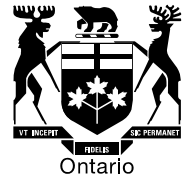


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BY EMAIL

January 11, 2010

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Thunder Bay Hydro Electricity Distribution Inc.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0115**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Thunder Bay Hydro Electricity Distribution Inc. and to all other registered parties to this proceeding.

In addition please remind Thunder Bay Hydro Electricity Distribution Inc. that its Reply Submission is due by February 1, 2011.

Yours truly,

Original Signed By

Daniel Kim
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Thunder Bay Hydro Electricity Distribution Inc.

EB-2010-0115

January 11, 2011

**Board Staff Submission
Thunder Bay Hydro Electricity Distribution Inc.
2011 IRM3 Rate Application
EB-2010-0115**

Introduction

Thunder Bay Hydro Electricity Distribution (“Thunder Bay”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on September 17, 2010, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Thunder Bay charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Thunder Bay.

Board staff makes submissions on the following matters:

- Adjustments to the Revenue-to-Cost Ratios;
- Lost Revenue Adjustment Mechanism (“LRAM”); and
- Disposition of Deferral and Variance Accounts as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”).

ADJUSTMENTS TO THE REVENUE-TO-COST RATIOS

Background

The Board’s Decision (EB-2008-0245) for Thunder Bay’s 2009 cost of service rate application prescribed a phase-in period to adjust revenue-to-cost ratios. The 2011 IRM3 Revenue Cost Ratio Adjustment Workform allowed Thunder Bay to address this matter. The process adjusts base distribution rates before the application of the price cap adjustment.

Submission

Board staff submits that Thunder Bay has complied with the filing requirements of the 2011 IRM3 Revenue Cost Ratio Adjustment Workform. Board staff takes no issue with Thunder Bay's revenue-to-cost ratio adjustments.

LOST REVENUE ADJUSTMENT MECHANISM

General Background

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "Guidelines") issued on March 28, 2008 outlines the information that is required when filing an application for LRAM or SSM recovery.

Thunder Bay Specific Background

In response to Board staff interrogatory #5a, Thunder Bay replied that it "has used the most recently published OPA Measures and Assumptions list when calculating its lost revenues stemming from 2008 CDM programs that persist into 2009 and 2010".

Submission

Board staff submits that it appears as though Thunder Bay has not used the most recently published OPA Input Assumptions list when calculating its entire LRAM claim. Thunder Bay makes no reference to using the most recently published OPA Input Assumptions list when calculating lost revenues from its 2005-2007 CDM programs.

Board Staff notes that this practice is not consistent with the Board Decision on Horizon Utilities Corporation's ("Horizon") LRAM application (EB-2009-0192) where the Board directed Horizon to use the most recently published OPA Input Assumptions list when calculating its LRAM claim to keep the utility whole for the losses it has incurred as a result of implementing CDM programs.

Board Staff submits that the Board should direct Thunder Bay to re-calculate its LRAM claim using the most recently published OPA Input Assumptions List and re-file the updated amounts for approval.

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS AS PER THE EDDVAR REPORT

General Background

For purposes of 2011 IRM applications, the EDDVAR Report requires a distributor to determine the value of its December 31, 2009 Group 1 Deferral and Variance account balance and determine whether the balance exceeds the preset disposition threshold of \$0.001 per kWh using the 2009 annual kWh consumption reported to the Board. When the preset disposition threshold is exceeded, a distributor is required to file a proposal for the disposition of Group 1 account balances (including carrying charges) and include the associated rate riders in its 2011 IRM Rate Generator for the disposition of the balances in these accounts. The onus is on the distributor to justify why any account balance in excess of the threshold should not be cleared.

Thunder Bay Specific Background

2011 Annual Disposition

Thunder Bay has requested that the Board review and approve the disposition of the December 31, 2009 balances of Group 1 Deferral and Variance accounts as defined by the EDDVAR report. The total balance of the Group 1 accounts, excluding the 1588 global adjustment sub-account is a debit of \$989,995. The balance in the 1588 global adjustment sub-account is a debit of \$1,735,164. Thunder Bay has included interest, using the Board's prescribed interest rates, on these account balances up to April 30, 2011. Debit balances are amounts recoverable from customers.

Thunder Bay has proposed to dispose of its Group 1 account balances over a one-year period.

Submission

With regard to its 2011 deferral and variance account balances, Board staff notes that the principal amounts to be disposed as of December 31, 2009 reconcile with the amounts reported as part of the Reporting and Record-keeping Requirements (“RRR”). Board staff therefore submits that the amounts should be disposed on a final basis. Board staff also submits that Thunder Bay’s proposal for a one year disposition period for its Group 1 account balances is in accordance with the EDDVAR Report.

All of which is respectfully submitted