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VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Interrogatories: EB-2008-0245
Thunder Bay Hydro Electricity Distribution Inc. – 2009 Electricity Distribution Rate Application

Please find enclosed the supplemental interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Thunder Bay Hydro Electricity Distribution Inc. (TBH)

2009 Electricity Rate Application

Board File No. EB-2008-0245

VECC's Interrogatories – Round #2

Question #1

Reference: VECC #3 c)

a) Please explain how the data files provided in response to part (c) support the contention that Residential and GS<50 loads are 100% weather sensitive; GS>50-999 load is 89% weather sensitive and GS 1000-4999 load is 59% weather sensitive.

Response

The Hydro One data shows that GS>50-999 and GS 1000-4999 loads have a certain percentage of load that is weather sensitive and non-weather sensitive. GS>50-999 load is 89% weather sensitive and GS 1000-4999 load is 59% weather sensitive. The data also shows that for Large Users, Street Lighting, Sentinel lighting and USL the 2004 total actual weather amounts and the 2004 total normalized amounts are the same which suggest they are not weather sensitive. The data shows the classes that are partially weather sensitive and those that are 100% non-weather sensitive but the Residential and GS<50 loads did not fall into these two categories. As a result, Thunder Bay concluded that Residential and GS<50 loads are 100% weather sensitive. If these classes were partially weather sensitive then Hydro One would have provided similar information as was provided for the GS>50-999 and GS 1000-4999 customers.

Question #2

Reference: VECC #3 d)

a) Please confirm that the retail NAC values reported are average billed kWh per customer similar to the values presented in Table 13 of the referenced Exhibit.

Response

It is Thunder Bay's understanding that the retail NAC values reported is the weather normalized annual kWh usage per customer. The values presented in Table 13, of the referenced Exhibit, is the non-weather normalized annual billed kWh per customer.

b) Please reconcile the 8,034 kWh value reported for Residential with the weather normalized and customer count data reported in Sheet I6 of the Cost Allocation Run (OEB #41).

Response

During the preparation of the cost allocation study, Thunder Bay Hydro provided rate class information to Hydro One at the wholesale level in order for Hydro One to prepare wholesale 2004 weather normalized data needed in the cost allocation study. The wholesale level rate class data was determined by applying an adjustment factor to the actual 2004 billed retail rate class data. Hydro One also required that the total of wholesale level rate class information was to be made equal to total energy purchased by Thunder Bay in 2004. In the case of Thunder Bay, the adjustment factor reflected losses, unbilled revenue and other adjustments to ensure the rate class wholesale amounts totaled the wholesale purchases. For the Residential class this adjustment factor was 4.98%. As a result,

- *Residential Weather Normalized Load – 372,479,625 kWh (A)*
- *Adjustment Factor – 1.0498 (B)*
- *Residential Customers - 44,167 (C)*

➔ *Average Retail Use of 8,034 kWh (D) = (A)/(B)/(C).*

In the case of the cost allocation model, in Sheet I6 the approved loss factor at the time was used to adjust wholesale weather normalized load data to the retail level. The following values were taken from Sheet I6 of Thunder Bay's Cost Allocation Run. As a result,

- *Residential Weather Normalized Load – 372,479,625 kWh (A)*
- *Loss Factor – 1.0457 (B)*
- *Residential Customers - 44,167 (C)*

➔ *Average Retail Use of 8,065 kWh (D) = (A)/(B)/(C).*

Question #3

Reference: Energy Probe #13

a) Please confirm whether the customer count data set out in Table 8 (Exhibit 3/Tab 2/Schedule 1) is a "year end" count or an "average annual" count.

Response

The customer count data is an average annual count. *See response to Energy Probe Interrogatory # 35.*

b) The data set out in Table 8 for 2002-2004 does not match that filed in Thunder Bay Hydro's 2006 EDR Application (Sheet 6.2). For example, the Residential customer count for 2004 was 44,167 in the 2006 EDR and is reported as 44,242 in the current Application. Please explain the reason for the differences.

Response

The customer counts in the 2006 EDR were at a point in time versus the yearly count based on customer billings in the year.

Question #4

Reference: VECC #4 a)

a) As requested in the original question, please set out the rates used to derive the fixed and variable revenues by customer class.

Response

The rates used to derive the fixed and variable revenues by customer class outlined in the referenced interrogatory are provided in the following table:

Class	*Monthly Service Charge (per Customer /Connection)*	*Volumetric Rate $/UOM*	*UOM*
Residential	*$ 10.95*	*$0.0138*	*kWh*
GS<50 kW	*$ 17.06*	*$0.0125*	*kWh*
GS>50 kW	*$ 186.25*	*$1.0637*	*kW*
GS 1,000 to 4,999 kW	*$1,632.83*	*$1.4364*	*kW*
Street Light	*$ 0.34*	*$2.0569*	*kW*
Sentinel	*$ 6.12*	*$4.9122*	*kW*
Unmetered Scattered Load	*$ 8.51*	*$0.0124*	*kWh*

Question #5

Reference: VECC #5 a)

a) Please indicate the source of/basis for the percentages reported under the "Cost Allocation" column. (Note: Using the Allocated Costs per Table 2 of Exhibit 7/Tab 1/Schedule 2 yields 50.84% for Residential and not the 51.21% reported in the IR response).

Response

The source for the percentages reported under the "Cost Allocation" column is the information presented in Table 2 of Exhibit 7/Tab 1/Schedule 2 with adjustments made for transformer allowance and miscellaneous revenue.

b) Please confirm that the proposed revenue to cost ratios set out in the second last column (Forced Rate Application) are calculated by dividing each classes proposed share of the total Base Revenue Requirement by each class' allocated portion under the Cost Allocation column (e.g., Residential = $10,819,713.63 / $8,971,794.03). If not, explain how the value is derived.

Response

The following table explains how the revenue to cost ratios set out in the column titled "Forced Rate Application" were determined.

	Existing Rates (A)	***Cost of Service Results (B)***	***Existing Rates @100% Revenue to Cost Ratio (C) = (A) / (B)***	***Rate Application (D)***	***Forced Rate Application (D) /(C)***
Residential	*11,450,514*	*126.08%*	*9,082,137*	*10,819,714*	*119.13%*
GS <50 kW	*2,952,080*	*113.61%*	*2,598,420*	*2,952,080*	*113.61%*
GS>50 kW	*1,987,195*	*65.96%*	*3,012,883*	*2,198,802*	*72.98%*
GS 1,000 to 4,999 kW	*918,272*	*60.17%*	*1,526,127*	*1,069,706*	*70.09%*
Street Light	*128,081*	*13.51%*	*948,073*	*395,840*	*41.75%*
Sentinel	*16,239*	*105.21%*	*15,435*	*16,239*	*105.21%*
Unmetered Scattered Load	*66,556*	*111.25%*	*59,826*	*66,556*	*111.25%*
Total	*17,518,938*			*17,518,938*	

Question #7

Reference: VECC #7 c)

a) Please explain why the allocation of Miscellaneous Revenues was affected by the removal of the Transformer Ownership Allowance.

Response

In the cost allocation model a number of Miscellaneous Revenue items are allocated to rate classes based on Net Fixed Assets. Assets associated with Conservation and Demand Management (i.e. account 1565) are included in Net Fixed Assets. However, Conservation and Demand Management assets are allocated to each class based on an OM&A allocator. When the transformation allowance "costs" are excluded from the cost allocation model this impacts the

level of OM&A and the OM&A allocator. Therefore, the allocation of Miscellaneous Revenue is impacted with the transformation allowance "cost" is excluded.

Question #8

Reference: VECC #8 a)

a) The intent of the original question was to obtain information as to how the fixed/variable split %'s used in the determination of the 2009 rates were determined (e.g., how was the 55.72% fixed charge proportions established for the residential class)? Please address this question.

Response

Based on the information provided in VECC #4, the 55.72% is the fixed distribution revenue at existing rates divided by the sum of the fixed distribution revenue and the variable distribution revenue at existing rates (i.e. 5,865,006 / (5,865,006 + 4,661,157)).

Question #9

Reference: OEB #52

a) It is not clear from the materials filed whether Thunder Bay Hydro had an independent 3rd party evaluation performed for each program funded in 2007 and beyond for which it is seeking an LRAM or SSM. Please indicate where in the materials filed these 3rd party independent evaluations can be found for each program and who the independent 3rd party evaluator was. If the independent 3rd party evaluations (including verification of participation rates) have not been filed, please do so.

Response

Thunder Bay Hydro did not complete a 3rd party evaluation of its programs in 2007 and beyond. For the OPA funded programs there was no feasible way to complete such an evaluation. It is our position that the data provided by the OPA for our use in this filing is accurate. For example, with the EKC Coupon Program, we have no way to confirm coupon redemption at local retailers. The OPA contracted with Energy Shops to provide program results, who in turn forwarded the results to us.

Likewise, for the Refrigerator Roundup Program, we can only rely on OPA data provided to us. It is important to note that the OPA was comfortable enough with their data to the point that they relied on it to fulfill contractual payments to us.

For 3rd tranche funded programs, we submit some additional comments. First, any of our lighting programs like the One Change Initiative, CFL giveaways and

Seasonal Light giveaways, have no realistic participation verification opportunities. In addition, all cost effectiveness and input assumptions were completed using 3rd party software.

Question #10

Reference: VECC #10

a) For the each of the years 2004-2008 inclusive, please provide the total capital spending and indicate the total amount spent on projects which did not meet the materiality standard which would have been applicable in the year.

Response

Total capital infrastructure spending for 2004 to 2008 is as follows:

	2004	***2005***	***2006***	***2007***	***2008***
Total	*$4,762,714*	*$4,629,809*	*$5,745,156*	*$4,978,571*	*$5,312,652*
Less Material Projects	*0*	*762,775*	*1,824,061*	*681,949*	*2,651,183*
Other Infrastructure	*$4,762,714*	*$3,867,034*	*$3,921,094*	*$4,296,622*	*$2,661,469*

Question #11

Reference: OEB #2 b)

a) Please confirm that the response to the referenced IR implies that, absent specific direction from the OEB to reduce capital spending, there is no chance that any planned maintenance or capital projects will be deferred, cut, or adjusted.

Response

It is impossible to confirm that any planned future activities will not be subject to adjustment. Future decisions to defer, cut or otherwise adjust future activities may be based on, among other factors, unanticipated events such as labor disruptions, catastrophic weather events, unforeseen economic downturns, etc. Thunder Bay Hydro can confirm that absent specific direction from the OEB to reduce capital spending, it is the utility's intent to proceed with planned maintenance and capital projects as outlined in the application.

Question #12

Reference: OEB #16

a) Thunder Bay has single-sourced its purchased communications services from Thunder Bay Telephone. Please indicate whether there are any competitive suppliers of the services purchased.

Response

There are no local competitive suppliers of business telephone services. Shaw Communications has recently introduced competitive residential telephone services.

b) Please indicate whether the vendor Mearie, which is the vendor chosen for insurance liability premium, is the same vendor as the Mearie Management Inc. vendor which is the vendor for basic life insurance premiums.

Response

They are not the same; however, they are affiliated entities.

c) Please describe the difference between the coverage provided by Northwest and Mearie.

Response

The coverage provided by MEARIE is Comprehensive General Liability insurance and the coverage from Northwest is automobile and property insurance.

d) Please indicate whether Thunder Bay could have obtained the services it now purchases from Northwest, from Mearie.

Response

Yes, Thunder Bay could have and in fact, MEARIE was one of the proponents of the Request for Proposal for such insurance.

e) Please explain the over 33% increase in cost for services purchased from Northwest in 2009 over 2008.

Response

Thunder Bay Hydro has provided for more than simply an inflationary increase as it is our intention to have updates to our property appraisals to ensure adequate insurance coverage is in place. Additionally, we expect the premium

to increase in 2009 given that Thunder Bay Hydro is adding to its fleet. The total amount of insurance for this coverage for the 2009 test year is still below the actual 2007 level.

f) Please indicate the amount that Thunder Bay expects to pay for the services it currently purchases from Northwest in 2010.

Response

We anticipate the expense to approximate the test year with inflationary adjustments.

g) Please explain why the cost of meter reading services purchased from Olameter increased so sharply from 2007 to 2008.

Response

Until September 2007, Thunder Bay Hydro previously had meter reading staff. We contracted out the meter reading services effective September 2007, therefore the payment showing in 2007 reflected only a partial year versus a full year in 2008.

h) Please indicate the amount that Thunder Bay expects to pay for the services it currently purchases from Olameter in 2010.

Response

Please refer to our response to OEB Staff Supplemental Interrogatory #8 (Meter Reading Costs).