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March 16, 2007

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.
2007 Distribution Rate Application
Board File No. EB-2007-0580 – Clarification Requested**

Dear Ms. Walli:

As requested, we are providing our responses to your request for clarification on the 2007 Distribution Rate Application. The numbered items are your requests for clarifications as noted in your email and we have followed each request with our response.

1. Sheet 3, 2006 Board-Approved Tariff of Rates and Charges, the General Service 50 to 999 kW proposed rates exclude both the Retail Transmission Rate – Network Service Rate – Interval Metered in the amount of \$1.8083 kW and the Retail Transmission Rate – Line and Transformation Connection Service rate – Interval Metered in the amount of \$0.9934 kW which are on the presently approved tariff. Please state whether these rates were omitted in error and, if not, please provide an explanation for the proposed change.

Response:

These amounts were excluded in error. Please include on Sheet 3, 2006 Board-Approved Tariff of Rates and Charges, General Service 50 to 999 kW proposed rates in the appropriate lines described as “Retail Transmission Rate – Network Service Rate – Interval Metered” an amount of \$1.8083 kW and on the lined described as “Retail Transmission Rate – Line and Transformation Connection Service rate – Interval Metered”, an amount of \$0.9934 kW.

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2. Sheet 3, 2006 Board-Approved Tariff of Rates and Charges, the Large Use Distribution Volumetric Rate has been entered as a \$/kWh rate, but on the approved Tariff it is a \$/kW rate. Please state whether the \$/kWh rate was entered in error, and, if not, please provide an explanation for the proposed change.

Response:

The \$/kWh was entered in error. Please change description to a \$/kW rate.

3. Sheet 3, 2006 Board-Approved Tariff of Rates and Charges, does not include the transformer ownership allowance or the primary metering allowance, both of which are included on the approved Tariff. Please state whether these rates were omitted in error and, if not, please provide an explanation for the proposed change.

Response:

Please include the following allowances on Sheet 3:

Transformer Allowance for Ownership – per kW of billing demand/month - \$ (.60)

Primary Metering Allowance for transformer losses – applied to measured demand and energy - % (1.00)

4. Sheet 4, Smart Meter Information, there is no smart meter rate adder included for the Large Use class, yet one was included in the Vary Order. Please state whether or not this adder was omitted in error and, if not, please provide an explanation for the proposed change.

Response:

Please include on a smart meter rate adder in the amount of \$0.27 for the Large Use Class on Sheet 4.

5. Sheet 7, Large Corporation Tax Allowance, shows Thunder Bay's 2006 Base Revenue Requirement as \$16,338,085.53. Board staff calculates this number as \$16,338,267 using the 2006 EDR Model underlying the Vary Order. Please state why Thunder Bay used a figure of \$16,338,085.53 including the components of the calculation (i.e. the Sheet

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5-5 Base Revenue Requirement and the Sheet 6-3 Transformer Allowance credit) and please include a specific description of the version of the EDR 2006 model used to derive this number.

Response:

The correct amount for Thunder Bay Hydro's 2006 Base Revenue Requirement on Sheet 7 is - \$16,338,267. Please adjust. This amount agrees to the amounts derived using the supporting EDR 2006 model used to support the Vary Order.

Yours truly,

A handwritten signature in dark ink, appearing to read 'C. Thomas Wright', is positioned above the printed name.

C. Thomas Wright, CA
Vice President, Finance

CTW/dt

cc: Martin Davies, Project Advisor