renewable Generation Connection Funding Adder

Thunder Bay Hydro noted that Ontario Regulation 330/09 under the OEB Act requires the OEB to calculate the monthly amount to compensate qualifying distributors for rate protection provided to consumers. The rate protection relates to the cost recovery for eligible investments for the purpose of connecting or enabling the connection of a qualifying generation facility to a distribution system.

Thunder Bay Hydro indicated that its only connection project had been cancelled, yet it continued to collect amounts from the Independent Electricity System Operator (IESO) in relation to this project. Thunder Bay Hydro requested approval to return to the IESO \$77,016, plus the associated interest of \$1,614, which it expects to collect until April 30, 2017.

## Findings

The OEB finds that an order is required to address this non-contested issue, included in Thunder Bay Hydro's application. The OEB determines the eligibility of connection investments and periodically issues an order to the IESO to collect and disburse specific amounts based on the approved entitlements. The OEB's last IESO order was issued on June 1, 2017<sup>10</sup>.

The OEB directs that the payments from the IESO to Thunder Bay Hydro for the cancelled GEA project be discontinued at the issuance of the next IESO order. Upon issuance of such order, Thunder Bay Hydro is directed to return to the IESO the total amount collected related to the cancelled project plus the associated interest up until the time the payments are discontinued.

Thunder Bay Hydro is directed to provide in its draft rate order filing the amount it expects to return to the IESO, plus the associated interest up to December 31, 2017.

### 3.6 Effective Date

Thunder Bay Hydro proposed an effective date of May 1, 2017 for its 2017 rates.

VECC was the only party to make a submission on the proposed effective date, submitting that the implementation and effective date should be set after the OEB's rate order is issued.

VECC argued that the delayed timeline in this proceeding was due to three matters, all of which were under the control of Thunder Bay Hydro:

1. Thunder Bay Hydro had filed its application in September 2016, approximately one month later than the OEB recommended date of August 2016 for distributors with rate years beginning on May 1, 2017.
2. Thunder Bay requested an extension for filing interrogatory responses (1 week) and the completion of the settlement proposal (2 weeks).
3. The filing of additional evidence by Thunder Bay Hydro also delayed the proceeding by a further month.

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<sup>10</sup> OEB Order EB-2017-0188 issued June 1, 2017

## Findings

The OEB denies the proposed effective date of May 1, 2017 for Thunder Bay Hydro's new 2017 rates. The OEB supports setting rates on a prospective basis, enabling customers and the utility to guide their decisions in light of the OEB's rate order.

The OEB has considered the duration and reasons for the delay in this proceeding. The OEB considers some delays to be beyond Thunder Bay Hydro's control, including the timing of the community meetings and the issuance of Procedural Order No. 1. The OEB estimates these delays total one month in duration.

The OEB finds that Thunder Bay Hydro is responsible for other delays to the hearing schedule related to the timing of the application, interrogatory responses and filing of additional evidence which necessitated a second set of interrogatories and responses.

Given the issue date of this Decision and Order, the OEB expects Thunder Bay Hydro to implement the new 2017 rates on October 1, 2017. The OEB approves an effective date of September 1, 2017, which is one month prior to the October 1, 2017 implementation date.

In the draft rate order, Thunder Bay Hydro should calculate the foregone revenue for this one-month period and the rate riders to recover this amount over the remaining seven months of the 2017-2018 rate year from October 1, 2017 to April 30, 2018.

## 4 IMPLEMENTATION

Thunder Bay Hydro shall incorporate the cost consequences of the approved settlement proposal and the findings in this Decision on the unsettled issues, in its calculation of its revenue requirement for recovery from customers.

The OEB expects Thunder Bay Hydro to file detailed supporting material showing the impact of this Decision on the overall revenue requirement, the allocation of revenues between classes and the derivation of base rates.

AMPCO, SEC and VECC are eligible for cost awards in this proceeding. The OEB has made provision in this Decision for these intervenors to file their cost claims at this time in the proceeding. Intervenors should note that the OEB does not intend to allow for an award of costs for the review of the draft rate order or for the filing of any comments on the draft rate order. The OEB will issue its cost awards decision after the following steps are completed.

## 5 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Thunder Bay Hydro shall file with the OEB and forward to intervenors a draft rate order with a proposed Tariff of Rates and Charges attached that reflects the OEB's findings in this Decision and Order, within **7 days** of the date of this Decision and Order. Thunder Bay Hydro shall also include customer rate impacts and detailed information in support of the calculation of final rates in the draft rate order. The draft rate order must include the amount Thunder Bay Hydro expects to return to the IESO, plus the associated interest up to December 31, 2017.
2. Intervenors and OEB staff shall file any comments on the draft rate order with the OEB, and forward to Thunder Bay Hydro, within **7 days** of the date of filing of the draft rate order. The OEB does not intend to allow for an award of costs for the review of the draft rate order or for the filing of any comments on the draft rate order.
3. Thunder Bay Hydro shall file with the OEB and forward to intervenors, responses to any comments on its draft rate order within **7 days** of the date of receipt of the submission.
4. Intervenors shall submit their cost claims no later than **21 days** from the date of issuance of this Decision and Order.
5. Thunder Bay Hydro shall file with the OEB and forward to intervenors any objections to the claimed costs within **28 days** from the date of issuance of this Decision and Order.
6. Intervenors shall file with the OEB and forward to Thunder Bay Hydro any responses to any objections for cost claims within **35 days** from the date of issuance of this Decision and Order.
7. Thunder Bay Hydro shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, **EB-2016-0105**, filed through the Board's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax

number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.OEB.ca/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Martin Davies at [martin.davies@oeb.ca](mailto:martin.davies@oeb.ca) and Board Counsel Jennifer Lea at [jennifer.lea@oeb.ca](mailto:jennifer.lea@oeb.ca).

**DATED** at Toronto September 21, 2017

**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary

**SCHEDULE A**  
**DECISION AND ORDER**  
**THUNDER BAY HYDRO ELECTRICITY DISTRIBUTION INC.**  
**EB-2016-0105**  
**SEPTEMBER 21, 2017**