

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 Vulnerable Energy
Consumers Coalition (VECC) 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 VECC with respect to its 2009 Draft Rate Order that was submitted on June 17, 2009. Thunder Bay is writing to provide responses to these comments.

Base Distribution Revenue Requirement

"Apart from the issues raised by Energy Probe in its June 17, 2009 letter, VECC has no concerns with Thunder Bay Hydro's determination of the Base Distribution Revenue Requirement."

Response

Thunder Bay's response to these issues can be found in its reply to Energy Probe.

Foregone Revenue Rate Rider

a) Recovery Period

"VECC notes that the proposed rate rider will be in effect for only two months (i.e., July 1st to August 31st). In general, it would be more appropriate if the foregone revenue was recovered over the remaining 10 months of the Rate Year. The bill impact customers will see on July 1st would be less and there would be a greater degree of rate stability over the test year. However, in Thunder Bay's case, averaging the recovery over a 10 months period could create problems with the derivation of the variable rate for those customer classes that are billed on a kWh basis."

Response

In its analysis, Thunder Bay tested the impact of the recovery of the foregone revenue to be collected over 10 months instead of the proposed two months. In regards to the volumetric rate rider, Thunder Bay submits that the restriction of four decimal places for rates in the Billing System and the lower magnitude of some of the foregone revenue per kWh or kW results in rounding issues. If the recovery of the foregone revenue is over 10 months, Thunder Bay would collect \$9,259 more than the proposed \$74,263 in volumetric foregone revenue. This increase is primarily due to the residential class not receiving the proposed \$11,674 volumetric refund since the volumetric rate rider over 10 months results in a rounded rate of \$0.0000/kWh.

In addition, Thunder Bay has reviewed other LDC Cost of Service Applications and observed approved riders for foregone revenue which were in place for less than the remaining Rate Year.

Thunder Bay submits that the Board accept the proposal to dispose of the foregone revenue over a two month period as provided in Thunder Bay's June 17, 2009 Draft Rate Order.

b) Smart Meter Fixed Rate Adder

"VECC also notes that Fixed Rate Rider Allocation shown on page 15 is the full \$1.97 smart meter rate adder for 2009. This would be appropriate if the 2008 approved rates used in the derivation of the foregone revenue did not include the \$0.27 smart meter rate adder for 2008 (based on Exhibit 8/Tab 1/Schedule 1, page 9). However, it is VECC's understanding the rates used for 2008 (e.g. \$11.22 for residential) do include the smart meter rate adder. As a result, the allocation of the fixed rate rider required adjustment."

Response

Thunder Bay confirms that the fixed distribution rates for 2008 and the 2009 Proposal both include the smart meter rate adder in the Foregone Revenue table found on Page 15 of the Draft Rate Order. Thunder Bay submits that the calculation for the fixed rate adder is correct; however, the last 2 columns of the table incorrectly split the fixed rate adder between distribution and smart meter charges. Thunder Bay submits that the smart meter charge should have been shown as \$1.70 (\$1.97 - \$0.27) and the remaining difference to be attributable to fixed distribution charges. The table below provides greater detail of the fixed rate adder which agrees with the Board Staff's calculation on Page 3 of its comments dated June 23, 2009.

Fixed Distribution Rate Adder Analysis

	2008 Approved			2009 Proposed			Change	
	Distribution	Smart Meter	Total	Distribution	Smart Meter	Total	Distribution	Smart Meter
Customer Class								
Residential per customer	\$10.95	\$0.27	\$11.22	\$10.76	\$1.97	\$12.73	(\$0.1900)	\$1.7000
GS<50 kW per customer	\$17.06	\$0.27	\$17.33	\$17.94	\$1.97	\$19.91	\$0.8800	\$1.7000
GS>50 kW per customer	\$186.25	\$0.27	\$186.52	\$218.40	\$1.97	\$220.37	\$32.1500	\$1.7000
GS 1,000 to 4,999 kW per customer	\$1,632.83	\$0.27	\$1,633.10	\$2,105.72	\$1.97	\$2,107.69	\$472.8900	\$1.7000
Steellights per connection	\$0.34		\$0.34	\$1.25		\$1.25	\$0.9102	\$0.0000
Sentinel Lights per connection	\$6.12		\$6.12	\$6.43		\$6.43	\$0.3141	\$0.0000
Unmetered Loads per connection	\$8.51		\$8.51	\$8.95		\$8.95	\$0.4368	\$0.0000

The table below replaces the one shown on Page 15 of the Draft Rate Order to correct for the allocation of the fixed rate adder between distribution and smart meter charges. In addition, the following reflects the rate changes and rounding impacts resulting from the removal of the half-year rule impact on CCA for the computer equipment as per Energy Probe comments.

Thunder Bay Hydro Distribution Inc. Calculation of Foregone Revenue Rate Riders

May 1, 2009 Effective Date with July 1, 2009 Implementation Date

Customer Class	Test Year Normalized Forecast 2009	2008 Approved		2009 Proposed		Foregone Revenue		Rate Riders/mth for 2 months		Fixed Rate Rider Allocation
		Rates	Revenue	Rates	Revenue	B	C	B/2/A	C/(A/12*2)	
		Fixed	2 Months Fixed	Fixed	2 Months Fixed	2 Months Fixed	2 Months Volumetric	Total Fixed	Total Volumetric	
Residential	Customers kWh 44,635 350,217,935	\$11.22	\$1,001,604	\$12.72	\$1,135,508	\$133,904.24	(\$17,510.90)	\$1,5000	(\$0.0003)	Smart Meter (\$0.2000) \$1,7000
GS<50 kW	Customers kWh 4,466 144,258,193	\$17.33	\$154,795	\$19.89	\$177,662	\$22,866.45	\$14,425.82	\$2,5600	\$0.0006	\$0.8600 \$1,7000
GS>50 kW	Customers kWh 511 305,337,414 718,710	\$186.52	\$190,530	\$220.13	\$224,862	\$34,332.51		\$33,6100		\$31.9100 \$1,7000
GS 1,000 to 4,999 kW	Customers kWh 19 194,477,088 561,149	\$1,633.10	\$62,058	\$2,105.35	\$80,003	\$17,945.50		\$472.2500		\$470.5500 \$1,7000
Steellights	Connections kWh 13,091 10,616,947 31,276	\$0.34	\$8,902	\$1.25	\$32,697	\$23,794.88	\$22,735.89	\$0.9088	\$5.4980	\$0.9088
Sentinel Lights	Connections kWh 176 146,789 402	\$6.12	\$2,159	\$6.43	\$2,267	\$108.30		\$0.3070		\$0.3070
Unmetered Loads	Customers kWh 437 1,786,004	\$8.51	\$7,438	\$8.94	\$7,811	\$373.13		\$0.4269		\$0.4269
TOTAL			\$1,427,486		\$1,680,811	\$233,325	\$178.60			
			\$2,810,022		\$3,111,460	\$301,439				

Revenue to Cost Ratios

"VECC notes that Thunder Bay Hydro continues to apply the Revenue to Cost ratios to its Base Distribution Revenue Requirement as opposed to the Service Revenue Requirement as used in the Cost Allocation filings. However, the impacts are likely to be small and the results, as presented by Thunder Bay Hydro, are acceptable."

Response

No additional comments are required.

Rate Design

"Thunder Bay Hydro has not provided any schedules detailing the derivation of the proposed distribution rates by customer class. Furthermore, in the case of the Residential class, VECC has been unable to replicate the calculation of the proposed fixed charge. Thunder Bay should provide supporting documentation."

Response

The following tables provide further detail on the derivation of the proposed distribution rates by customer class found in the Draft Rate Order. The removal of the half year rule on Class 50 Assets resulted in a change to Thunder Bay's proposed revenue requirement and proposed rates. A revised Revenue Requirement Work Form and Tariff of Rates and Charges can be found in Thunder Bay's response to Board Staff.

Revenue-to-Cost Ratio and Revenue Requirement

	A	B	C	D	E	F=C/D*E
	Base Revenue Requirement- Allocation based on Percentage Distribution Revenue at Existing Rates	Current Miscellaneous Revenue- Allocation based on Cost of Service Study Allocation	Service Revenue Requirement- Before Revenue to Cost Ratio Adjustments	Cost of Service Results Revised as per VECC IR #7	Revised Revenue to Cost Ratio per Draft Rate Order	Service Revenue Requirement
Residential	\$11,234,615	\$900,514	\$12,135,128	128.71%	120.95%	\$11,403,490
GS <50 kW	\$2,853,837	\$312,191	\$3,166,028	115.55%	115.55%	\$3,166,028
GS >50 kW	\$1,920,043	\$183,922	\$2,103,965	66.09%	73.05%	\$2,325,513
GS 1,000 to 4,999 kW	\$888,008	\$66,952	\$954,960	43.41%	52.56%	\$1,156,230
Street Light	\$123,650	\$31,185	\$154,835	14.03%	42.01%	\$463,655
Sentinel	\$15,679	\$720	\$16,399	109.17%	109.17%	\$16,399
Unmetered Scattered Load	\$70,125	\$2,306	\$72,431	114.91%	114.91%	\$72,431
	\$17,105,956	\$1,497,790	\$18,603,746			\$18,603,746

Base Revenue Requirement by Class

Customer Class	2009 Service Revenue Requirement	2009 Miscellaneous Revenue Allocation	Base Revenue Requirement
Residential	\$11,403,490	\$900,514	\$10,502,976
GS <50 kW	\$3,166,028	\$312,191	\$2,853,837
GS>50 kW	\$2,325,513	\$183,922	\$2,141,592
GS 1,000 to 4,999 kW	\$1,156,230	\$66,952	\$1,089,278
Street Light	\$463,655	\$31,185	\$432,470
Sentinel	\$16,399	\$720	\$15,679
Unmetered Scattered Load	\$72,431	\$2,306	\$70,125
TOTAL	\$18,603,746	\$1,497,790	\$17,105,956

Fixed / Variable Split

Customer Class	Current Volumetric Split	Current Fixed Charge Spilt	Total
Residential	45.18%	54.82%	100.00%
GS <50 kW	66.36%	33.64%	100.00%
GS>50 kW	37.56%	62.44%	100.00%
GS 1,000 to 4,999 kW	55.97%	44.03%	100.00%
Street Light	54.64%	45.36%	100.00%
Sentinel	13.24%	86.76%	100.00%
Unmetered Scattered Load	33.17%	66.83%	100.00%

Proposed Fixed Rates

Customer Class	Total Base Revenue Requirement	Fixed Revenue Portion	2009 Test Year Annualized Customers / Connections	Fixed Distribution Charge	Smart Meter Funding Adder	Total Fixed Distribution Charge
Residential	\$ 10,502,976	54.82%	44,635	\$10.75	\$1.97	\$12.72
GS <50 kW	\$ 2,853,837	33.64%	4,466	\$17.92	\$1.97	\$19.89
GS>50 kW	\$ 2,141,592	62.44%	511	\$218.16	\$1.97	\$220.13
GS 1,000 to 4,999 kW	\$ 1,089,278	44.03%	19	\$2,103.38	\$1.97	\$2,105.35
Street Light	\$ 432,470	45.36%	13,091	\$1.25	\$0.00	\$1.25
Sentinel	\$ 15,679	86.76%	176	\$6.43	\$0.00	\$6.43
Unmetered Scattered Load	\$ 70,125	66.83%	437	\$8.94	\$0.00	\$8.94
	\$ 17,105,956					

Proposed Variable Rates

Customer Class	Total Base Revenue Requirement	Variable Revenue Portion	Variable Distribution Revenue	Transformer Allowance	Gross Distribution Revenue for Base Rates	2009 Test Year Usage	Unit of Measure	Total Variable Distribution Charge
Residential	\$10,502,976	45.18%	\$4,744,896	\$0	\$4,744,896	350,217,935	kWh	\$0.0135
GS <50 kW	\$2,853,837	66.36%	\$1,893,675	\$0	\$1,893,675	144,258,193	kWh	\$0.0131
GS>50 kW	\$2,141,592	37.56%	\$804,487	\$77,679	\$882,167	718,710	kW	\$1.2274
GS 1,000 to 4,999 kW	\$1,089,278	55.97%	\$609,707	\$332,726	\$942,433	561,149	kW	\$1.6795
Street Light	\$432,470	54.64%	\$236,287	\$0	\$236,287	31,276	kW	\$7.5549
Sentinel	\$15,679	13.24%	\$2,076	\$0	\$2,076	402	kW	\$5.1586
Unmetered Scattered Load	\$70,125	33.17%	\$23,257	\$0	\$23,257	1,786,004	kWh	\$0.0130
	\$17,105,956		\$8,314,386	\$410,406	\$8,724,792			

Yours truly,



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CS/dt

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