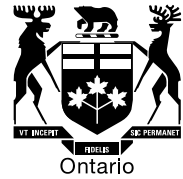


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BY E-MAIL

February 3, 2017

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Thunder Bay Hydro Electricity Distribution Inc.
Application for Rates
Board File Number EB-2016-0105**

In accordance with Procedural Order No. 1 issued on December 5, 2016, as modified by the OEB's letter of February 1, 2017, please find attached a proposed agreed issues list which contains non-disputed issues.

There are two disputed issues which are not contained on the attached issues list. These are 1.1 Capital and 2.1 Revenue Requirement. The differences between the two versions are highlighted in red for easier reference.

For Issue 1.1, Thunder Bay Hydro proposes the following wording:

Is the level of planned capital expenditures appropriate and is the rationale for planning and pacing choices appropriate and adequately explained, giving due consideration to:

- customer feedback and preferences;
- productivity;
- compatibility with historical expenditures;
- compatibility with applicable benchmarks;
- reliability and service quality;
- impact on distribution rates;
- trade-offs with OM&A spending;
- government-mandated obligations; and
- the objectives of Thunder Bay Hydro and its customers.

SEC proposed the addition of a final bullet to the above list which is "the five-year Distribution System Plan". Thunder Bay Hydro is agreeable to this addition.

VECC proposes alternative wording as follows. This wording is disputed by Thunder Bay Hydro:

Is the level of planned capital expenditures appropriate and is the rationale for planning and pacing choices appropriate and adequately explained, giving due consideration to:

- customer feedback and preferences;
- productivity;
- compatibility with historical expenditures;
- compatibility with applicable benchmarks;
- reliability and service quality;
- impact on distribution rates;
- trade-offs with OM&A spending;
- government-mandated obligations; and
- the objectives of Thunder Bay Hydro and its customers
- the proposed Price Cap IR five year rate plan and the maintenance of satisfactory service and reliability.

What monitoring and reporting should be required so as to allow the OEB to understand if the five-year Distribution System Plan is being implemented in the manner proposed as part of the Price Cap IR rate plan.

What requirements must be met if Thunder Bay Hydro proposes to depart materially from the filed five-year Distribution System Plan.

For Issue 2.1, Thunder Bay Hydro proposes the following wording:

Are all elements of the revenue requirement reasonable, and have they been appropriately determined in accordance with OEB policies and practices?

SEC proposes alternative wording as below:

Are all elements of the revenue requirement reasonable, and have they been appropriately determined in accordance with OEB policies and practices **and any legal restrictions placed on Thunder Bay Hydro by its shareholder?**

Original Signed by

Martin Davies
Project Advisor, Rates
Major Applications

Attachment

cc: Parties to EB-2016-0105

DRAFT ISSUES LIST
EB-2016-0105
Thunder Bay Hydro Electricity Distribution Inc.

1.0 PLANNING

1.1 Capital (*disputed*)

1.2 OM&A

Is the level of planned OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained, giving due consideration to:

- customer feedback and preferences;
- productivity;
- compatibility with historical expenditures;
- compatibility with applicable benchmarks;
- reliability and service quality;
- impact on distribution rates;
- trade-offs with capital spending;
- government-mandated obligations; and
- the objectives of Thunder Bay Hydro and its customers.

2.0 REVENUE REQUIREMENT

2.1 (*disputed*)

2.2 Has the revenue requirement been accurately determined based on these elements?

3.0 LOAD FORECAST, COST ALLOCATION AND RATE DESIGN

3.1 Are the proposed load and customer forecast, loss factors, CDM adjustments and resulting billing determinants appropriate, and, to the extent applicable, are they an appropriate reflection of the energy and demand requirements of Thunder Bay Hydro's customers?

3.2 Is the proposed cost allocation methodology, and are the allocations and revenue-to-cost ratios, appropriate?

3.3 Are Thunder Bay Hydro's proposals for rate design including the introduction of a Large Use class appropriate?

3.4 Are the proposed Retail Transmission Service Rates appropriate?

4.0 ACCOUNTING

4.1 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?

4.2 Are Thunder Bay Hydro's proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts and the continuation of existing accounts, appropriate?