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February 19, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor – 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Thunder Bay Hydro Electricity Distribution Inc. - 2015 Electricity Distribution Rate Application EB-2014-0114

Thunder Bay Hydro Electricity Distribution Inc. ("Thunder Bay Hydro") is writing pursuant to Section 11.02 of the *Rules of Practice and Procedure* to notify the Board of new information that, as is described further below, constitutes a material change to the evidence already before the Board in the above noted proceeding.

In late 2014, Thunder Bay Hydro became concerned that errors had been made in its submission to the Independent Electricity System Operator ("IESO") for payments pertaining to the Regulated Price Plan ("RPP") settlement between January 1, 2005 and December 31, 2013.

A fulsome review has determined that Thunder Bay Hydro has understated the Global Adjustment ("GA") charge for RPP consumption during this period. The shortfall is mainly a result of using a calculated GA rate per kWh to determine the GA allocation to Non-RPP customers. The calculation divided the total GA invoiced amount by the total kWh used for the IESO invoice. However, the total kWh used in the calculated GA allocated per kWh should have also included embedded generation volume that Thunder Bay Hydro receives each month. Since the embedded generation was not included, the calculated GA per kWh was higher than it should have been which in turn overcharged GA to Non-RPP customers.

The correct calculation of the GA per kWh would have reduced to a level that is equal or very close to, the monthly published GA Rate per kWh. As a result, the GA allocated to Non-RPP customers would have decreased while the GA to RPP customers would have increased, given that the GA to RPP customers is the total GA minus the amount allocated to Non-RPP customers.

In carrying out a review, Thunder Bay Hydro noted other minor errors (e.g. missed generation prior to Ontario Power Authority contract, generation that was not loss adjusted, timing of reporting and billings, billing adjustments, etc.) and has incorporated this information into the requested IESO adjustment. Thunder Bay Hydro had the IESO adjustment worksheets reviewed by an independent, external party.

On January 14, 2015, Thunder Bay Hydro held a meeting with IESO personnel to discuss the potential error and to determine an approach to remedy the problem if the IESO in-fact agreed that an error had occurred. Thunder Bay Hydro has requested recovery of the shortfall in the amount of \$3,150,490, covering the period between 2005 – 2013. The matter is currently under review by the IESO and Thunder Bay Hydro understands that a settlement will likely be issued shortly.

Committed to Customer Satisfaction



Subject to receiving the requested adjustment as filed with the IESO, Thunder Bay Hydro proposes to make a one-time adjustment to RSVA 1589 GA balance at December 31, 2013 of (\$2,937,776) with related interest of (\$48,843). This adjustment will revise the principal asset from \$2,895,163 to a liability of (\$42,613) and carrying charges balance from \$34,579 to (\$14,264), as of December 31, 2013.

In reconciling the IESO claims adjustment to RSVA 1589 GA, other required corrections were determined as outlined in the reconciliation below;

**Reconciliation between IESO Adjustment &
RSVA 1589 GA – Principal**

a) IESO adjustment request	(\$3,150,490)
b) IESO and OEB filing discrepancies	(\$279,101)
c) Long term load transfer charges	\$75,317
d) Class A Customer billing correction	\$326,118
e) GA published rate variance	\$90,380

Total adjustment - Principal RSVA 1589 GA (\$2,937,776)

- a) In January 2015, Thunder Bay Hydro submitted an adjustment request to the IESO for (\$3,150,490), representing the net shortfall in IESO submission requests for GA charges on RPP consumption between 2005 and 2013. This is a result of excess dollars allocated to the Non-RPP customers.
- b) IESO and Ontario Energy Board ("the Board") filing discrepancies due to subsequent updates to supporting documents of (\$279,101) were not reflected in the RRR filings. This resulted in understated cost of power ("COP") and overstated GA charges.
- c) Long term load transfer charges of \$75,317 were incorrectly allocated to the RSVA 1588 COP account.
- d) Class A customer billing correction of \$326,118 relating to 2013, recorded in 2014.
- e) Differences between the calculated and published per kWh GA rate identified a rate variance of \$90,380.

Given that item b) and c) above also impacts the RSVA1588 COP account, and subject to receiving the requested adjustment as filed with the IESO, Thunder Bay Hydro proposes to make a one-time adjustment to RSVA 1588 COP principal balance at December 31, 2013 of \$203,784. This adjustment will revise the principal liability from (\$385,818) to a liability of (\$182,034), as of December 31, 2013. Carrying charges liability will reduce \$20,784, to a revised ending balance of (\$16,611) as of December 31, 2013.

Carrying charges have been calculated on the revised account balances in the appropriate period, using Board approved Prescribed Interest Rates.

In accordance with Section 11.02 of the *Rules of Practice and Procedure*, Thunder Bay Hydro has made updates to the 2015 IRM model which reflects the proposed one-time adjustment to the RSVA 1589 GA

and RSVA 1588 COP continuity schedule (Tab 5). The payable amount is included as an adjustment to the December 31, 2013 balance of the Group 1 Accounts.

After a discussion with Board staff, updates have been made in the 2015 IRM Model. Additional updates include the number of classes (Tab 3), recently published Ontario uniform transmission rates (Tab 15) and inflation factor for incentive rate setting (Tab 24), which now reflects the most current information available.

Thunder Bay Hydro submits the following updates as evidence to EB-2014-0114:

- Updated IRM workbook
 - i. Appendix A Rate Class Selection - Removed the previous reference to the 9th Rate Class (Tab "3. Rate Class Selection"), as it is not applicable.
 - ii. Appendix B 2014 Continuity Schedule – 2015 IRM model (Tab "5. 2014 Continuity Schedule"). Note the full adjustment to RSVA 1589 GA and RSVA 1588 COP have been made in 2013 for both principal and interest.
 - iii. Appendix C 2015 Ontario Uniform Transmission Rates – 2015 IRM model (Tab "15. RTSR – UTRs & Sub-Tx") updated rates per EB-2014-0357.
 - iv. Appendix D Price Cap IR – 2015 IRM model (Tab "24. Rev2Cost_GDPIPI"). Updated for the value of inflation factor for incentive rate setting under the Price Cap IR Index, for rate changes effective in 2015 at 1.6%, per the Board issued update of October 30, 2014.
- Updated DVA Rate Rider Calculation Workbook
 - i. Appendix E – DVA Rate Rider Calculation - Workbook supports the calculation for the final deferral and global adjustment rate riders. The current 2015 IRM model contains incorrect GA rate riders due to the fact that it does not accommodate the calculation of rate riders for Class A customers. Proposed rate riders have been calculated in the attached workbook and supported in Tab "34. DVA RR Cal". See below, "2015 Proposed Tariff Rates", referencing Appendix E.
- Bill Impacts
 - i. Appendix F Bill Impacts – 2015 IRM model Bill Impacts.
- RSVA 1589 GA adjustments
 - i. Appendix G Impact of Adjustment Schedule - RSVA 1589 GA, by year of disposition, between the original and revised principal and interest balances.
- 2015 Proposed Tariff Rates
 - i. Appendix H Proposed 2015 Tariff Rates – Proposed tariff rates produced from the IRM Model has incorrect rate riders for GA due to Class A customers. Modifications were made to the proposed tariff sheets in order to present correct rate riders. These modifications are supported in Appendix E – DVA Rate Rider Calculation.

As per Section 3.2.3 of the 2015 Filing Requirements, and in view of the above noted evidence, Thunder Bay Hydro must dispose of the Group 1 account balances. Rate Riders for Deferral/Variance Account Disposition (2015) have been calculated (DVA Rate Rider Calculation workbook) and included in the proposed rates.



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Thunder Bay Hydro requests approval for final disposition on its 2012 balances.

Thunder Bay Hydro intends to reflect this error as a prior period adjustment in the 2014 financial statements, re-stating 2013 comparatives.

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.

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.

As Thunder Bay Hydro's Vice President of Finance, I certify that the evidence filed in the update to its 2015 IRM Rate application is accurate, consistent and complete to the best of my knowledge.

Further to the Board's filing guidelines, an electronic copy, including the IRM 2015 excel model, will be submitted through the Board's e-Filing Services.

If you require any further information, please contact the undersigned at (807) 343-1118.

Yours truly,

A handwritten signature in cursive script that reads "Cindy Speziale".

Cindy Speziale, CPA, CA
Vice President, Finance

CS/sl
Enclosures.