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February 28, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Thunder Bay Hydro Electricity Distribution Inc. ("TBHEDI")
2011 IRM3 Distribution Rate Application
Board File No. EB-2010-0115**

This letter acknowledges receipt of the OEB's Decision and Order dated February 22, 2011 in regards to the cost recovery of the late payment penalty (EB-2010-0295).

TBHEDI submits two (2) paper copies of its responses to the OEB's Decision and Order as part of TBHEDI's 2011 IRM3 Distribution Rate Application. An electronic copy has been submitted through the OEB's RESS on-line filing system and via email to all Intervenor.

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

Yours truly,

Cindy Speziale, CA
Vice President, Finance

cc: Robert Mace, President, Thunder Bay Hydro Electricity Distribution Inc.
Michael Buonaguro, Counsel for Vulnerable Energy Consumers Coalition (VECC)
Roger Higgin, Econalysis Consulting Services (VECC Consultant)
Wayne McNally, School Energy Coalition (SEC) Coordinator
Jay Shepherd, Counsel for SEC

Responses to the OEB's Decision and Order (EB-2010-0295)

2011 IRM3 Electricity Distribution Rates Thunder Bay Hydro Electricity Distribution Inc. ("TBHEDI") EB-2010-0115

Introduction

TBHEDI originally filed an application with the Ontario Energy Board ("OEB") on September 17, 2010 seeking approval for changes to its electricity distribution rates to be effective May 1, 2011. The application is based on the 2011 3rd Generation Incentive Regulation Mechanism.

Included in TBHEDI's original application on page 6 of 21 was a "Z Factor Claim – Recovery of Late Payment Penalty Litigation Costs." On February 22, 2011, the OEB released its Decision and Order on the Late Payment Penalty ("LPP") Generic Hearing (EB-2010-0295). The OEB has found that the costs sought to be recovered by distributors, namely the settlement of litigation before the Ontario Superior Court of Justice, were prudently incurred. As a result, the Board has ordered that the costs and damages arising from the LPP class action that are sought for recovery in this proceeding are recovered from all ratepayers of the Affected Electricity Distributors which includes TBHEDI.

LPP Rate Rider Calculation

As per Appendix A of the Board's Decision and Order, TBHEDI is approved to recover \$160,239.21 in regards to the LPP. The Board has directed that distributors calculate the rate rider as follows:

- Distributors are to allocate the cost recovery amount to all customers on the basis of 2009 distribution revenues used in the RRR process.
- Distributors are to collect their approved amount over a 12-month period starting May 1, 2011.
- The rate rider is to be a fixed customer charge and shall use the 2009 year-end actual customer or connection data, as applicable, reported as part of each distributor's RRR.

The table below has taken all of the above instructions into account and has calculated the monthly fixed charge rate rider as follows:

LPP Recovery Amount: \$ 160,239.21

Rate Class	Distribution Revenue \$ Account 4080	Distribution Revenue %	Allocation of LPP Recovery	Customers or Connections	Fixed Charge/Month Rate Rider
Residential Customers	\$10,704,867.37	63%	\$101,450.80	44,443	\$0.19
GS < 50 kW Customers	\$2,675,517.51	16%	\$25,356.07	4,428	\$0.48
GS 50 to 999 kW Customers	\$2,085,717.51	12%	\$19,766.50	503	\$3.27
GS 1,000 to 4,999 kW Customers	\$1,007,873.20	6%	\$9,551.69	21	\$37.90
Unmetered Scattered Load Connections	\$134,844.09	1%	\$1,277.93	469	\$0.23
Street Lighting Connections	\$299,271.94	2%	\$2,836.22	13,055	\$0.02
TOTAL	\$16,908,091.62	100%	\$160,239.21		

Please note that the source of TBHEDI's distribution revenue and the number of customers or connections is from its 2009 2.1.5 RRR filing and has been included as Appendix A. In review of the 2009 2.1.5 RRR filing, TBHEDI became aware that customer count for the GS < 50 kW of 4,486 included 58 Unmetered Scattered Load customers in error, and thus, has been removed for a total of 4,428 in the above calculation.

At this time, TBHEDI requests that the Board accepts the rate rider as calculated above and that TBHEDI commences collection effective May 1, 2011 for a period of 12 months.

All of which is respectfully submitted

Output and Revenues

Customers, Demand and Revenues

Rate Class	Number	Billed kW	Billed kWh	Revenues Account (4080)
General Service < 50 kW Customers	4,486	0	138,834,577.00	2,675,517.51
General Service >= 50 kW Customers	524	1,320,724	481,807,121.00	3,093,590.71
Large Use (>5,000 kW) Customers	0	0	0.00	0.00
Street Lighting Connections	13,055	30,981	11,577,185.00	299,271.94
Sentinel Lighting Connections	168	0	64,650.00	0.00
Sub Transmission	0	0	0.00	0.00
Scattered Unmetered Loads	469	0	1,995,125.00	134,844.09

Please indicate the number of Net Metering Customers and Total Capacity Installed as of December 31st of the reported year.

<https://www.errr.ontarioenergyboard.ca/xmlloader.asp?type=loadform&formid=80000000000001DE&recordid=000000000000...>