

THUNDER BAY HYDRO ELECTRICITY DISTRIBUTION INC.

2015 ELECTRICITY DISTRIBUTION RATE APPLICATION

EB-2014-0114

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ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Thunder Bay Hydro Electricity Distribution Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2015.

APPLICATION

1. Thunder Bay Hydro Electricity Distribution Inc. ("Thunder Bay Hydro") is a distributor as defined in, and is licensed as such under, the *Ontario Energy Board Act, 1998* (the "Act"). Thunder Bay Hydro holds Electricity Distribution Licence ED-2002-0529.
2. Thunder Bay Hydro hereby applies to the Ontario Energy Board (the "Board"), pursuant to section 78 of the Act, for an Order or Orders approving or fixing just and reasonable rates for distribution service effective May 1, 2015. This Application is made in accordance with the Board's update to Chapter 3 of the *Filing Requirements for Electricity Distribution Rate Applications*, issued on July 25, 2014 (the "Filing Requirements") and the Key References listed in Section 3.1.1 of the Filing Requirements.
3. Thunder Bay Hydro has used the Board's Excel Models: 2015 IRM Rate Generator ("2015 Rate Model") version 1.1 posted August 8, 2014. The rates for which approval is sought are shown on Tab 27 "Final Tariff Schedule" of the 2015 Rate Model.
4. Thunder Bay Hydro has followed the Board's Guidelines, issued on June 28, 2012: G-2008-0001 Electricity Distribution Retail Transmission Service Rates, Revision 4.0 in filing for changes to Retail Transmission Service Rates.
5. As directed in the *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* issued on July 31, 2009, Thunder Bay Hydro has reviewed the balance of the Group 1 Accounts and the disposition threshold of \$0.001/kWh (debit or credit) has not been met. As per Section 3.2.3 of the 2015 Filing Requirements for Electricity Distribution Rate Applications, Thunder Bay Hydro elects to dispose of the Group 1 account balances below the threshold. Rate Riders for Deferral/Variance Account Disposition (2015) have been calculated and included in the proposed rates.
6. This Application is supported by the written evidence comprising of a Manager's Summary, OEB excel model, and Appendices. Thunder Bay Hydro may amend or supplement this written evidence prior to or during the course of the Board's hearing of this Application.

7. The following is the contact information for Thunder Bay Hydro in this proceeding:

Applicant's Address for Service: 34 Cumberland St. N.
Thunder Bay, Ontario
P7A 4L4

Primary Contact for Electricity Distribution Licence:

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Primary Contact for the Application:

Sandra Leonetti, FCPA, FCMA	Phone:	807-343-1016
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All of which is respectfully submitted on October 20, 2014.

MANAGER'S SUMMARY

Introduction

Thunder Bay Hydro is a corporation incorporated pursuant to the Ontario Business Corporations Act with its head office in the City of Thunder Bay. Thunder Bay Hydro carries on the business of distributing electricity within the City of Thunder Bay and Fort William First Nation Reserve.

On October 11, 2013, Thunder Bay Hydro filed an Incentive Rate Mechanism ("IRM") for electricity distribution rates and other charges effective May 1, 2014 (Reference: EB-2013-0172). The Board's Decision on Thunder Bay Hydro's application was issued and the Board approved Thunder Bay Hydro's Tariff of Rates and Charges on April 10, 2014, with an implementation date of May 1, 2014.

Thunder Bay Hydro is submitting an Incentive Rate Mechanism applying for 2015 electricity distribution rates and other charges effective May 1, 2015. This application has been prepared in accordance with the Board's updated Chapter 3 of the *Filing Requirements for Electricity Distribution Rate Applications*, issued July 25, 2014 (the "Filing Requirements") and the Key References listed in Section 3.1.1 of the Filing Requirements.

Thunder Bay Hydro has adhered to the Board's directions in completing the Board approved 4th Generation Incentive Rate-setting models which include the following: 2015 IRM Rate Generator ("2015 Rate Model") version 1.1 posted August 8, 2014. Thunder Bay Hydro has not submitted the following Models, as they will not apply to this rate period; 2015 IRM Revenue Cost Ratio Adjustment Work Form – version 2.0, updated July 30, 2014, 2015 Incremental Capital Project Summary – version 1.0, updated July 30, 2014 and the 2015 Incremental Capital Workform - version 1.1, updated July 30, 2014.

Relief Sought

- Thunder Bay Hydro applies for an Order or Orders approving the proposed distribution rates and other charges set out in this Application as just and reasonable rates and charges pursuant to Section 78 of the Board Act, to be effective May 1, 2015; and
- In the event that the Board is unable to provide a Decision and Order in this Application for implementation by the Applicant as of May 1, 2015, Thunder Bay Hydro requests that the Board issue an Interim Rate Order declaring the current Distribution Rates and Specific Service Charges as interim until the decided implementation date of the approved 2015 distribution rates; and
- In the event that the effective date does not coincide with the Board's decided implementation date for 2015 distribution rates and charges, Thunder Bay Hydro requests permission to recover the incremental revenue from the effective date to the implementation date.

Publication of Notice

The persons affected by this Application are the ratepayers of Thunder Bay Hydro who reside within the City of Thunder Bay and Fort William First Nation Reserve. It is Thunder Bay Hydro's understanding that the Board will manage publications to the local Chronicle Journal newspaper, which is a paid publication with a daily readership and circulation of approximately 23,000.

Form of Hearing Requested

Thunder Bay Hydro requests that this Application be disposed of by way of a written hearing.

Regulatory Accounting Policy Changes to Deprecation Expense and Capitalization Policies

Per the Board's letter of July 17, 2012, electricity distributors electing to remain on CGAAP must implement regulatory accounting changes for depreciation expense and capitalization policies by January 1, 2013. Thunder Bay Hydro remains on CGAAP and confirms that these changes were made as at January 1, 2013.

Details of Thunder Bay Hydro's 2015 IRM Rate Application

Thunder Bay Hydro has completed the 2015 Rate Model in accordance with the Board Staff's instructions and it has input into the Board's Rate Model the 2014 Board Approved Tariff of Rates and Charges in its entirety and was done for all rate classes. Thunder Bay Hydro does not have any unique rate classes, however after consultation with Board staff, a rate class was included (#9 on worksheet #3 – Rate Class Selection of the 2015 IRM Model) to identify a requirement for a rate rider calculation. The calculated rate rider amount was added to the Proposed Tariff of Rates and Charges, General Service 1,000 to 4,999 KW Service Classification.

Thunder Bay Hydro confirms that it has not diverged from the Board's model concept or modified the 2015 Rate Model. Thunder Bay Hydro did consult with Board staff regarding the treatment of a Class A customer for rate rider calculation and Board staff made modifications to the 2015 Rate Model to allow for the calculation of a separate rate rider. After consultation with board staff, the calculated rate rider was added to the Proposed Tariff of Rates and Charges, General Service 1,000 to 4,999 KW Service Classification.

Current Tariff of Rates and Charges

Appendix A includes Thunder Bay Hydro's current Tariff of Rates and Charges as approved in EB-2013-0172 by the Board on April 10, 2014.

Annual Adjustment Mechanism

In calculating 2015 rates, Thunder Bay Hydro has applied a Price Cap Adjustment of 1.40% to its Base Distribution Rates, which are the rate-setting parameters provided by the Board's 2015 Rate Generator model (Stretch Factor Group III). Thunder Bay Hydro acknowledges that Board staff will update the 2015 Rate Model with the final parameters which will be established by the Board in the supplemental report on the Renewed Regulatory Framework for Electricity (RRFE).

The following values were used in the determination of the Price Cap Adjustment:

Price Cap Index	
Price Escalator	1.70%
Less: Productivity Factor	0.00%
Less: Stretch Factor (Group III)	<u>0.30%</u>
Price Cap Index	1.40%

The annual adjustment mechanism has been applied to distribution rates (fixed and variable charges) uniformly across customer rate classes and has not been applied to the Rate Adders, Rate Riders, Retail Transmission Service Rates, Wholesale Market Service Rate, Rural Rate Protection Charge, Standard Supply Service-Administrative Charge, MicroFIT Service Charge, Specific Service Charges, Transformation and Primary Metering Allowances, or the Smart Metering Entity Charge.

Electricity Distribution Retail Transmission Service Rates

Thunder Bay Hydro acknowledges that once any January 1, 2015 UTR adjustments are determined, Board staff will adjust the 2015 Rate Model to reflect any changes in Hydro One's Sub-Transmission class RTSRs.

Load Forecast

Thunder Bay Hydro confirms that the 2013 Board approved load forecast was inputted into the 2015 Rate Generator Model, Tab 6 "Billing Det. for Def-Var".

Appendix B includes the approved load forecast found in its EB-2012-0167 Decision and Order dated April 18, 2013, Page 19.

2015 IRM Rate Generator

Appendix C includes the Board issued 2015 Rate Generator file (EB-2014-0114), which incorporates the Retail Transmission Service Rate ("RTSR") Adjustment Workform and Shared Tax Savings Workform, in PDF format (excel format is the 2015 Rate Model).

Proposed Tariff of Rates and Charges

Appendix D includes the May 1, 2015 Proposed Tariff of Rates and Charges derived from the 2015 Rate Model, in PDF and excel format.

Bill Impacts

Appendix E includes the proposed Bill Impacts for each rate class, in PDF format (excel format is found in the 2015 Rate Model).

Review and Disposition of Group 1 Deferral and Variance Account Balances

Thunder Bay Hydro has completed the Board Staff's 2015 Rate Model and on Tab 6 "Billing Det. For Def-Var" the Threshold Test for Deferral and Variance Account ("DVA") disposal for Group 1 Accounts shows a total claim of \$0.0002/kWh (owing) which is below the approved threshold of \$0.001/kWh.

As per Section 3.2.3 of the 2015 Filing Requirements, Thunder Bay Hydro elects to dispose of the Group 1 account balances.

This payable amount represents balances to December 31, 2013 of the Group 1 Accounts adjusted for the disposed balances approved by the Board in Thunder Bay Hydro's 2013 Cost of Service Rate Application, plus carrying charges projected to April 30, 2015 at the Board's latest prescribed rate of 1.47%.

A breakout of the Group 1 DVA account balances are as follows:

Group 1 DVA balances excluding Account 1588 Global Adjustment	\$ 1,954,033
1588 Global Adjustment	<u>\$ (1,798,562)</u>
Net Disposal – Payable	\$ 155,471

A separate rate rider for each balance above has been calculated per rate class using Thunder Bay Hydro's 2013 Load Forecast approved in its last Cost of Service Application EB-2012-0167 as the denominator for allocation purposes.

Thunder Bay Hydro did consult with Board staff regarding the treatment of a Class A customer for rate rider calculation and Board staff made modifications to the 2015 IRM model to allow for the separate rate rider, which is shown on the Proposed Tariff of Rates and Charges, General Service 1,000 to 4,999 KW Service Classification.

The Continuity Schedule balances presented in Tab 5 "2014 Continuity Schedule" in the 2015 Rate Model reconcile to the 2.1.7 RRR Trial Balance and the 2013 Audited Financial Statements.

In its Decision and Rate Order, dated April 10, 2014 (EB-2013-0172), the Board approved on an interim basis the disposition of a credit balance of \$1,452,446 as of December 31, 2012, including interest projected to April 30, 2014 for Group 1 accounts. Thunder Bay Hydro confirms that it has disposed this balance as directed and that the balances in Accounts 1588 and 1589 have been audited. Thunder Bay Hydro requests final approval for disposition of 2012 balances.

Thunder Bay Hydro confirms that no adjustments to any Board approved deferral and variance account balances have been made.

Thunder Bay Hydro has not included 1568 – LRAM Variance Account in the Continuity Schedule.

LRAM Variance Account (LRAMVA) for 2011-2014

Thunder Bay Hydro acknowledges, in accordance with the Board's Guidelines for Electricity Distributor CDM, at a minimum, distributors must apply for disposition of the balance in the Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") at the time of their Cost of Service rate applications. Distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their IRM rate applications, if the balance is deemed significant.

Thunder Bay Hydro is not applying for a Lost Revenue Adjustment Mechanism ("LRAM") or disposition of a LRAM Variance Account in its 2015 Rate Application.

Revenue-to-Cost Ratio Adjustments

In Thunder Bay Hydro's Draft Rate Order issued April 24, 2013 in its 2013 Cost of Service Application (EB-2012-0167, page 9), the Board stated that no further revenue-to-cost ratio adjustments will be required for the 2014 to 2016 rate years; however, Thunder Bay Hydro's revenue-to-cost ratios remain subject to further Board policy changes of general application over this period. As a result, Thunder Bay Hydro is proposing to maintain the revenue-to-cost ratios for 2015 and therefore is not suggesting any changes for the May 1, 2015 rate year. Therefore, Thunder Bay Hydro has not completed the Board issued Revenue-to-cost Ratio Adjustment Workform module.

Incremental Capital Module (s)

Thunder Bay Hydro is not applying for the Capital Adjustment Factor for 2015 and therefore has not completed the Board issued 2015 Incremental Capital Module or the 2015 Incremental Capital Project Summary.

Z-Factor Claim

Thunder Bay Hydro is not applying to recover any extraordinary costs by means of a Z-Factor.

Tax Changes

Under a 4th Generation IR, a 50/50 sharing of the impact of currently known legislated tax changes as applied to the tax level reflected in the Board approved base rates for a distributor applies. In Thunder Bay Hydro's most recent cost of service electricity distribution rate application EB-2012-0167, the corporate tax rate used in this determination was 26.5% for May 1, 2013 rates. Currently there is no known legislated tax changes in 2015 that will apply to the tax level reflected in the Board approved base rates determined in Thunder Bay Hydro's most recent cost of service application.

Thunder Bay Hydro has completed the worksheet Tab 11 "STS-Tax Change" in the 2015 Rate Model, which has not produced a net sharing of tax savings.

Loss Factors

Thunder Bay Hydro is not requesting any changes to the loss factors previously approved by the Board in its 2013 Cost of Service Application EB-2012-0167.

Specific Service Charges

Thunder Bay Hydro is not requesting any changes to the specific service charges previously approved by the Board in its 2013 Cost of Service Application EB-2012-0167.

All of which is respectfully submitted

APPENDICES