

February 13, 2008

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor - 2300 Yonge Street
Toronto, ON M4P 1E4

**Re: Thunder Bay Hydro Electricity Distribution Inc.
2008 Incentive Regulation Mechanism (2008 IRM) Rate Application
Board File Number EB-2007-0880**

Dear Ms. Walli:

This letter is in response to the Board Staff's submission dated January 31, 2008.

To provide clarification and supporting information for Thunder Bay Hydro's proposed adjustment to our Retail Transmission Service Rates (RTR), attached please find the following:

- Revised Schedule A which details the cost and revenue rates that were used to arrive at the Cost/Revenue Ratio;
- Exhibit A – Summary of Connection & Network Variances. The variances have been forecasted to April 30, 2008 including carrying charges.
- Exhibit B - Net Connection & Network Variance (providing support for the cost and revenue rates in Schedule A).
- Exhibit C – Worksheet 7-1 Allocation –Base Revenue Requirement from 2006 EDR.

June 2006 was used as the starting point for the RTR rate analysis given the change to RTR rates through the 2006 EDR Rate Application. Please note that Exhibit B factors into the cost the reductions in the average wholesale RTR charges effective November 1, 2007 of 18% and 5%.

The rate rider was allocated to the customer classes based on the allocations as per Exhibit C.

Thunder Bay Hydro proposed a disposition of the retail transmission rates as per direction provided in the October 29, 2007 letter from the Board. It would be our preference to dispose of the variances given that we are in a net liability position; however, we understand that disposition of all of the deferral and variance accounts at the same time would minimize fluctuations. As such, we would not be opposed to waiting until our rates are rebased in 2009.

Trusting the foregoing provides clarification to Board Staff regarding our submission in response to the Board's October 29, 2007 letter.

Yours truly,

A handwritten signature in dark ink, appearing to read "C. Speziale", with a stylized flourish at the end.

Cindy Speziale, CA
Vice President, Finance

CS/dt

Attachments: Revised Schedule A
Exhibits A, B & C

EDR RATE SUBMISSION	Retail Transmission Rate per kWh					
	Retail Transmission Rate \$/kWh			Increment \$/kWh		Adjusted Retail Transmission Rate \$ per kWh
	Network	Connection	Total	Network	Connection	
RESIDENTIAL						
Regular	0.0046	0.0025	0.0071	(0.0005)	0.0009	0.0075
GENERAL SERVICE						
Less than 50 kW	0.0042	0.0023	0.0065	(0.0004)	0.0009	0.0069
Other > 50kW<1000kW Interval Metered						
Other > 50kW<1000kW						
Other > >1000kW<5000kW						
Unmetered Scattered Load	0.0042	0.0023	0.0000	(0.0004)	0.0009	0.0000
Sentinel Lighting						
Street Lighting						

Retail Transmission Rate per kW					
Retail Transmission Rate \$/kW			Increment \$		Adjusted Retail Transmission Rate \$ per kW
Network	Connection	Total	Network	Connection	
1.8083	0.9934	2.8017	-0.1878	0.3678	2.9818
1.7047	0.8989	2.6036	-0.1770	0.3328	2.7594
1.8083	0.9934	2.8017	-0.1878	0.3678	2.9818
					0.0000
1.2921	0.7094	2.0015	-0.1342	0.2627	2.1300
1.2856	0.6949	1.9805	-0.1335	0.2573	2.1043

REVISED RATE DETAIL	Retail Transmission Rate per kWh - with individual revised rates					
	Retail Transmission Rate \$/kWh			Increment \$/kWh		Adjusted Retail Transmission Rate \$ per kWh
	Network	Connection	Total	Network	Connection	
RESIDENTIAL						
Regular	0.0041	0.0034	0.0075			
GENERAL SERVICE						
Less than 50 kW	0.0038	0.0032	0.0069			
Other > 50kW<1000kW Interval Metered						
Other > 50kW<1000kW						
Other > >1000kW<5000kW						
Unmetered Scattered Load						
Sentinel Lighting						
Street Lighting						

Retail Transmission Rate per kW - with individual revised rates					
Retail Transmission Rate \$/kW			Increment \$		Adjusted Retail Transmission Rate \$ per kW
Network	Connection	Total	Network	Connection	
1.6205	1.3612	2.9818			
1.5277	1.2317	2.7594			
1.6205	1.3612	2.9818			
1.1579	0.9721	2.1300			
1.1521	0.9522	2.1043			

	Network	Connection
Cost/kwh-Exhibit B -April 2008	\$ 0.0042242	\$ 0.0035467
Revenue/kwh-Exhibit B April 2008	\$ 0.0047137	\$ 0.0025883
Rate (Decrease) / Increase		
Cost/Revenue Ratio	0.8962	1.3703

Summary of Connection & Network Variances

Ending April 30, 2008

	Network			Connection			Total		
	Variance	Carrying Charge	Total	Variance	Carrying Charge	Total	Variance	Carrying Charge	Total
Variance prior to June 2006	1,160,832	50,336	1,211,168	2,253,347	103,305	2,356,652	3,414,179	153,640	3,567,820
June 1, 2006 - Sep 30, 2007 variance	(631,533)	55,041	(576,492)	(1,572,257)	95,041	(1,477,216)	(2,203,790)	150,082	(2,053,708)
October 2007 before rate change variance	(35,523)	2,267	(33,256)	(88,437)	2,917	(85,520)	(123,960)	5,184	(118,775)
Nov 1, 2007 - April 30, 2008 variance created by new cnxn & network rates	273,359	15,543	288,902	(535,291)	9,645	(525,645)	(261,931)	25,188	(236,743)
Net variance to be disposed of	767,136	123,186	890,322	57,362	210,909	268,271	824,498	334,095	1,158,593

Interest rate used Nov 1/07 onwards: 5.14%

Net Connection & Network Variances
June 2006 - September 2007 + October 2007 - April 2008 Forecast

EXHIBIT B

	Consumption	Network				Per kWh	Connection				Per kWh	Total Variance NW & Cnxn	
		Revenue	Expense	Variance \$			Revenue	Expense	Variance \$				
Actual													
Jun 2006	93,179,091	409,547	433,381	-	23,834	-	0.000256	256,847	306,993	-	50,147	-	73,980
July 2006	70,118,247	350,914	362,486	-	11,572	-	0.000165	195,681	263,131	-	67,450	-	79,022
Aug 2006	84,890,831	426,491	454,325	-	27,834	-	0.000328	231,803	340,919	-	109,115	-	136,950
Sep 2006	82,631,804	368,366	444,887	-	76,522	-	0.000926	200,386	320,816	-	120,430	-	196,952
Oct 2006	79,864,905	392,348	418,761	-	26,413	-	0.000331	212,764	313,976	-	101,212	-	127,625
Nov 2006	84,196,240	398,954	415,665	-	16,711	-	0.000198	216,046	287,149	-	71,103	-	87,814
Dec 2006	80,499,260	375,355	459,068	-	83,713	-	0.001040	204,933	336,477	-	131,544	-	215,257
Jan 2007	102,469,582	477,853	501,470	-	23,617	-	0.000230	259,077	344,646	-	85,569	-	109,186
Feb 2007	89,584,192	407,853	487,018	-	79,165	-	0.000884	221,033	338,924	-	117,891	-	197,056
Mar 2007	113,884,696	510,207	478,406		31,801		0.000279	276,352	360,639	-	84,287	-	52,486
Apr 2007	83,435,529	383,083	481,960	-	98,877	-	0.001185	209,225	323,236	-	114,011	-	212,888
May 2007	97,096,771	461,264	424,175		37,089		0.000382	250,233	322,112	-	71,879	-	34,790
Jun 2007	75,891,967	364,507	387,209	-	22,702	-	0.000299	198,192	280,510	-	82,318	-	105,020
July 2007	80,759,000	394,413	395,340	-	927	-	0.000011	213,715	302,016	-	88,301	-	89,228
Aug 2007	75,428,825	367,668	458,488	-	90,820	-	0.001204	199,526	319,716	-	120,190	-	211,010
Sep 2007	69,777,123	339,227	456,943	-	117,716	-	0.001687	183,842	340,652	-	156,810	-	274,526
	1,363,708,063	6,428,050	7,059,583	-	631,533	-	0.000463	3,529,655	5,101,912	-	1,572,257	-	2,203,790
2006	575,380,378	2,721,975	2,988,574	-\$	266,599	-	0.0004633	1,518,460	2,169,461	-\$	651,001	-	-\$ 917,600
2007	788,327,685	3,706,075	4,071,009	-\$	364,934	-	0.0004629	2,011,195	2,932,451	-\$	921,256	-	-\$ 1,286,190
				-\$	631,533					-\$	1,572,257		
Average:		\$ 0.00471	\$ 0.00518	-\$	0.00046	-	0.0004631	\$ 0.00259	\$ 0.00374	-\$	0.00115	-	0.0011500
Revised Rate:			\$ 0.00422						\$ 0.00355				
Forecast													
Oct 2007	76,706,577	0.00471	0.00518	-	35,523	-	0.0004631	0.00259	0.00374	-	88,437	-	123,960
Nov 2007	87,605,608	0.00471	0.00422		42,876		0.0004894	0.00259	0.00355	-	83,960	-	41,084
Dec 2007	84,123,859	0.00471	0.00422		41,172		0.0004894	0.00259	0.00355	-	80,623	-	39,451
Jan 2008	96,953,860	0.00471	0.00422		47,451		0.0004894	0.00259	0.00355	-	92,919	-	45,468
Feb 2008	90,307,923	0.00471	0.00422		44,199		0.0004894	0.00259	0.00355	-	86,550	-	42,351
Mar 2008	114,732,025	0.00471	0.00422		56,153		0.0004894	0.00259	0.00355	-	109,958	-	53,805
Apr 2008	84,810,438	0.00471	0.00422		41,508		0.0004894	0.00259	0.00355	-	81,281	-	39,773
Oct 07 - Apr 08 Forecast					\$ 237,837						-\$ 623,728		-\$ 385,891
Cumulative Variance: June 1/06 - April 30/08					-\$ 393,696						-\$ 2,195,985		-\$ 2,589,682
Network factor for 18.4% :		0.816											
Connection factor for 5.2%:		0.948											

This spreadsheet reflects the impact of Hydro 1 Nov 1/07 rate changes for connection and network rates.
Reduced forecasted expense by (18.4%) for Network costs and (5.2%) for Connection expenses. Note: the rate change reduces anticipated variance by \$92,116

7-1 ALLOCATION - Base Revenue Requirement

Amount allocated on this sheet:-- Base Revenue Requirement B.R.R. #1	Allocation to Customer Classes %	<u>Calculated Revenue for Allocation between Fixed and Variable: Consumption determinants x Rates for 2005 "Sheet 5"</u>				Allocation between Fixed and Variable %			Base Revenue Requirement Allocated (adjusted for Transformer Credit)		
	Total for customer class as % of Total for all classes	Volumetric kWh (\$)	Volumetric kW (\$)	Monthly Fixed Charges (\$)	Total (\$)	Volumetric as percent of Total for customer class	Fixed charges as percent of total for customer class		Overall Allocation to Classes	Variable Component	Fixed Component
\$ 16,137,828											
RESIDENTIAL											
Regular	64.43%	4,921,139	0	5,792,944	10,714,082	45.93%	54.07%	100.00%	10,663,900	4,898,089	5,765,811
Less than 50 kW	16.56%	1,847,832	0	924,532	2,772,364	66.65%	33.35%	100.00%	2,740,846	1,826,825	914,021
Greater than 50 kW Time c	0.00%	0	0	0	0	0.00%	0.00%	0.00%	0	0	0
Other > 50 kW (specify) .>!	10.91%	0	743,503	1,022,447	1,765,949	42.10%	57.90%	100.00%	1,806,182	760,441	1,045,740
Other > 50 kW (specify) .>'	7.00%	0	808,789	379,071	1,187,859	68.09%	31.91%	100.00%	1,158,847	789,035	369,812
Large Use (> 5000 kW)	0.00%	0	0	0	0	0.00%	0.00%	0.00%	0	0	0
Unmetered Scattered Loac	0.33%	37,925	0	17,586	55,510	68.32%	31.68%	100.00%	54,733	37,394	17,340
Sentinel Lighting	0.07%	0	1,404	9,576	10,980	12.79%	87.21%	100.00%	11,709	1,497	10,211
Street Lighting	0.69%	0	59,511	50,565	110,077	54.06%	45.94%	100.00%	114,938	62,140	52,798
TOTALS	100.00%	6,806,896	1,613,207	8,196,720	16,616,822	50.67%	49.33%	100.00%	16,551,155	8,375,421	8,175,733
									413,327	<< Less Transformer Credit	
									16,137,828	<< Base Revenue Req. B.R.R.#1	