



EB-2016-0105

Thunder Bay Hydro Electricity Distribution Inc.

**Application for electricity distribution rates and other
charges beginning May 1, 2017**

**DECISION ON THE ISSUES LIST
February 10, 2017**

Thunder Bay Hydro Electricity Distribution Inc. (Thunder Bay Hydro) filed a cost of service application with the Ontario Energy Board (OEB) on September 9, 2016 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Thunder Bay Hydro charges for electricity distribution, to be effective May 1, 2017.

The OEB issued Procedural Order No. 1 which established a process for OEB staff to file a proposed issues list. In addition, the OEB approved the Association of Major Power Consumers in Ontario, School Energy Coalition (SEC), and the Vulnerable Energy Consumers Coalition (VECC) as intervenors.

OEB staff filed a proposed issues list (Issues List) which contained two disputed issues related to capital and revenue requirement.

Issue 1.1 Capital

Thunder Bay Hydro and the intervenors agreed to the following for issue 1.1:

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;
- the objectives of Thunder Bay Hydro and its customers; and
- the five-year Distribution System Plan.

VECC proposed to add one bullet point to the Issues List and two sentences related to capital monitoring and reporting. VECC proposed to add the following (in italics):

- *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?

VECC's proposed additions were disputed by Thunder Bay Hydro.

Findings

The OEB does not approve VECC's proposed additions.

The OEB finds that the fifth bullet point in section 1.1 of the proposed Issues list ("reliability and service quality") is sufficient for reviewing the proposed capital expenditures included in Thunder Bay Hydro's cost of service application. Further, the OEB annually monitors reliability and service quality through Thunder Bay Hydro's performance scorecard and financial reporting. The Rate Handbook¹ indicates:

In its rate application, an electricity distributor should discuss its performance for each of the Performance Scorecard measures over the last five years, and explain the drivers for its performance. The OEB's review of a utility's proposals will consider the utility's past and target performance against the four RRF outcomes. The electricity distributor is also expected to discuss its plans for continuous improvement. It is

¹ Handbook to Utility Rate Applications, October 13, 2016, p. 17

expected to identify performance improvement targets that will lead to improvement in its scorecard performance over the term of the rate-setting plan.

The OEB finds that Thunder Bay Hydro's currently required annual reporting is sufficiently addressed by the performance scorecard. The OEB considers that if a need for additional reporting was identified, then a decision on the matter should be made by the OEB and applicable to all Ontario regulated electricity utilities, not just Thunder Bay Hydro.

Issue 2.1 Revenue Requirement

Thunder Bay Hydro proposed the following sentence for issue 2.1:

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

SEC proposed additional wording, which was disputed by Thunder Bay Hydro. SEC proposed the following addition (in italics):

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?

Findings

The OEB does not approve SEC's proposed addition to the proposed Issues List. The OEB is aware that Thunder Bay Hydro is subject to a Shareholder Declaration of its shareholder, the City of Thunder Bay. However, determining if Thunder Bay Hydro (a subsidiary of Thunder Bay Hydro Corporation) is complying with the Shareholder Declaration is generally beyond the scope of the OEB's review in setting rates.

The approved issue list is attached as Schedule A to this decision.

IT IS THEREFORE ORDERED THAT:

1. The issues list for this proceeding, attached as Schedule A, is approved.

DATED at Toronto, February 10, 2017

ONTARIO ENERGY BOARD

Original signed by

Kirstin Walli
Board Secretary

Schedule A

**Thunder Bay Hydro Electricity Distribution Inc.
2017 Distribution Cost of Service Application
Board File Number EB-2016-0105**

APPROVED ISSUES LIST

February 10, 2017

**Thunder Bay Hydro Electricity Distribution Inc.
2017 Distribution Cost of Service Application
Board File Number EB-2016-0105
Approved Issues List**

1.1 Capital

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;
- the objectives of Thunder Bay Hydro and its customers; and
- the five-year Distribution System Plan.

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

- 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?