

June 17, 2009

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

**Re: Thunder Bay Hydro Electricity Distribution Inc.
2009 Distribution Rate Application – Draft Rate Order
OEB File No. EB-2008-0245**

Dear Ms. Walli,

This will acknowledge receipt of the Ontario Energy Board's Decision and Order dated June 3, 2009. As directed, Thunder Bay Hydro Electricity Distribution Inc. submits two (2) paper copies of its Draft Rate Order for the 2009 Distribution Rate Application OEB File No. EB-2008-0245 and encloses the following:

1. Manager's Summary;
2. Customer Rate Impact Schedule;
3. Proposed Tariff of Rates and Charges; and
4. RRWF excel model.

An electronic copy has been submitted through the OEB's RESS on-line filing system and via email, including a copy to all Intervenor. In addition, item 4 has been provided in Excel format.

Should you require any additional information, please do not hesitate to contact the undersigned.

Yours truly,



Cindy Speziale, CA
Vice President, Finance

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... Thunder Bay Hydro Electricity Distribution Inc.
2009 Distribution Rate Application – Draft Rate Order
OEB File No. EB-2008-0245

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**THUNDER BAY HYDRO ELECTRICITY DISTRIBUTION INC.
DRAFT RATE ORDER
EB-2008-0245**

1. MANAGER'S SUMMARY

Upon completion of the interrogatory and submission requirements in this proceeding, the Board addressed the following issues in its Decision:

- A. Load Forecast
- B. Operating, Maintenance & Administrative Expenses
- C. Payments in Lieu of Taxes
- D. Capital Expenditures
- E. Assessment of Asset Conditions and Asset Management Plan
- F. Depreciation
- G. Working Capital
- H. Cost of Capital and Capital Structure
- I. Cost Allocation and Rate Design
- J. Deferral and Variance Accounts
- K. Smart Meters

A. LOAD FORECAST

The Board accepts Thunder Bay's load forecast, subject to two adjustments:

- i) Remove the 9.7 GWh adjustment for CDM impacts; and
- ii) Adjust the total loss factor applied to the forecast from 4.7% to 4.48%.

A comparison between the proposed forecast in Thunder Bay's Final Submission and the current proposal as per the Board Decision can be found on the following page.

2009 Load Forecast

| | 2009 Load Forecast per Final Submission (Board staff IR #51) | Adjust TLF from 4.7% to 4.48% | Remove CDM Adjustment | 2009 Load Forecast per OEB Decision |
|---|--|-------------------------------------|-----------------------------|---|
| Predicted kWh Purchases | 1,099,381,294 | 0 | | 1,099,381,294 |
| Adjustments not in model | (56,686,977) | 0 | 9,692,888 | (46,994,090) |
| Revised Predicted kWh Purchases | 1,042,694,317 | 0 | 9,692,888 | 1,052,387,204 |
| Billed kWh | 995,712,020 | 1,870,578 | 9,257,772 | 1,006,840,371 |
| BY CLASS: | | | | |
| Residential | | | | |
| Customers | 44,635 | 0 | 0 | 44,635 |
| kWh | 340,800,466 | 720,471 | 8,696,999 | 350,217,935 |
| General Service < 50 kW | | | | |
| Customers | 4,466 | 0 | 0 | 4,466 |
| kWh | 143,961,424 | 296,769 | 0 | 144,258,193 |
| General Service > 50 to 999 kW | | | | |
| Customers | 511 | 0 | 0 | 511 |
| kWh | 304,722,102 | 560,110 | 55,201 | 305,337,414 |
| kW | 717,262 | 1,318 | 130 | 718,710 |
| General Service > 1000 to 4999 kW | | | | |
| Customers | 19 | 0 | 0 | 19 |
| kWh | 194,129,052 | 293,228 | 54,808 | 194,477,088 |
| kW | 560,145 | 846 | 158 | 561,149 |
| Streetlights | | | | |
| Connections | 13,091 | 0 | 0 | 13,091 |
| kWh | 10,616,947 | (0) | 0 | 10,616,947 |
| kW | 31,276 | (0) | 0 | 31,276 |
| Sentinel Lights | | | | |
| Connections | 176 | (0) | 0 | 176 |
| kWh | 146,789 | 0 | 0 | 146,789 |
| kW | 402 | 0 | 0 | 402 |
| Unmetered Loads | | | | |
| Connections | 437 | 0 | 0 | 437 |
| kWh | 1,335,240 | (0) | 450,764 | 1,786,004 |
| kW | | | | |
| TOTAL | | | | |
| Customer/Connections | 63,335 | 0 | 0 | 63,335 |
| kWh | 995,712,020 | 1,870,578 | 9,257,772 | 1,006,840,371 |
| kW from applicable classes | 1,309,085 | 2,164 | 288 | 1,311,538 |

As per Section G, Page 9, the revised load forecast resulted in an increase to the cost of power of \$650,374 which in turn impacted the working capital allowance, the rate base and the return on equity, all of which has been reflected in this Draft Rate Order, in Section B, Page 4 - Rate Base Calculation for 2009.

Thunder Bay submits it will take into consideration the Board's recommendation in its next rebasing application to continue developing its forecast methodology which will in turn address the issues identified by Board Staff and Intervenor.

B. OPERATING, MAINTENANCE & ADMINISTRATIVE EXPENSES

The Board approves Thunder Bay's inflation rate assumption, compensation costs, tree trimming and line clearing costs ("Forestry Program"), 2009 regulatory costs, the removal of the Board Honorarium, and the proposed Lost Revenue Adjustment Mechanism and Shared Savings Mechanism three-year volumetric rate riders.

Meter Reading and Meter Service and Maintenance Costs

The Board approves Thunder Bay's revised proposals for meter reading and meter maintenance and service costs. The table below summarizes the forecasted costs for the next four years and calculates the average cost as provided in Thunder Bay's final submission. As such, no adjustment is required in this Draft Rate Order.

| Thunder Bay Hydro | | |
|--------------------------|-------------------------------|-------------------------|
| Year | Metering & Service | Metering Reading |
| 2009 | \$287,338 | \$255,000 |
| 2010 | \$396,776 | \$125,000 |
| 2011 | \$585,291 | \$25,000 |
| 2012 | \$543,291 | \$25,000 |
| Total | <u>\$1,812,696</u> | <u>\$430,000</u> |
| Four Year Average | \$453,174 | \$107,500 |

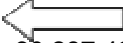
2009 Regulatory Cost


Thunder Bay acknowledges the Board direction to record the regulatory costs in Account 5655 as described in the *Accounting Procedures Handbook*.

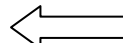
Polychlorinated Biphenyls ("PCB") Program

The expenditure plan for the Polychlorinated Biphenyls ("PCB") Program is deemed reasonable by the Board. However, as directed by the Board, the unamortized Asset Retirement Costs are to be excluded from the rate base for

purposes of the calculation of the rate of return of capital and the Asset Retirement Obligation is to be excluded in the calculation of the weighted cost of debt in this Draft Rate Order. The following tables provide the support for Thunder Bay's removal of such from rate base and cost of capital as directed by the Board:

| RATE BASE CALCULATION FOR 2007 | | |
|---------------------------------------|------------------|--|
| BEFORE: F/A Opening Balance 2007 | | 60,342,398 |
| BEFORE: F/A Closing Balance 2007 | 60,612,433 | |
| Removal of ARO per Decision | <u>(325,000)</u> |  |
| AFTER: F/A Closing Balance 2007 | | 60,287,433 |
| Average F/A Balance for 2007 | | <u>60,314,915</u> |
| Working Capital Allowance | | <u>12,776,603</u> |
| Rate Base | | <u>73,091,518</u> |
| Regulated Rate of Return | | <u>1.47%</u> |
| Regulated Return on Capital | | <u>1,070,791</u> |
| Deemed Interest Expense | | - |
| Deemed Return on Equity | | 1,070,791 |

| RATE BASE CALCULATION FOR 2008 | | |
|---------------------------------------|------------------|--|
| AFTER: F/A Opening Balance 2008 | | 60,287,433 |
| BEFORE: F/A Closing Balance 2008 | 61,222,729 | |
| Removal of ARO per Decision | <u>(501,353)</u> |  |
| AFTER: F/A Closing Balance 2008 | | 60,721,376 |
| Average F/A Balance for 2008 | | <u>60,504,405</u> |
| Working Capital Allowance | | <u>12,686,140</u> |
| Rate Base | | <u>73,190,545</u> |
| Regulated Rate of Return | | <u>1.37%</u> |
| Regulated Return on Capital | | <u>1,001,474</u> |
| Deemed Interest Expense | | - |
| Deemed Return on Equity | | 1,001,474 |

| RATE BASE CALCULATION FOR 2009 | | |
|---|------------------|---|
| AFTER: F/As Opening Balance 2009 | | 60,721,376 |
| BEFORE: F/As Closing Balance 2009 | 63,843,051 | |
| Removal of ARO per Decision | <u>(459,574)</u> |  |
| AFTER: F/As Closing Balance 2009 | | 63,383,477 |
| Average F/A Balance for 2009 | | <u>62,052,427</u> |
| Working Capital Allowance (see Page 5) | | <u>13,480,846</u> |
| Rate Base | | <u>75,533,273</u> |
| Regulated Rate of Return (Section H, Page 11) | | <u>1.79%</u> |
| Regulated Return on Capital (Section H, Page 11) | | <u>1,349,272</u> |
| Deemed Interest Expense | | 122,801 |
| Deemed Return on Equity | | 1,226,472 |

In Thunder Bay's Final Submission, the accretion expense of \$21,941 was removed from OM&A costs and recovered through the return on the Debt component of the Cost of Capital. The composition of the \$23,781 reduction labeled PCB related adjustments (accretion /ARO) shown in the table on page 9 of the Decision represents the removal of the original PCB plan accretion costs of \$18,600; the change, resulting from the plan extension to the year 2020, in the amortization of the ARO of \$4,721 and the change, resulting from the plan extension to the year 2020 versus 2015, in the amortization of the replacement transformers. In Thunder Bay's Final Submission, the accretion expense increase as a result of the extension of the plan to the year 2020 was not added back to OM&A costs (refer to first sentence above for the treatment in the Final Submission).

Given that the Board has directed and Thunder Bay has complied with the removal of the Asset Retirement Obligation from the Cost of Capital, Thunder Bay is no longer being compensated for the accretion costs. The sum of the depreciation plus accretion costs reflected each year represents the actual external third party cash outlay for the disposal of the PCB waste and these expenses have been calculated in accordance with GAAP. Page 16 of the Board Decision indicates that "Provided that Thunder Bay has calculated these expenses under the GAAP accounting requirements, it would be reasonable to recover these expenses in rates as they represent, on an annual basis, the costs needed to satisfy the obligation to retire the assets in the future. As such, they may be included in the revenue requirement as proposed by the Company." Accordingly, Thunder Bay has increased the OM&A costs by the accretion expense of \$21,941.

A summary of this change within controllable expenses is provided below.

| Distribution Expenses | Before Decision | Adjustments | After Decision |
|--|---------------------|--------------------|---------------------|
| Distribution Expenses - Operation | \$2,767,416 | \$21,941 | \$2,789,357 |
| Distribution Expenses - Maintenance | \$3,049,733 | \$0 | \$3,049,733 |
| Billing and Collecting | \$2,244,506 | \$0 | \$2,244,506 |
| Community Relations | \$228,339 | \$0 | \$228,339 |
| Administrative and General Expenses | \$3,623,127 | \$0 | \$3,623,127 |
| Taxes Other than Income Taxes | \$168,569 | \$1,716 | \$170,284 |
| Less: Capital Taxes within 6105 | \$168,569 | \$1,716 | \$170,284 |
| Less: Amortization included above | \$290,386 | \$0 | \$290,386 |
| Total Eligible Distribution Expenses | \$11,622,736 | \$21,941 | \$11,644,677 |
| Power Supply Expenses (Section G, Page 9) | \$69,962,747 | \$8,264,882 | \$78,227,629 |
| Total Working Capital Expenses | \$81,585,483 | \$8,286,823 | \$89,872,307 |
| Working Capital Allowance rate of 15% | \$12,237,822 | \$1,243,024 | \$13,480,846 |

Lost Revenue Adjustment Mechanism ("LRAM") and Shared Savings Mechanism ("SSM")

The Board approved Thunder Bay's proposal to reduce the requested LRAM and SSM claim by \$11,717 in the absence of a third party review for a total recovery of \$477,380 by means of a three-year volumetric rate rider. In this Draft Rate Order, Thunder Bay has calculated the rate rider to be collected over 34 months commencing July 1, 2009 and ending April 30, 2012 instead of adding it to the foregone revenue rate rider. The LRAM/SSM rate rider has been calculated as follows:

| 2009 Test Year - LRAM and SSM Rider | | | | | | | | | | | |
|-------------------------------------|------------------------|---------|----------------------|---------|---------------------|---------------------|---------------------|---------------------|------------------------------|------------------------|---------------------|
| Rate Class | Amounts (2005 to 2007) | | Billing Units (2009) | Metrics | Rate Riders | | | Two Year Rate Rider | 34 Month/2.8 Year Rate Rider | Number of Years to Use | Rate Rider to Use |
| | LRAM | SSM | | | LRAM | SSM | Total | Total | Total | (2 or 3) | Total |
| | \$ | \$ | | | \$/unit (kWh or kW) | \$/unit (kWh or kW) | \$/unit (kWh or kW) | \$/unit (kWh or kW) | \$/unit (kWh or kW) | 2.8 | \$/unit (kWh or kW) |
| Residential | 328,676 | 67,309 | 350,217,935 | kWh | 0.0009 | 0.0002 | 0.0011 | 0.0006 | 0.0004 | | 0.0004 |
| GS <50 kW | | | | kWh | | | | | | | 0.0000 |
| GS>50 kW | 2,604 | 1,716 | 718,710 | kW | 0.0036 | 0.0024 | 0.0060 | 0.0030 | 0.0021 | | 0.0021 |
| GS 1,000 to 4,999 kW | 1,157 | 3,328 | 561,149 | kW | 0.0021 | 0.0059 | 0.0080 | 0.0040 | 0.0028 | | 0.0028 |
| Street Light | | | | kW | | | | | | | 0.0000 |
| Sentinel | | | | kW | | | | | | | 0.0000 |
| Unmetered Scattered Load | 44,671 | 27,920 | 1,786,004 | kWh | 0.0250 | 0.0156 | 0.0406 | 0.0203 | 0.0143 | | 0.0143 |
| Total | 377,108 | 100,273 | | | | | | | | | |

C. PAYMENT IN LIEU OF TAXES (PILs)

The Board finds that Thunder Bay has applied Board guidance with respect to capital and income taxes and generally complies with the Board's policies with respect to the PILs allowance calculation.

In this Draft Rate Order, Thunder Bay has incorporated all known income and capital tax changes into its PILs calculation including the 2009 Federal Budget tax rates and the accelerated capital cost allowance. The only tax change that had not been previously proposed in Thunder Bay's Final Submission was the new Class 50 for computer & systems hardware acquired between January 27, 2009 and before February 2011. Hardware additions of \$77,310 previously included in Class 45.1 at 55% have now been reclassified into Class 50 at 100%. The effect of the change was to increase capital cost allowance by \$17,395. In addition, Thunder Bay has updated its PILS allowance to reflect all of the findings in the Decision and has reflected this impact in Thunder Bay's revenue requirement and proposed distribution rates.

The table below shows the before and after of the Decision additions and deductions used to arrive at taxable income.

| | BEFORE | Adjustments | AFTER |
|--|--------------------|------------------|--------------------|
| Accounting Income -refer to page 7 of RRWF | \$1,214,089 | \$12,382 | \$1,226,472 |
| Additions | | | |
| Amortization of tangible assets | \$4,977,510 | \$0 | \$4,977,510 |
| Non-deductible meals and entertainment expense | \$6,707 | \$0 | \$6,707 |
| Non-deductible company pension plans | \$124,437 | \$0 | \$124,437 |
| Other Additions (Apprenticeship Tax Credits) | \$59,524 | \$0 | \$59,524 |
| Total Additions | \$5,168,178 | \$0 | \$5,168,178 |
| Deductions | | | |
| Capital cost allowance from Schedule 8 | \$4,413,656 | \$17,395 | \$4,431,051 |
| Cumulative eligible capital deduction from Schedule 10 | \$69,049 | \$0 | \$69,049 |
| Other Deductions | \$243,380 | \$0 | \$243,380 |
| Total Deductions | \$4,726,086 | \$17,395 | \$4,743,480 |
| Net of Addbacks and Deductions | \$442,093 | (\$17,395) | \$424,698 |
| Taxable Income | \$1,656,182 | (\$5,013) | \$1,651,170 |

The tax rates and the resulting PILs expense are provided in the following table:

AFTER DECISION AND ORDER

| | |
|---|--------------------|
| Deemed Utility Income | \$1,226,472 |
| Tax Adjustments to Accounting Income | \$424,698 |
| Taxable Income prior to adjusting revenue to PILs | <u>\$1,651,170</u> |
| Tax Rate | <u>30.49%</u> |
| Total PILs before gross up | <u>\$503,513</u> |
| Grossed up PILs | <u>\$724,421</u> |

| | |
|--|--------|
| Federal Income Tax Rate | 19.00% |
| Ontario Income Tax Rate | 14.00% |
| Apprenticeship Tax Credit / Taxable Income | -2.51% |

The proposed 2009 capital taxes are provided in the following table:

| Description | OCT | LCT |
|---------------------------------------|----------------------------|-------------------|
| Total Rate Base | 75,533,273 | 75,533,273 |
| Bump to Actual per 2006 EDR Exemption | 15,148,631 (15,000,000) | <u>0</u> |
| Deemed Taxable Capital | 75,681,904 | 75,533,273 |
| Rate | <u>0.225%</u> | <u>0.000%</u> |
| Gross Tax Payable | 170,284 | 0 |
| Surtax | 0 | 0 |
| Net Capital Tax Payable | 170,284 | 0 |

A yearly summary of the PILS allowance in this Draft Rate Order is found below:

| Description | 2006 Board Approved | 2006 Actual | 2007 Actual | 2008 Bridge | 2009 Test |
|-----------------------|---------------------|------------------|----------------|----------------|----------------|
| Income Taxes | 1,092,369 | 1,109,218 | 737,431 | 655,911 | 724,421 |
| Large Corporation Tax | 21,095 | 0 | 0 | 0 | 0 |
| Ontario Capital Tax | 235,550 | 230,440 | 218,391 | 165,897 | 170,284 |
| Total Taxes | 1,349,014 | 1,339,658 | 955,822 | 821,808 | 894,705 |

The 2009 Test year amount shown on page 18 of the Decision and Order reflected the total PILs of \$970,138 representing the PILs amount proposed in the original filing of the application. The revised proposal as filed in the Final Submission reflected PILs of \$895,459 (Income Taxes - \$726,890 and Ontario Capital Tax -\$168,569). The resulting decrease from the Final Submission amounts to \$2,469 for Income Taxes and the increase in capital tax amounts to \$1,715 for a net decrease of \$754.

D. CAPITAL EXPENDITURES

The Board approves Thunder Bay's inclusion of contingencies in its capital spending plan and its proposal for capital contributions. In addition, the Board accepts Thunder Bay's proposal for the Kam River project.

E. ASSESSMENT OF ASSET CONDITIONS AND ASSET MANAGEMENT PLAN

The Board approves Thunder Bay's asset condition assessments and asset management plans. Thunder Bay submits it will take into consideration the Board's recommendation to provide an updated and detailed Asset Management plan in its next cost of service rebasing application.

F. DEPRECIATION

The Board approves Thunder Bay's revised depreciation expense to adopt a five year amortization for computer hardware going forward as reflected in Thunder Bay's Final Submission. The Board has also accepted Thunder Bay's proposal to amortize computer software over three years. Accordingly, no further adjustment is required.

G. WORKING CAPITAL

As stated in the Decision, Thunder Bay has followed the Board's *Filing Requirements for Transmission and Distribution Applications* dated November 14, 2006 which allows the Company to apply a 15% factor to derive the working capital allowance. Thunder Bay acknowledges that Thunder Bay does not need to prepare a lead lag study for its next rebasing application.

In the Decision, the Board directed Thunder Bay to update the cost of power to reflect the price contained in the April 2009 RPP price report of \$0.06072/kWh. This update is reflected in the Draft Rate Order. The table below shows the cost of power before and after the Decision and summarizes the changes:

BEFORE DECISION AND ORDER

| | | |
|--|---------------|---------------------|
| Forecasted Purchases (kWh) (refer to Section A) | 1,042,694,317 | |
| | Rate (\$/kWh) | Total Cost |
| 4705 - Power Purchased | 0.05369 | \$55,977,108 |
| 4708 - WMS Charges | 0.00556 | \$5,799,377 |
| 4714 - Network Charges | 0.00427 | \$4,452,310 |
| 4716 - Connection Charges | 0.00358 | \$3,733,952 |
| Total Cost of Power | | \$69,962,747 |

AFTER DECISION AND ORDER

| | | |
|--|---------------|---------------------|
| Forecasted Purchases (kWh) (refer to Section A) | 1,052,387,204 | |
| | Rate (\$/kWh) | Total Cost |
| 4705 - Power Purchased | 0.06072 | \$63,900,951 |
| 4708 - WMS Charges | 0.00556 | \$5,853,288 |
| 4714 - Network Charges | 0.00449 | \$4,729,942 |
| 4716 - Connection Charges | 0.00356 | \$3,743,449 |
| Total Cost of Power per Board Decision | | \$78,227,629 |

Changes to the Cost of Power

| | BEFORE DECISION | Change due to load forecast | Change due to rate | AFTER DECISION |
|---------------------------|---------------------|--------------------------------|-----------------------|---------------------|
| 4705 - Power Purchased | \$55,977,108 | \$520,363 | \$7,403,480 | \$63,900,951 |
| 4708 - WMS Charges | \$5,799,377 | \$53,911 | \$0 | \$5,853,288 |
| 4714 - Network Charges | \$4,452,310 | \$41,389 | \$236,243 | \$4,729,942 |
| 4716 - Connection Charges | \$3,733,952 | \$34,711 | (\$25,214) | \$3,743,449 |
| Total | \$69,962,747 | \$650,374 | \$7,614,508 | \$78,227,629 |

As directed on page 38 of Thunder Bay's Decision and Order, the January 1, 2009 UT rates in determining the working capital allowance are to be used. Thunder Bay had not updated the cost of network and connection in its Final Submission and as such has done so as supported in the following tables.

BEFORE DECISION:

THUNDER BAY HYDRO DISTRIBUTION INCORPORATED Cost of Power, Network & Connection Forecast

| YEAR | Load | NETWORK | | | CONNECTION | | |
|-------------------|---------------|-------------|--------------|--|-------------|--------------|--|
| | | Rate (2) | Total Cost | | Rate (2) | Total Cost | |
| Nov 2006-Oct 2007 | 1,072,417,580 | \$ 0.004927 | \$ 5,284,148 | | \$ 0.003557 | \$ 3,814,699 | |
| 2009 (1) | 1,042,694,317 | \$ 0.004494 | \$ 4,686,377 | | \$ 0.003557 | \$ 3,708,970 | |

(1) Per Thunder Bay Hydro Weather Normalization Regression Model predicted purchases with adjustments

(2) 2009 Rate Calculation takes 2007 Rate in the first line and reduces it by 2009 -2007 Rate

| | | | | | | |
|-----------|------|---------|--------|------|--------|-------|
| 2007 | 2.82 | | | 2.32 | | |
| 2008 Rate | 2.31 | -18.01% | | 2.20 | -5.17% | |
| 2009 Rate | 2.57 | 11.26% | -8.78% | 2.32 | 5.45% | 0.00% |

AFTER DECISION:

THUNDER BAY HYDRO DISTRIBUTION INCORPORATED Cost of Power, Network & Connection Forecast

| YEAR | Load | NETWORK | | | CONNECTION | | |
|-------------------|---------------|-------------|--------------|--|-------------|--------------|--|
| | | Rate (2) | Total Cost | | Rate (2) | Total Cost | |
| Nov 2006-Oct 2007 | 1,072,417,580 | \$ 0.004927 | \$ 5,284,148 | | \$ 0.003557 | \$ 3,814,699 | |
| 2009 (1) | 1,052,387,204 | \$ 0.004494 | \$ 4,729,942 | | \$ 0.003557 | \$ 3,743,449 | |

(1) Per Thunder Bay Hydro Weather Normalization Regression Model predicted purchases with adjustments

(2) 2009 Rate Calculation takes 2007 Rate in the first line and reduces it by 2009 -2007 Rate

| | | | | | | |
|-----------|------|---------|--------|------|--------|-------|
| 2007 | 2.82 | | | 2.32 | | |
| 2008 Rate | 2.31 | -18.01% | | 2.20 | -5.17% | |
| 2009 Rate | 2.57 | 11.26% | -8.78% | 2.32 | 5.45% | 0.00% |

See also, Retail Transmission Service (RTS) Rates discussion in Section I, Page 13.

H. COST OF CAPITAL AND CAPITAL STRUCTURE

The proposed capitalization as well as the proposed rate of return of 3.75% have been accepted by the Board and have been used in this Draft Rate Order. The Board has directed that the Asset Retirement Obligation be removed from the Cost of Debt and the interest rate on the new debt in 2009 be revised to 6%. The tables below show the change to the effective rate for long-term debt rate as per the Decision and its impact on the regulated rate of return.

DEEMED CAPITAL STRUCTURE AND RETURN ON CAPITAL

BEFORE DECISION AND ORDER

| | <i>Deemed Portion</i> | <i>Effective Rate</i> | <i>Return Amount</i> |
|------------------------------------|---------------------------|---------------------------|--------------------------|
| Long-Term Debt | 52.70% | 0.35% | |
| Short-Term Debt | 4.00% | 1.33% | |
| Total Equity | 43.30% | 3.75% | |
| Regulated Rate of Return | 100.00% | 1.86% | |
| Rate Base | | | |
| | | | \$74,770,713 |
| Regulated Return on Capital | | | \$1,390,620 |

AFTER DECISION AND ORDER

| | <i>Deemed Portion</i> | <i>Effective Rate</i> | <i>Return Amount</i> |
|---|---------------------------|---------------------------|--------------------------|
| Long-Term Debt | 52.70% | 0.21% | |
| Short-Term Debt | 4.00% | 1.33% | |
| Total Equity | 43.30% | 3.75% | |
| Regulated Rate of Return | 100.00% | 1.79% | |
| Rate Base- Refer to Section B for Calculation | | | |
| | | | \$75,533,273 |
| Regulated Return on Capital | | | \$1,349,272 |

Regulated Return on Capital Difference

(\$41,347)

I. COST ALLOCATION AND RATE DESIGN

Line Losses

The Board accepts Thunder Bay's proposed Total Loss Factors of 1.0448 for secondary metered < 5000 kW customers and 1.0343 for primary metered < 5000 kW customers. These loss factors are reflected in this Draft Rate Order.

Revenue to Cost Ratios

In its Decision, the Board deemed the revenue to cost ratio argued by VECC (Column 3 on page 34 of the Decision) which excludes the transformer ownership allowance from cost and class revenues to be the starting point for re-balancing the ratios. The following tables provide the before and after support for the cost allocation.

BEFORE DECISION - FINAL SUBMISSION

| Customer Class | Cost Allocation | Existing Rates | Revenue Split to Achieve Close to 2004 Cost Revenue Ratio with 2009 Revenue | Rate Application | Cost Allocation | Existing Rates | Rate Application | Total Base Revenue Requirement | Cost of Service Results | Acceptable Ranges | Forced Rate Application | Target 50% of the way to low/high range |
|--------------------------|-----------------|----------------|---|------------------|----------------------|----------------------|----------------------|--------------------------------|-------------------------|-------------------|-------------------------|---|
| Residential | 51.34% | 65.45% | 66.04% | 61.80% | 8,801,907.13 | 11,221,577.67 | 10,596,342.42 | 10,596,342.42 | 126.08% | 85.00% 115.00% | 119.05% | 120.54% |
| GS <50 kW | 14.72% | 16.81% | 16.96% | 16.81% | 2,524,257.69 | 2,881,617.77 | 2,881,617.77 | 2,881,617.77 | 113.61% | 80.00% 120.00% | 113.61% | |
| GS>50 kW | 17.25% | 11.31% | 10.85% | 12.55% | 2,956,908.82 | 1,939,763.25 | 2,151,888.39 | 2,151,888.39 | 65.96% | 80.00% 180.00% | 73.17% | 72.98% |
| GS 1,000 to 4,999 kW | 9.91% | 5.23% | 5.03% | 6.11% | 1,698,883.28 | 896,353.47 | 1,046,883.16 | 1,046,883.16 | 60.17% | 80.00% 180.00% | 70.27% | 70.09% |
| Street Light | 6.41% | 0.73% | 0.71% | 2.26% | 1,099,293.32 | 125,024.07 | 387,394.78 | 387,394.78 | 13.51% | 70.00% 120.00% | 41.86% | 41.75% |
| Sentinel | 0.07% | 0.09% | 0.07% | 0.09% | 11,798.34 | 15,851.70 | 15,892.84 | 15,892.84 | 105.21% | 70.00% 120.00% | 105.48% | |
| Unmetered Scattered Load | 0.30% | 0.38% | 0.34% | 0.38% | 52,106.32 | 64,966.98 | 65,135.56 | 65,135.56 | 111.25% | 80.00% 120.00% | 111.54% | |
| 0 | 0.00% | 0.00% | 0.00% | 0.000000% | 0.00 | 0.00 | 0.00 | 0.00 | | | | |
| TOTAL | 100.00% | 100.00% | 100.00% | 100.00% | 17,145,154.91 | 17,145,154.91 | 17,145,154.91 | 17,145,154.91 | | | | |

AFTER DECISION

| Customer Class | Cost Allocation | Existing Rates | Revenue Split to Achieve Close to 2004 Cost Revenue Ratio with 2009 Revenue | Rate Application | Cost Allocation | Existing Rates | Rate Application | Total Base Revenue Requirement | Cost of Service Results | Acceptable Ranges | Forced Rate Application | Target 50% of the way to low/high range |
|--------------------------|-----------------|----------------|---|------------------|----------------------|----------------------|----------------------|--------------------------------|-------------------------|-------------------|-------------------------|---|
| Residential | 50.18% | 65.68% | 66.93% | 61.40% | 8,592,915.11 | 11,247,119.19 | 10,514,666.17 | 10,514,666.17 | 128.71% | 85.00% 115.00% | 120.95% | 121.86% |
| GS <50 kW | 14.44% | 16.68% | 17.19% | 16.68% | 2,473,516.73 | 2,857,012.98 | 2,857,012.98 | 2,857,012.98 | 115.55% | 80.00% 120.00% | 115.55% | |
| GS>50 kW | 17.07% | 11.22% | 10.90% | 12.52% | 2,923,199.21 | 1,922,179.80 | 2,143,975.12 | 2,143,975.12 | 66.09% | 80.00% 180.00% | 73.05% | 73.05% |
| GS 1,000 to 4,999 kW | 11.78% | 5.19% | 3.84% | 6.37% | 2,017,237.79 | 888,996.16 | 1,090,490.42 | 1,090,490.42 | 43.41% | 80.00% 180.00% | 52.56% | 52.56% |
| Street Light | 6.17% | 0.72% | 0.72% | 2.53% | 1,056,478.32 | 123,787.66 | 432,951.10 | 432,951.10 | 14.03% | 70.00% 120.00% | 42.02% | 42.02% |
| Sentinel | 0.07% | 0.09% | 0.07% | 0.09% | 11,330.54 | 15,696.83 | 15,696.83 | 15,696.83 | 109.17% | 70.00% 120.00% | 109.17% | |
| Unmetered Scattered Load | 0.29% | 0.41% | 0.34% | 0.41% | 50,317.65 | 70,202.71 | 70,202.71 | 70,202.71 | 114.91% | 80.00% 120.00% | 114.91% | |
| 0 | 0.00% | 0.00% | 0.00% | 0.000000% | 0.00 | 0.00 | 0.00 | 0.00 | | | | |
| TOTAL | 100.00% | 100.00% | 100.00% | 100.00% | 17,124,995.34 | 17,124,995.34 | 17,124,995.34 | 17,124,995.34 | | | | |

The following table summarizes the revenue to cost ratios by customer class.

| Customer Class | 1 Application: Exhibit 7 / Tab 1 / Schedule 2 | 2 Response to VECC IR 7C | 3 Proposal per Board's Decision | 4 Board Policy Range |
|--------------------------|---|--------------------------------|---------------------------------------|----------------------------|
| Residential | 119.13% | 128.71% | 120.95% | 85-115% |
| GS < 50 kW | 113.61% | 115.55% | 115.55% | 80-120% |
| GS 50 to 999 kW | 72.98% | 66.09% | 73.05% | 80-180% |
| GS 1,000 to 4,999 kW | 70.09% | 43.41% | 52.56% | 80-180% |
| Street Lights | 41.75% | 14.03% | 42.02% | 70-120% |
| Sentinel Lights | 105.21% | 109.17% | 109.17% | 70-120% |
| Unmetered Scattered Load | 111.25% | 114.91% | 114.91% | 80-120% |

As instructed by the Board, the GS 50 to 999 kW and Street Lights class ratios are to increase in equal increments to the lower boundary of the Board policy range over 2 years and the GS 1,000 to 4,999 kW class over 4 years. The additional revenues received from the GS 1,000 to 4,999 kW class has been directed entirely to the Residential class.

Other Distribution Revenue

The Board approves Thunder Bay's proposals for Other Distribution Revenue as revised during the course of the proceeding to the Final Submission and is reflected in the Draft Rate Order.

Retail Transmission Service (RTS) Rates

The Board accepts Thunder Bay's proposal for RTS rates. The change to the 2009 load forecast necessitated an update to the RTS rates that Thunder Bay has incorporated in this Draft Rate Order. Using the same approach as proposed by Board Staff, the updated billing RTS rates are as follows:

BEFORE DECISION:

| NETWORK SERVICE | | | | | CONNECTION SERVICE | | | | | | |
|---|--------|---------------------------|-----------|--------------|--------------------|--|--------|---------------------------|-----------|--------------|--|
| | | % Increase | 6.83% | | | | | % Increase | 9.83% | | |
| Rate Classification | Metric | Loss Adjusted Consumption | Rate | Cost | | Rate Classification | Metric | Loss Adjusted Consumption | Rate | Cost | |
| Residential | kwh | 356,068,327 | \$ 0.0046 | \$ 1,635,734 | | Residential | kwh | 356,068,327 | \$ 0.0037 | \$ 1,329,692 | |
| General Service less than 50 kW | kwh | 150,410,896 | \$ 0.0043 | \$ 642,762 | | General Service less than 50 kW | kwh | 150,410,896 | \$ 0.0034 | \$ 512,129 | |
| General Service greater than 50 to greater than 1,000 to 4,999 kW | kW | 749,395 | \$ 1.7293 | \$ 1,295,950 | | General Service greater than 50 to 999 kW | kW | 749,395 | \$ 1.3159 | \$ 986,150 | |
| Street Lights | kW | 579,358 | \$ 1.8345 | \$ 1,062,804 | | General Service greater than 1,000 to 4,999 kW | kW | 579,358 | \$ 1.4543 | \$ 842,571 | |
| Sentinel Lights | kW | 32,677 | \$ 1.3041 | \$ 42,615 | | Street Lights | kW | 32,677 | \$ 1.0173 | \$ 33,242 | |
| Unmetered | | 420 | \$ 1.3109 | \$ 551 | | Sentinel Lights | kW | 420 | \$ 1.0386 | \$ 436 | |
| Scattered Load | kwh | 1,395,059 | \$ 0.0043 | \$ 5,962 | | Unmetered Scattered Load | kwh | 1,395,059 | \$ 0.0034 | \$ 4,750 | |
| (0) | | | | | | (0) | | | | | |
| Total | | | | \$ 4,686,377 | | Total | | | | \$ 3,708,970 | |

AFTER DECISION:**NETWORK SERVICE**

| Rate Classification | Metric | % Increase 6.62% | | |
|---|--------|---------------------------|-----------|--------------|
| | | Loss Adjusted Consumption | Rate | Cost |
| Residential | kWh | 365,907,698 | \$ 0.0046 | \$ 1,677,567 |
| General Service less than 50 kW | kWh | 150,720,960 | \$ 0.0043 | \$ 642,796 |
| General Service greater than 50 to 999 kW | kW | 750,908 | \$ 1.7259 | \$ 1,295,964 |
| General Service greater | kW | 580,396 | \$ 1.8308 | \$ 1,062,576 |
| Street Lights | kW | 32,677 | \$ 1.3015 | \$ 42,530 |
| Sentinel Lights | kW | 420 | \$ 1.3082 | \$ 549 |
| Unmetered Scattered Load | kWh | 1,866,017 | \$ 0.0043 | \$ 7,958 |
| | | 0 | Total | \$ 4,729,942 |

CONNECTION SERVICE

| Rate Classification | Metric | % Increase 9.59% | | |
|---|--------|---------------------------|-----------|--------------|
| | | Loss Adjusted Consumption | Rate | Cost |
| Residential | kWh | 365,907,698 | \$ 0.0037 | \$ 1,363,367 |
| General Service less than 50 kW | kWh | 150,720,960 | \$ 0.0034 | \$ 512,033 |
| General Service greater than 50 to 999 kW | kW | 750,908 | \$ 1.3130 | \$ 985,921 |
| General Service greater | kW | 580,396 | \$ 1.4511 | \$ 842,186 |
| Street Lights | kW | 32,677 | \$ 1.0150 | \$ 33,167 |
| Sentinel Lights | kW | 420 | \$ 1.0363 | \$ 435 |
| Unmetered Scattered Load | kWh | 1,866,017 | \$ 0.0034 | \$ 6,339 |
| | | 0 | Total | \$ 3,743,449 |

J. DEFERRAL AND VARIANCE ACCOUNTS

Thunder Bay has been directed by the Board to dispose of all of the accounts represented on the "Deferral and Variance Accounts" table on page 40 of the Decision over a 22 month period except for the two PILS accounts, 1590, and the smart meter and CDM tracking accounts. The table below provides the monthly rate rater for each customer class. The negative rate denotes a refund.

| Deferral/Variance Account | Dec. 31, 2007 Balance | 2007 Allocator | Residential | GS<50 kW | GS>50 Non TOU | GS>50 TOU | Scattered Load | Sentinel Lights | Streetlights | Total |
|--|-----------------------|---------------------------|--------------|--------------|---------------|--------------|----------------|-----------------|--------------|----------------|
| 1508 - Other Regulatory Assets | \$ 751,881 | kWh | \$ 253,236 | \$ 102,478 | \$ 217,410 | \$ 169,400 | \$ 1,528 | \$ 94 | \$ 7,735 | \$ 751,881 |
| 1518 - RCVA | \$ 152,132 | # of Customers | \$ 137,086 | \$ 13,460 | \$ 1,527 | \$ 58 | \$ - | \$ - | \$ - | \$ 152,132 |
| 1525 - Misc. Deferred Debits | \$ 1,516 | # rebate cheque customers | \$ 1,374 | \$ 135 | \$ 7 | \$ 0 | \$ - | \$ - | \$ 0 | \$ 1,516 |
| 1548 - SCVA STR | \$ 173,811 | # of Customers | \$ 156,621 | \$ 15,379 | \$ 1,745 | \$ 67 | \$ - | \$ - | \$ - | \$ 173,811 |
| 1580 - RSVA WMS | \$ (2,129,452) | kWh | \$ (717,208) | \$ (290,236) | \$ (615,742) | \$ (479,769) | \$ (4,326) | \$ (265) | \$ (21,906) | \$ (2,129,452) |
| 1582 - RSVA One-time WMS | \$ 70,494 | kWh | \$ 23,743 | \$ 9,608 | \$ 20,384 | \$ 15,882 | \$ 143 | \$ 9 | \$ 725 | \$ 70,494 |
| 1584 - RSVA Network | \$ (671,317) | kWh | \$ (226,102) | \$ (91,498) | \$ (194,115) | \$ (151,249) | \$ (1,364) | \$ (84) | \$ (6,906) | \$ (671,317) |
| 1586 - RSVA Connection | \$ (647,640) | kWh | \$ (218,128) | \$ (88,271) | \$ (187,268) | \$ (145,914) | \$ (1,316) | \$ (81) | \$ (6,662) | \$ (647,640) |
| 1588 - RSVA Power | \$ 159,252 | kWh | \$ 53,637 | \$ 21,705 | \$ 46,049 | \$ 35,880 | \$ 324 | \$ 20 | \$ 1,638 | \$ 159,252 |
| TOTAL BALANCE -to be refunded over 22 months | \$ (2,139,323) | | \$ (535,740) | \$ (307,238) | \$ (710,004) | \$ (555,645) | \$ (5,012) | \$ (307) | \$ (25,376) | \$ (2,139,323) |
| Refund per Month (Total Balance/22) | \$ (97,242) | A | \$ (24,352) | \$ (13,965) | \$ (32,273) | \$ (25,257) | \$ (228) | \$ (14) | \$ (1,153) | \$ (97,242) |
| 2009 Load Forecast (kWh) | | B | 350,217,935 | 144,258,193 | 718,710 | 561,149 | 1,786,004 | 402 | 31,276 | |
| Proposed Rate Rider | | =A/(B/12) | (\$0.0008) | (\$0.0012) | (\$0.5388) | (\$0.5401) | (\$0.0015) | (\$0.4162) | (\$0.4426) | |
| Billing Determinant | | | kWh | kWh | kW | kW | kWh | kW | kW | |

K. SMART METERS

The Board approved Thunder Bay's request for a smart meter funding adder of \$1.97 per month per metered customer. The smart meter funding adder is included in this Draft Rate Order.

IMPLEMENTATION

The Board has directed Thunder Bay to establish the 2009 rates assuming a 12 month recovery period. The implementation date of the Final Rate Order will be July 1, 2009. As directed, Thunder Bay has calculated the rate riders that are necessary to recover the two months of foregone distribution revenue. The calculation of the monthly rate rider, which is proposed to be recovered over a two month period, is provided in the following table. The split between fixed distribution and the smart meter rate adder is provided in the last two columns. As noted on Page 6, ORAM and SSM has not been included in this rate rider.

Thunder Bay Hydro Distribution Inc.
Calculation of Foregone Revenue Rate Riders
May 1, 2009 Effective Date with July 1, 2009 Implementation Date

| | | | 2008 Approved | | | | 2009 Proposed | | | | Foregone Revenue | | Rate Riders/mth for 2 months | | Fixed Rate Rider | |
|----------------------|-------------|-------------|---------------|------------|-------------------|------------------------|---------------|------------|-------------------|------------------------|-------------------|------------------------|------------------------------|---------------------|------------------|----------------|
| | | | Rates | | Revenue | | Rates | | Revenue | | B | C | B/2/A | C/(A/12*2) | Allocation | |
| | | | Fixed | Volumetric | 2 Months Fixed | 2 Months Volumetric | Fixed | Volumetric | 2 Months Fixed | 2 Months Volumetric | 2 Months Fixed | 2 Months Volumetric | Total Fixed | Total Volumetric | Distribution | Smart Meter |
| Customer Class | | | | | | | | | | | | | | | | |
| Residential | Customers | 44,635 | \$11.22 | | \$1,001,604 | | \$12.73 | | \$1,136,401 | | \$134,796.94 | | \$1.5100 | | (\$0.4600) | \$1.9700 |
| | kWh | 350,217,935 | | \$0.0138 | \$805,501 | | \$0.0136 | | \$793,827 | | | (\$11,673.93) | | (\$0.0002) | | |
| | | | | | | | | | | | | | | | | |
| GS<50 kW | Customers | 4,466 | \$17.33 | | \$154,795 | | \$19.91 | | \$177,840 | | \$23,045.10 | | \$2.5800 | | \$0.6100 | \$1.9700 |
| | kWh | 144,258,193 | | \$0.0125 | \$300,538 | | \$0.0131 | | \$314,964 | | | \$14,425.82 | | \$0.0006 | | |
| GS>50 kW | Customers | 511 | \$186.52 | | \$190,530 | | \$220.37 | | \$225,107 | | \$34,577.67 | | \$33.8500 | | \$31.8800 | \$1.9700 |
| | kWh | 305,337,414 | | | | | | | | | | | | | | |
| | kW | 718,710 | | \$1.0637 | \$127,415 | | \$1.2287 | | \$147,180 | | | \$19,764.53 | | \$0.1650 | | |
| GS 1,000 to 4,999 kW | Customers | 19 | \$1,633.10 | | \$62,058 | | \$2,107.69 | | \$80,092 | | \$18,034.42 | | \$474.5900 | | \$472.6200 | \$1.9700 |
| | kWh | 194,477,088 | | | | | | | | | | | | | | |
| | kW | 561,149 | | \$1.4364 | \$134,339 | | \$1.6807 | | \$157,187 | | | \$22,848.12 | | \$0.2443 | | |
| Streetlights | Connections | 13,091 | \$0.34 | | \$8,902 | | \$1.25 | | \$32,734 | | \$23,831.53 | | \$0.9102 | | \$0.9102 | |
| | kWh | 10,616,947 | | | | | | | | | | | | | | |
| | kW | 31,276 | | \$2.0569 | \$10,722 | | \$7.5633 | | \$39,425 | | | \$28,702.90 | | \$5.5064 | | |
| Sentinel Lights | Connections | 176 | \$6.12 | | \$2,159 | | \$6.43 | | \$2,270 | | \$110.81 | | \$0.3141 | | \$0.3141 | |
| | kWh | 146,789 | | | | | | | | | | | | | | |
| | kW | 402 | | \$4.9122 | \$329 | | \$5.1643 | | \$346 | | | \$16.91 | | \$0.2521 | | |
| Unmetered Loads | Customers | 437 | \$8.51 | | \$7,438 | | \$8.95 | | \$7,820 | | \$381.78 | | \$0.4368 | | \$0.4368 | |
| | kWh | 1,786,004 | | \$0.0124 | \$3,691 | | \$0.0130 | | \$3,870 | | | \$178.60 | | \$0.0006 | | |
| TOTAL | | | | | \$1,427,486 | \$1,382,536 | | | \$1,662,264 | \$1,456,799 | \$234,778 | \$74,263 | | | | |
| | | | | | \$2,810,022 | | | | \$3,119,063 | | \$309,041 | | | | | |

2. CUSTOMER RATE IMPACT SCHEDULE

| RESIDENTIAL | | | | | | | | | | |
|--------------------|-----------------------------------|-----------|------------|---------------|-----------|------------|---------------|-------------|--------------|--------------------|
| | | 2008 BILL | | | 2009 BILL | | | IMPACT | | |
| | | Volume | RATE \$ | CHARGE \$ | Volume | RATE \$ | CHARGE \$ | \$ | % | % of Total Bill |
| Consumption | Monthly Service Charge | | | 11.22 | | | 12.73 | 1.51 | 13.46% | 1.36% |
| 1,000 kWh | Distribution (kWh) | 1,000 | 0.0138 | 13.80 | 1,000 | 0.0136 | 13.60 | (0.20) | (1.45%) | (0.18%) |
| | LRAM & SSM Rider (kWh) | 1,000 | 0.0000 | 0.00 | 1,000 | 0.0004 | 0.40 | 0.40 | #DIV/0! | 0.36% |
| | Regulatory Assets (kWh) | 1,000 | 0.0000 | 0.00 | 1,000 | (0.0008) | (0.83) | (0.83) | #DIV/0! | (0.75%) |
| | Sub-Total | | | 25.02 | | | 25.89 | 0.87 | 3.50% | 0.79% |
| | RTS Charges (kWh) | 1,046 | 0.0062 | 6.48 | 1,045 | 0.0083 | 8.67 | 2.19 | 33.76% | 1.97% |
| | Sub-Total-Delivery Charges | | | 31.50 | | | 34.57 | 3.06 | 9.72% | 2.76% |
| | WMS Charges (kWh) | 1,046 | 0.0062 | 6.48 | 1,045 | 0.0062 | 6.48 | (0.01) | (0.09%) | (0.01%) |
| | Debt Retirement (kWh) | 1,046 | 0.0070 | 7.32 | 1,045 | 0.0070 | 7.31 | (0.01) | (0.09%) | (0.01%) |
| | Cost of Power Commodity (kWh) | 600 | 0.0500 | 30.00 | 600 | 0.0560 | 33.60 | 3.60 | 12.00% | 3.25% |
| | Cost of Power Commodity (kWh) | 446 | 0.0590 | 26.30 | 445 | 0.0650 | 28.91 | 2.62 | 9.95% | 2.36% |
| | Total Bill | | | 101.60 | | | 110.87 | 9.27 | 9.12% | 8.36% |

GENERAL SERVICE < 50 kW

| | | 2008 BILL | | | 2009 BILL | | | IMPACT | | |
|--------------------|-----------------------------------|-----------|------------|---------------|-----------|------------|---------------|--------------|---------------|--------------------|
| | | Volume | RATE \$ | CHARGE \$ | Volume | RATE \$ | CHARGE \$ | Change \$ | Change % | % of Total Bill |
| Consumption | Monthly Service Charge | | | 17.33 | | | 19.91 | 2.58 | 14.89% | 1.19% |
| 2,000 kWh | Distribution (kWh) | 2,000 | 0.0125 | 25.00 | 2,000 | 0.0131 | 26.20 | 1.20 | 4.80% | 0.55% |
| | LRAM & SSM Rider (kWh) | 2,000 | 0.0000 | 0.00 | 2,000 | 0.0000 | 0.00 | 0.00 | #DIV/0! | 0.00% |
| | Regulatory Assets (kWh) | 2,000 | 0.0000 | 0.00 | 2,000 | (0.0012) | (2.32) | (2.32) | #DIV/0! | (1.07%) |
| | Sub-Total | | | 42.33 | | | 43.79 | 1.46 | 3.44% | 0.67% |
| | RTS Charges (kWh) | 2,091 | 0.0056 | 11.71 | 2,090 | 0.0077 | 16.09 | 4.38 | 37.38% | 2.02% |
| | Sub-Total-Delivery Charges | | | 54.04 | | | 59.88 | 5.83 | 10.80% | 2.69% |
| | WMS Charges (kWh) | 2,091 | 0.0062 | 12.96 | 2,090 | 0.0062 | 12.96 | (0.01) | (0.07%) | (0.00%) |
| | Debt Retirement (kWh) | 2,091 | 0.0070 | 14.64 | 2,090 | 0.0070 | 14.63 | (0.01) | (0.07%) | (0.00%) |
| | Cost of Power Commodity (kWh) | 750 | 0.0500 | 37.50 | 750 | 0.0560 | 42.00 | 4.50 | 12.00% | 2.08% |
| | Cost of Power Commodity (kWh) | 1,341 | 0.0590 | 79.14 | 1,340 | 0.0650 | 87.07 | 7.93 | 10.02% | 3.66% |
| | Total Bill | | | 198.29 | | | 216.53 | 18.25 | 9.20% | 8.43% |

3. PROPOSED TARIFF OF RATES AND CHARGES

THUNDER BAY HYDRO ELECTRICITY DISTRIBUTION INC. PROPOSED TARIFF OF RATES AND CHARGES Effective May 1, 2009

**This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors**

EB-2008-0245

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

SPECIFIC SERVICE CHARGES – May 1, 2009 for all charges incurred by customers on or after that date.

LOSS FACTOR ADJUSTMENT – May 1, 2009 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separately metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers.

General Service Less Than 50 kW

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW. This class includes small commercial services such as small stores, small service stations, restaurants, churches, small offices and other establishments with similar loads.

General Service 50 to 999 kW

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 1,000 kW. This class includes medium and large-size commercial buildings, apartment buildings, condominiums, trailer courts, industrial plants, as well as large stores, shopping centers, hospitals, manufacturing or processing plants, garages, storage buildings, hotels, motels, schools, colleges, arenas and other comparable premises. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

General Service 50 to 1,000 kW non-interval metered

General Service 50 to 1,000 kW interval metered.

General Service 1,000 to 4,999 kW

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 1,000 kW but less than 5,000 kW.

Unmetered Scattered Load

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, private sentinel lighting etc. The customer will provide detailed manufacturing information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

Sentinel Lighting

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light.

Street Lighting

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photocells. The consumption for these customers will be based on the calculated load times the required lighting times established in the approved OEB street lighting load shape template.

MONTHLY RATES AND CHARGES

Residential

| | | |
|--|--------|----------|
| Service Charge | \$ | 12.73 |
| Foregone Service Charge Rate Rider – effective to August 31, 2009 | \$ | 1.5100 |
| Distribution Volumetric Rate | \$/kWh | 0.0136 |
| Foregone Distribution Volumetric Rate Rider – effective to August 31, 2009 | \$/kWh | (0.0002) |
| LRAM and SSM Rate Rider – effective to April 30, 2012 | \$/kWh | 0.0004 |
| Regulatory Assets Rate Rider – effective to April 30, 2011 | \$/kWh | (0.0008) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0046 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0037 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

General Service Less Than 50 kW

| | | |
|--|--------|----------|
| Service Charge | \$ | 19.91 |
| Foregone Service Charge Rate Rider – effective to August 31, 2009 | \$ | 2.5800 |
| Distribution Volumetric Rate | \$/kWh | 0.0131 |
| Foregone Distribution Volumetric Rate Rider – effective to August 31, 2009 | \$/kWh | 0.0006 |
| LRAM and SSM Rate Rider – effective to April 30, 2012 | \$/kWh | 0.0000 |
| Regulatory Assets Rate Rider – effective to April 30, 2011 | \$/kWh | (0.0012) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0043 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0034 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

General Service 50 to 999 kW

| | | |
|---|--------|----------|
| Service Charge | \$ | 220.37 |
| Foregone Service Charge Rate Rider – effective to August 31, 2009 | \$ | 33.85 |
| Distribution Volumetric Rate | \$/kW | 1.2287 |
| Foregone Distribution Volumetric Rate Rider – effective to August 31, 2009 | \$/kW | 0.1650 |
| LRAM and SSM Rate Rider – effective to April 30, 2012 | \$/kW | 0.0021 |
| Regulatory Assets Rate Rider – effective to April 30, 2011 | \$/kW | (0.5388) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.7259 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.3130 |
| Retail Transmission Rate – Network Service Rate – Interval Metered | \$/kW | 1.8308 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered | \$/kW | 1.4511 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

General Service 1,000 to 4,999 kW

| | | |
|--|--------|----------|
| Service Charge | \$ | 2,107.69 |
| Foregone Service Charge Rate Rider – effective to August 31, 2009 | \$ | 474.59 |
| Distribution Volumetric Rate | \$/kW | 1.6807 |
| Foregone Distribution Volumetric Rate Rider – effective to August 31, 2009 | \$/kW | 0.2443 |
| LRAM and SSM Rate Rider – effective to April 30, 2012 | \$/kW | 0.0028 |
| Regulatory Assets Rate Rider – effective to April 30, 2011 | \$/kW | (0.5401) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.8308 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.4511 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

Unmetered Scattered Load

| | | |
|--|--------|----------|
| Service Charge (per connection) | \$ | 8.95 |
| Foregone Service Charge Rate Rider – effective to August 31, 2009 | \$ | 0.4368 |
| Distribution Volumetric Rate | \$/kWh | 0.0130 |
| Foregone Distribution Volumetric Rate Rider – effective to August 31, 2009 | \$/kWh | 0.0006 |
| LRAM and SSM Rate Rider – effective to April 30, 2012 | \$/kWh | 0.0143 |
| Regulatory Assets Rate Rider – effective to April 30, 2011 | \$/kWh | (0.0015) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0043 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0034 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

Sentinel Lighting

| | | |
|--|--------|----------|
| Service Charge (per connection) | \$ | 6.43 |
| Foregone Service Charge Rate Rider – effective to August 31, 2009 | \$ | 0.3141 |
| Distribution Volumetric Rate | \$/kW | 5.1643 |
| Foregone Distribution Volumetric Rate Rider – effective to August 31, 2009 | \$/kW | 0.2521 |
| Regulatory Assets Rate Rider – effective to April 30, 2011 | \$/kW | (0.4162) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.3082 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.0363 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

Street Lighting

| | | |
|--|--------|----------|
| Service Charge (per connection) | \$ | 1.25 |
| Foregone Service Charge Rate Rider – effective to August 31, 2009 | \$ | 0.9102 |
| Distribution Volumetric Rate | \$/kW | 7.5633 |
| Foregone Distribution Volumetric Rate Rider – effective to August 31, 2009 | \$/kW | 5.5064 |
| Regulatory Assets Rate Rider – effective to April 30, 2011 | \$/kW | (0.4426) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.3015 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.0150 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

Specific Service Charges

| | | |
|---|----|--------|
| Customer Administration | | |
| Arrears certificate | \$ | 15.00 |
| Statement of account | \$ | 15.00 |
| Easement letter | \$ | 15.00 |
| Account history | \$ | 15.00 |
| Returned cheque charge (plus bank charges) | \$ | 25.00 |
| Legal letter charge | \$ | 15.00 |
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | \$ | 30.00 |
| Special meter reads | \$ | 30.00 |
| Meter dispute charge plus Measurement Canada fees (if meter found correct) | \$ | 30.00 |
| Non-Payment of Account | | |
| Late Payment - per month | % | 1.50 |
| Late Payment - per annum | % | 19.56 |
| Disconnect/Reconnect charge - At Meter – during regular hours | \$ | 65.00 |
| Disconnect/Reconnect charge - At Meter – after regular hours | \$ | 185.00 |
| Disconnect/Reconnect charge - At Pole - during regular hours | \$ | 185.00 |
| Disconnect/Reconnect charge - At Pole - after regular hours | \$ | 415.00 |
| Install/Remove load control device - during regular hours | \$ | 65.00 |
| Install/Remove load control device - after regular hours | \$ | 185.00 |
| Service call – customer owned equipment | \$ | 30.00 |
| Service call – after regular hours | \$ | 165.00 |
| Specific Charge for Access to the Power Poles – per pole/year | \$ | 22.35 |

Allowances

| | | |
|---|-------|--------|
| Transformer Allowance for Ownership - per kW of billing demand/month | \$/kW | (0.60) |
| Primary Metering Allowance for transformer losses – applied to measured demand and energy | % | (1.00) |

LOSS FACTORS

| | |
|---|--------|
| Total Loss Factor – Secondary Metered Customer < 5,000 kW | 1.0448 |
| Total Loss Factor – Secondary Metered Customer > 5,000 kW | N/A |
| Total Loss Factor – Primary Metered Customer < 5,000 kW | 1.0343 |
| Total Loss Factor – Primary Metered Customer > 5,000 kW | N/A |

4. RRWF EXCEL MODEL

The RRWF Excel Model worksheets can be found on the following pages.



Revenue Requirement Work Form

Name of LDC: **Thunder Bay Hydro Electricity Distribution Inc.** ⁽¹⁾
 File Number: **EB-2008-0245**
 Rate Year: **2009** Version: 1.0

Table of Content

| <u>Sheet</u> | <u>Name</u> |
|--------------|---|
| A | <u>Data Input Sheet</u> |
| 1 | <u>Rate Base</u> |
| 2 | <u>Utility Income</u> |
| 3 | <u>Taxes/PILS</u> |
| 4 | <u>Capitalization/Cost of Capital</u> |
| 5 | <u>Revenue Sufficiency/Deficiency</u> |
| 6 | <u>Revenue Requirement</u> |
| 7 | <u>Bill Impacts</u> |

Notes:

(1) Pale green cells represent inputs

(2) **Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.**

Copyright

This Revenue Requirement Work Form Model is protected by copyright and is being made available to you solely for the purpose of preparing or reviewing your draft rate order. You may use and copy this model for that purpose, and provide a copy of this model to any person that is advising or assisting you in that regard. Except as indicated above, any copying, reproduction, publication, sale, adaptation, translation, modification, reverse engineering or other use or dissemination of this model without the express written consent of the Ontario Energy Board is prohibited. If you provide a copy of this model to a person that is advising or assisting you in preparing or reviewing your draft rate order, you must ensure that the person understands and agrees to the restrictions noted above.



Revenue Requirement Work Form

Name of LDC: Thunder Bay Hydro Electricity Distribution Inc.

File Number: EB-2008-0245

Rate Year: 2009

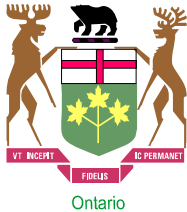
Data Input (1)

| | Application | | Adjustments | | Per Board Decision |
|--|----------------|-----|-------------|-----|--------------------|
| 1 Rate Base | | | | | |
| Gross Fixed Assets (average) | \$141,816,739 | (4) | (\$512,186) | (6) | \$141,304,553 |
| Accumulated Depreciation (average) | (\$79,283,849) | (5) | \$31,722 | (6) | (\$79,252,126) |
| Allowance for Working Capital: | | | | | |
| Controllable Expenses | \$11,622,736 | B | \$21,941 | B | \$11,644,677 |
| Cost of Power | \$69,962,747 | G | \$8,264,882 | G | \$78,227,629 |
| Working Capital Rate (%) | 15.00% | G | | | 15.00% G |
| 2 Utility Income | | | | | |
| Operating Revenues: | | | | | |
| Distribution Revenue at Current Rates | \$16,146,651 | | | | \$16,288,920 |
| Distribution Revenue at Proposed Rates | \$17,145,155 | | | | \$17,124,995 |
| Other Revenue: | | | | | |
| Specific Service Charges | \$ - | | | | \$ - |
| Late Payment Charges | \$ - | | | | \$ - |
| Other Distribution Revenue | \$131,500 | | | | \$131,500 |
| Other Income and Deductions | \$1,366,290 | | | | \$1,366,290 |
| Operating Expenses: | | | | | |
| OM+A Expenses | \$11,913,122 | | \$21,941 | B | \$11,935,063 |
| Depreciation/Amortization | \$4,443,745 | | \$ - | F | \$4,443,745 |
| Property taxes | \$ - | | \$ - | | \$0 |
| Capital taxes | \$168,569 | | | | \$170,284 |
| Other expenses | \$ - | | \$ - | | \$0 |
| 3 Taxes/PILs | | | | | |
| Taxable Income: | | | | | |
| Adjustments required to arrive at taxable income | \$442,093 | (3) | | | \$424,698 C |
| Utility Income Taxes and Rates: | | | | | |
| Income taxes (not grossed up) | \$505,172 | | | | \$503,513 C |
| Income taxes (grossed up) | \$726,890 | | | | \$724,421 |
| Capital Taxes | \$168,569 | | | | \$170,284 C |
| Federal tax (%) | 17.75% | | | | 17.75% C |
| Provincial tax (%) | 12.75% | | | | 12.75% C |
| Income Tax Credits | \$ - | | | | \$ - |
| 4 Capitalization/Cost of Capital | | | | | |
| Capital Structure: | | | | | |
| Long-term debt Capitalization Ratio (%) | 52.7% | H | | | 52.7% H |
| Short-term debt Capitalization Ratio (%) | 4.0% | (2) | | | 4.0% (2) |
| Common Equity Capitalization Ratio (%) | 43.3% | H | | | 43.3% H |
| Preferred Shares Capitalization Ratio (%) | 0.0% | | | | 0.0% |
| Cost of Capital | | | | | |
| Long-term debt Cost Rate (%) | 0.35% | H | | | 0.2% H |
| Short-term debt Cost Rate (%) | 1.33% | H | | | 1.3% H |
| Common Equity Cost Rate (%) | 3.75% | H | | | 3.8% H |
| Preferred Shares Cost Rate (%) | 0.00% | | | | 0.0% |

Notes:

This input sheet provides all inputs needed to complete sheets 1 through 6 (Rate Base through Revenue Requirement), except for Notes that the utility may wish to use to support the components. Notes should be put on the applicable pages to understand the context of each such note.

- (1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)
- (2) 4.0% unless an Applicant has proposed or been approved for another amount.
- (3) Net of addbacks and deductions to arrive at taxable income.
- (4) Average of Gross Fixed Assets at beginning and end of the Test Year
- (5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (6) Removal of Asset Retirement Obligation from rate base as per Decision.
- * Letter references indicate a Section within Manager's Report in which more detail can be found.



Revenue Requirement Work Form

Name of LDC: Thunder Bay Hydro Electricity Distribution Inc.

File Number: EB-2008-0245

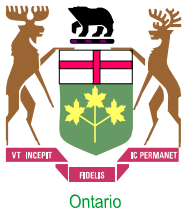
Rate Year: 2009

| Rate Base | | | |
|-----------|--|---------------------|---------------------|
| Line No. | Particulars | Application | Per Board Decision |
| 1 | Gross Fixed Assets (average) (3) | \$141,816,739 | \$141,304,553 |
| 2 | Accumulated Depreciation (average) (3) | (\$79,283,849) | (\$79,252,126) |
| 3 | Net Fixed Assets (average) (3) | \$62,532,890 | \$62,052,427 |
| 4 | Allowance for Working Capital (1) | \$12,237,822 | \$13,480,846 |
| 5 | Total Rate Base | \$74,770,713 | \$75,533,273 |

| (1) Allowance for Working Capital - Derivation | | | |
|--|----------------------------|----------------|--------------|
| 6 | Controllable Expenses | \$11,622,736 B | \$11,644,677 |
| 7 | Cost of Power | \$69,962,747 | \$78,227,629 |
| 8 | Working Capital Base | \$81,585,483 | \$89,872,307 |
| 9 | Working Capital Rate % (2) | 15.00% G | 15.00% |
| 10 | Working Capital Allowance | \$12,237,822 | \$13,480,846 |

Notes

- (2) Generally 15%. Some distributors may have a unique rate due as a result of a lead-lag study.
- (3) Average of opening and closing balances for the year.
- (4) Removal of Asset Retirement Obligation for rate base as per Decision.



Revenue Requirement Work Form

Name of LDC: Thunder Bay Hydro Electricity Distribution Inc.

File Number: EB-2008-0245

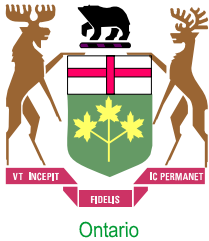
Rate Year: 2009

Utility income

| Line No. | Particulars | Application | Adjustments | Per Board Decision |
|----------------------------|--|-----------------|-------------|--------------------|
| Operating Revenues: | | | | |
| 1 | Distribution Revenue (at Proposed Rates) | \$17,145,155 | (\$20,160) | \$17,124,995 |
| 2 | Other Revenue | (1) \$1,497,790 | \$ - | \$1,497,790 |
| 3 | Total Operating Revenues | \$18,642,945 | (\$20,160) | \$18,622,785 |
| Operating Expenses: | | | | |
| 4 | OM+A Expenses | \$11,913,122 | \$21,941 B | \$11,935,063 |
| 5 | Depreciation/Amortization | \$4,443,745 | \$ - | \$4,443,745 |
| 6 | Property taxes | \$ - | \$ - | \$ - |
| 7 | Capital taxes | \$168,569 | \$1,716 B | \$170,284 |
| 8 | Other expense | \$ - | \$ - | \$ - |
| 9 | Subtotal | \$16,525,435 | \$23,657 | \$16,549,092 |
| 10 | Deemed Interest Expense | \$176,530 | (\$53,729) | \$122,801 |
| 11 | Total Expenses (lines 4 to 10) | \$16,701,966 | (\$30,073) | \$16,671,893 |
| 12 | Utility income before income taxes | \$1,940,979 | \$9,913 | \$1,950,892 |
| 13 | Income taxes (grossed-up) | \$726,890 | (\$2,469) | \$724,421 |
| 14 | Utility net income | \$1,214,089 | \$12,382 | \$1,226,472 |

Notes

| | | | |
|-----|---|--------------------|--------------------|
| (1) | Other Revenues / Revenue Offsets | | |
| | Specific Service Charges | \$ - | \$ - |
| | Late Payment Charges | \$ - | \$ - |
| | Other Distribution Revenue | \$131,500 | \$131,500 |
| | Other Income and Deductions | \$1,366,290 | \$1,366,290 |
| | Total Revenue Offsets | \$1,497,790 | \$1,497,790 |



Revenue Requirement Work Form

Name of LDC: Thunder Bay Hydro Electricity Distribution Inc.
 File Number: EB-2008-0245
 Rate Year: 2009

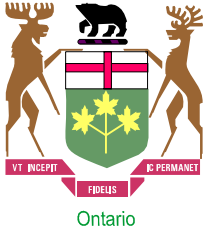
Taxes/PILs

| Line No. | Particulars | Application | Per Board Decision |
|---|--|----------------------|--------------------|
| <u>Determination of Taxable Income</u> | | | |
| 1 | Utility net income | \$1,214,089 | \$1,226,472 |
| 2 | Adjustments required to arrive at taxable utility income | \$442,093 (1) | \$424,698 |
| 3 | Taxable income | <u>\$1,656,182</u> | <u>\$1,651,170</u> |
| <u>Calculation of Utility income Taxes</u> | | | |
| 4 | Income taxes | \$505,172 (1) | \$503,513 |
| 5 | Capital taxes | <u>\$168,569 (1)</u> | <u>\$170,284</u> |
| 6 | Total taxes | <u>\$673,741</u> | <u>\$673,798</u> |
| 7 | Gross-up of Income Taxes | <u>\$221,717</u> | <u>\$220,907</u> |
| 8 | Grossed-up Income Taxes | <u>\$726,890</u> | <u>\$724,421</u> |
| 9 | PILs / tax Allowance (Grossed-up Income taxes + Capital taxes) | <u>\$895,458</u> | <u>\$894,705</u> |
| 10 | Other tax Credits | \$ - | \$ - |
| <u>Tax Rates</u> | | | |
| 11 | Federal tax (%) | 17.75% (1) | 17.75% |
| 12 | Provincial tax (%) | <u>12.75% (1)</u> | <u>12.75%</u> |
| 13 | Total tax rate (%) | <u>30.50%</u> | <u>30.49%</u> |

Notes

(1)

See Section C within the Manager's Report for details on taxes/PILs.



Revenue Requirement Work Form

Name of LDC: Thunder Bay Hydro Electricity Distribution Inc.
 File Number: EB-2008-0245
 Rate Year: 2009

Capitalization/Cost of Capital

| Line No. | Particulars | Capitalization Ratio | | Cost Rate | Return |
|---------------------------|---------------------|----------------------|--------------|-----------|-------------|
| | | (%) | (\$) | (%) | (\$) |
| Application | | | | | |
| | Debt | | | | |
| 1 | Long-term Debt | 52.70% H | \$39,404,166 | 0.35% H | \$136,752 |
| 2 | Short-term Debt | 4.00% H | \$2,990,829 | 1.33% H | \$39,778 |
| 3 | Total Debt | 56.70% | \$42,394,994 | 0.42% | \$176,530 |
| | Equity | | | | |
| 4 | Common Equity | 43.30% H | \$32,375,719 | 3.75% H | \$1,214,089 |
| 5 | Preferred Shares | 0.00% | \$ - | 0.00% | \$ - |
| 6 | Total Equity | 43.30% | \$32,375,719 | 3.75% | \$1,214,089 |
| 7 | Total | 100% | \$74,770,713 | 1.86% | \$1,390,620 |
| Per Board Decision | | | | | |
| | Debt | | | | |
| 8 | Long-term Debt | 52.70% H | \$39,806,035 | 0.21% H | \$82,617 |
| 9 | Short-term Debt | 4.00% H | \$3,021,331 | 1.33% H | \$40,184 |
| 10 | Total Debt | 56.70% | \$42,827,366 | 0.29% | \$122,801 |
| | Equity | | | | |
| 11 | Common Equity | 43.3% H | \$32,705,907 | 3.75% H | \$1,226,472 |
| 12 | Preferred Shares | 0.0% | \$ - | 0.00% | \$ - |
| 13 | Total Equity | 43.3% | \$32,705,907 | 3.75% | \$1,226,472 |
| 14 | Total | 100% | \$75,533,273 | 1.79% | \$1,349,272 |

Notes

(1) 4.0% unless an Applicant has proposed or been approved for another amount.



Revenue Requirement Work Form

Name of LDC: Thunder Bay Hydro Electricity Distribution Inc.

File Number: EB-2008-0245

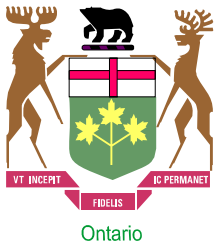
Rate Year: 2009

Revenue Sufficiency/Deficiency

| Line No. | Particulars | Per Application | | Per Board Decision | |
|----------|---|---------------------------|---------------------|---------------------------|---------------------|
| | | At Current Approved Rates | At Proposed Rates | At Current Approved Rates | At Proposed Rates |
| 1 | Revenue Deficiency from Below | | \$998,504 | | \$836,075 |
| 2 | Distribution Revenue | \$16,146,651 | \$16,146,651 | \$16,288,920 | \$16,288,920 |
| 3 | Other Operating Revenue Offsets - net | \$1,497,790 | \$1,497,790 | \$1,497,790 | \$1,497,790 |
| 4 | Total Revenue | \$17,644,441 | \$18,642,945 | \$17,786,710 | \$18,622,785 |
| 5 | Operating Expenses | \$16,525,435 | \$16,525,435 | \$16,549,092 | \$16,549,092 |
| 6 | Deemed Interest Expense | \$176,530 | \$176,530 | \$122,801 | \$122,801 |
| | Total Cost and Expenses | \$16,701,966 | \$16,701,966 | \$16,671,893 | \$16,671,893 |
| 7 | Utility Income Before Income Taxes | \$942,475 | \$1,940,979 | \$1,114,817 | \$1,950,892 |
| | Tax Adjustments to Accounting | | | | |
| 8 | Income per 2009 PILs | \$442,093 | \$442,093 | \$424,698 | \$424,698 |
| 9 | Taxable Income | \$1,384,568 | \$2,383,072 | \$1,539,516 | \$2,375,590 |
| 10 | Income Tax Rate | 30.50% | 30.50% | 30.49% | 30.49% |
| 11 | Income Tax on Taxable Income | \$422,324 | \$726,890 | \$469,465 | \$724,421 |
| 12 | Income Tax Credits | \$ - | \$ - | \$ - | \$ - |
| 13 | Utility Net Income | \$520,151 | \$1,214,089 | \$645,352 | \$1,226,472 |
| 14 | Utility Rate Base | \$74,770,713 | \$74,770,713 | \$75,533,273 | \$75,533,273 |
| | Deemed Equity Portion of Rate Base | \$32,375,719 | \$32,375,719 | \$32,705,907 | \$32,705,907 |
| 15 | Income/Equity Rate Base (%) | 1.61% | 3.75% | 1.97% | 3.75% |
| 16 | Target Return - Equity on Rate Base | 3.75% | 3.75% | 3.75% | 3.75% |
| | Sufficiency/Deficiency in Return on Equity | -2.14% | 0.00% | -1.78% | 0.00% |
| 17 | Indicated Rate of Return | 0.93% | 1.86% | 1.02% | 1.79% |
| 18 | Requested Rate of Return on Rate Base | 1.86% | 1.86% | 1.79% | 1.79% |
| 19 | Sufficiency/Deficiency in Rate of Return | -0.93% | 0.00% | -0.77% | 0.00% |
| 20 | Target Return on Equity | \$1,214,089 | \$1,214,089 | \$1,226,472 | \$1,226,472 |
| 21 | Revenue Sufficiency/Deficiency | \$693,938 | \$0 | \$581,119 | \$0 |
| 22 | Gross Revenue Sufficiency/Deficiency | \$998,504 (1) | | \$836,075 (1) | |

Notes:

(1) Revenue Sufficiency/Deficiency divided by (1 - Tax Rate)



Revenue Requirement Work Form

Name of LDC: Thunder Bay Hydro Electricity Distribution Inc.
 File Number: EB-2008-0245
 Rate Year: 2009

| Revenue Requirement | | | |
|---------------------|---|----------------|--------------------|
| Line No. | Particulars | Application | Per Board Decision |
| 1 | OM&A Expenses | \$11,913,122 | \$11,935,063 |
| 2 | Amortization/Depreciation | \$4,443,745 | \$4,443,745 |
| 3 | Property Taxes | \$ - | \$ - |
| 4 | Capital Taxes | \$168,569 | \$170,284 |
| 5 | Income Taxes (Grossed up) | \$726,890 | \$724,421 |
| 6 | Other Expenses | \$ - | \$ - |
| 7 | Return | | |
| | Deemed Interest Expense | \$176,530 | \$122,801 |
| | Return on Deemed Equity | \$1,214,089 | \$1,226,472 |
| 8 | Distribution Revenue Requirement before Revenues | \$18,642,945 | \$18,622,785 |
| 9 | Distribution revenue | \$17,145,155 | \$17,124,995 |
| 10 | Other revenue | \$1,497,790 | \$1,497,790 |
| 11 | Total revenue | \$18,642,945 | \$18,622,785 |
| 12 | Difference (Total Revenue Less Distribution Revenue Requirement before Revenues) | \$0 (1) | \$ - (1) |

Notes

(1)

Line 11 - Line 8



Revenue Requirement Work Form

Name of LDC: Thunder Bay Hydro Electricity Distribution Inc.

File Number: EB-2008-0245

Rate Year: 2009

| | | Selected Delivery Charge and Bill Impacts Per Draft Rate Order | | | | | | | | |
|-------------|----------------|---|-------------------------|---------|-------|--|------------|-------------------------|----------|------|
| | | Monthly Delivery Charge | | | | | Total Bill | | | |
| | | Current | Per Draft Rate Order | Change | | | Current | Per Draft Rate Order | Change | |
| | | | | \$ | % | | | | \$ | % |
| Residential | 1000 kWh/month | \$ 31.50 | \$ 34.57 | \$ 3.06 | 9.7% | | \$ 101.60 | \$ 110.87 | \$ 9.27 | 9.1% |
| GS < 50kW | 2000 kWh/month | \$ 54.04 | \$ 59.88 | \$ 5.83 | 10.8% | | \$ 198.29 | \$ 216.53 | \$ 18.25 | 9.2% |

Notes: