

**Ontario Energy
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**Commission de l' énergie
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BY E-MAIL

February 20, 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 is in follow-up to the Board's letter to you on February 5, 2007 concerning your electricity distribution rate application (the "EDR 2007 application") of January 26, 2007 and related matters and further to your subsequent discussions with Board staff. It outlines the additional information that would facilitate processing of both the EDR 2007 application and any motion to review your 2006 Decision and Vary Order that you may decide to file.

Where the EDR 2007 application is concerned, and as discussed in the Board's letter of February 5, 2007, the most expeditious approach would be for you to re-file it on the basis of the Board's December 20, 2006 "Report of the Board on the Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors." (the "Board's Report") This would involve making two changes to the January 26, 2007 filing, which would be; (1) re-filing based upon the Board's currently approved rates, and (2) removing the request for a rate rider for your 2007 rates for LRAM and SSM and re-filing this request separately.

If you file a motion to review with respect to your 2006 Decision and Vary Order, please include as part of it, a full and complete description of your rate recovery proposal including its amount, from which customer classes you believe you are presently under and over-recovering, which customers will pay more and which less under your proposal and how much more or less. In the event that you believe any rate mitigation plan would be required as a result of your proposal, please also include details on your proposed plan.

The Board's review of this matter will involve a consideration of the billing determinants that are used as the basis of any revenue recovery proposal. For this reason, please review the billing determinant data contained in both your original EDR 2006 filing and your RRR filings for the years 2002 to 2006 and confirm that these numbers are correct and complete in both instances, and if not, make any necessary corrections.

Finally, please confirm, either as part of a re-filed EDR 2007 application, or separately, the level of 2007 smart meter funding you are seeking. As you have been identified as an "inactive" distributor in the January 29, 2007 "Addendum for Smart Metering Rates" to the Board's Report, you must file an amendment to your current application to continue collection of the smart meter rate adder, already incorporated in the EDR 2007 model.

As previously stated, we are hoping that if the issues discussed above can be clarified, this will help to expedite the Board's processing of your EDR 2007 application and/or any motion to review the EDR 2006 Decision/Vary Order you may decide to file.

Please direct any questions relating to this matter to Martin Davies, Project Advisor at 416-440-8107 or Martin.Davies@oeb.gov.on.ca.

I hope that the above information is helpful to you.

Yours truly,

Original signed by

Peter H. O'Dell
Assistant Board Secretary