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**BY E-MAIL**

February 5, 2007

Thomas Wright  
Thunder Bay Hydro Electricity Distribution Inc.  
34 Cumberland Street North  
Thunder Bay, ON P7A 4L4

Dear Mr. Wright:

**Re: Thunder Bay Hydro Electricity Distribution Inc.  
2007 Incentive Rate Mechanism  
Application Board File Number EB-2007-0580**

This will acknowledge receipt on January 26, 2007 of your electricity distribution rate application (the "application"). An initial review of your application reveals that it has not been filed in conformity with the Board's December 20, 2006 "Report of the Board on the Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors" (the "Board's Report").

Specifically, your application does not conform in the following respects:

- The application is not based on the Board's currently approved rates;
- The application includes a request for a rate rider for your 2007 rates for LRAM and SSM.

To expedite the review of the 2007 rate adjustment, you may wish to re-file your application to bring it into conformity with the Report.

As you may be aware, distributors filing forward test year cost of service applications based on alternative principles or mechanisms for setting rates must do so in conformity with the Board's November 14, 2006 "Filing Requirements for Transmission and Distribution Applications" (the "November 2006 filing requirements") which is Appendix D to the Board's Report.

If you wish to continue with the application as currently constituted you must do so under the November 2006 filing requirements, and provided the additional information described in Chapter 2 of that document, which includes but is not limited to:

1. A volume and revenue forecast, including any normalization methodology and other sales activities;
2. An operating cost exhibit with information summarizing the total cost of service;
3. Information on rate base, capital budgets and system expansion.

The Board will resume processing your application once the above informational requirements have been met. If the above information is not filed within 30 days of the date of this letter, the Board may close the file for this application.

It would appear from your application that you believe the rates contained in the Board's Vary Order of December 29, 2006 (RP-2005-0020/EB-2005-0419) are in error. If so, it is open to you to request a review of the decision. Such a review does not form part of an application. It requires a motion to review. The steps to be taken to initiate a motion to review are described in Part VII of the Board's *Rules of Practice and Procedure*, which are found on the Board's website under "Rules, Codes, Guidelines & Forms".

You have also included in your application a request for a rate rider for your 2007 rates for LRAM and SSM. This request is not complete. Chapter 6 of the November 14, 2006 filing requirements described the additional information which must be filed.

Specifically, for each program, kW or kWh impacts (both gross and net of free riders) must be provided, and for verification of participation levels, more supporting evidence is required. If you re-file this request as a separate application, this will expedite the processing of the rate application.

Upon receipt of the revised application the Board will issue an acknowledgement letter indicating the expected date on which a decision and/or order may be rendered.

The Board has assigned File Number EB-2007-0580 to this matter. Please refer to this number in all future correspondence to the Board regarding this matter.

Please direct any questions relating to this application to Martin Davies, Project Advisor at 416-440-8107 or [Martin.Davies@oeb.gov.on.ca](mailto:Martin.Davies@oeb.gov.on.ca).

Yours truly,

*Original signed by*

Peter H. O'Dell  
Assistant Board Secretary