

July 2, 2009

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

**Re: Responses to Comments received from Energy Probe Research
Foundation (Energy Probe) on Thunder Bay Hydro Electricity
Distribution Inc. – 2009 Draft Rate Order Board File: EB-2008-0245**

On June 18, 2009 Thunder Bay Hydro Electricity Distribution Inc. ("Thunder Bay") received comments from Energy Probe with respect to the 2009 Draft Rate Order submitted on June 17, 2009. Thunder Bay is writing to provide responses to these comments.

Upon review of the Draft Rate Order, Energy Probe found an error in the calculation related to the change in the CCA applicable to certain computer equipment and related system software (CCA Class 50) acquired between January 27, 2009 and February 2011. This calculation was discussed and shown on page 6 of the Draft Rate Order. Thunder Bay concurs with Energy Probe that the half year rule for this class of assets was not eliminated in the Draft Rate Order.

Thunder Bay has now eliminated the half year rule from these assets and recalculated the proposed revenue requirement and proposed rates. The revised Revenue Requirement Work Form and Tariff of Rates and Charges can be viewed in Thunder Bay's response to Board Staff's comments on the Draft Rate Order.

The table below shows the adjustments made to taxable income since the final submission.

TABLE 1

	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	\$56,050	\$4,469,706
Cumulative eligible capital deduction from Schedule 10	\$69,049	\$0	\$69,049
Other Deductions	\$243,380	\$0	\$243,380
Total Deductions	\$4,726,086	\$56,050	\$4,782,135
Net of Addbacks and Deductions	\$442,093	(\$56,050)	\$386,043
Taxable Income	\$1,656,182	(\$43,668)	\$1,612,515

The adjustments made to the tax rates and PILs expense after the Draft Rate Order (DRO) is provided in the table below.

TABLE 2

	DRO	Adjustments	Revised DRO
Federal Income Tax Rate	19.00%	0.00%	19.00%
Ontario Income Tax Rate	14.00%	0.00%	14.00%
Apprenticeship Tax Credit / Taxable Income	-2.51%	-0.06%	-2.57%
	30.49%	-0.06%	30.43%
Deemed Utility Income	\$1,226,472	\$0	\$1,226,472
Tax Adjustments to Accounting Income	\$424,698	(\$38,655)	\$386,043
Taxable Income prior to adjusting revenue to PILs	\$1,651,170	(\$38,655)	\$1,612,515
Tax Rate	30.49%	-0.06%	30.43%
Total PILs before gross up	\$503,513	(\$12,793)	\$490,720
Grossed up PILs	\$724,421	(\$19,039)	\$705,382

Please note that the change to the PILs expense before gross up is a reduction of \$12,793 rather than the \$11,786 stated in Energy Probe's letter due to the decrease in the tax rate.

The revised yearly summary of the PILS allowance as shown on page 6 of the Draft Rate Order is found below:

TABLE 3

Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Income Taxes	1,092,369	1,109,218	737,431	655,911	705,382
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	875,666

Yours truly,



Cindy Speziale, CA
Vice President, Finance

CS/dt

Electronic cc: Robert Mace, President (Thunder Bay Hydro Electricity Distribution Inc.)

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