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October 6, 2017

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

Submitted via RESS

Dear Ms. Walli:

Re: 2017 Cost of Service Application EB-2016-0105

Thunder Bay Hydro Reply Submission

Dear Ms. Walli,

Pursuant to Board Staff Submission issued October 3, 2017, in the above matter, please find enclosed Thunder Bay Hydro's Reply submission.

Further Thunder Bay Hydro has updated and submitted in Excel format through the RESS system the following:

- TBHEDI_Proposed Tariff Rates and ChargesV2_20171003

Should the Board have any further questions, please do not hesitate to contact me at (807) 343-1054 or via email at bashby@tbhydro.on.ca.

Regards,

Brittany J. Ashby, BMgmt

Supervisor, Business & Regulatory Affairs

Cc: Parties in EB-2016-0105

Capital Expenditure Impacts

Depreciation and Accumulated Depreciation

Thunder Bay Hydro applied the \$1M reduction to Account '1830 – Poles, Towers and Fixtures' which has a useful life of 40 years resulting in a depreciation and accumulated depreciation reduction of \$12,500 (after applying the half year rule). The \$1,000,000 fixed asset reduction divided by 40 years is \$25,000 depreciation per year.

CCA Reduction:

For the purposes of CCA Calculations, 1830 – Poles, Towers and Fixtures is Class 47 with a rate of 8%. The capital cost allowance calculation, is simply the \$1,000,000 *8%*50% for the half year rule (CCA Class 47 Rate) or a \$40K reduction.

Revised PILS Work Form:

Thunder Bay Hydro flowed the foregoing adjustments to the PILS Work form at Tab T1 Taxable Income Test Year Cell F17- 'Amortization of Intangible Assets' by the depreciation reduction of \$12.5K and Cell F79 - 'Capital Cost Allowance' by the capital cost allowance reduction of \$40K. The adjustments increase taxable income by \$27.5K; PILs regulatory expense by \$7.288K ($\$27.5 * 26.5\%$ tax rate) and the Revenue Deficiency by \$9,915 ($\$7.288/73.5\%$).

Revenue Requirement Work Form (RRWF)

Upon completing the RRWF for the Draft Rate Order submitted to The Board September 28 2017, Thunder Bay Hydro noted that there was a discrepancy in its July 6th, 2017 RRWF filed with the Board, and unfortunately an input was not updated, resulting in a balance variance of \$3,515 not captured on Tab 8 and Tab 9 of the model. Thunder Bay Hydro is aware of this change made and agrees that it is not material. Thunder Bay Hydro confirms it did not perform any other changes to the RRWF.

Tariff of Rates and Charges –Decimal Places: Thunder Bay Hydro has adjusted its Draft Rate Order Tariff of Rates and Charges to reflect two decimal places for all fixed monthly charges to conform to normal OEB practice.

Tariff of Rates and Charges – OESP Charge: Thunder Bay Hydro did not apply a charge for OESP as it acknowledges that the charge was rescinded effective May 1, 2017 EB-2017-0135. As noted in the Thunder Bay Hydro's Bill Impact Model submitted to Board Staff September 28, 2017, Tab 3. Regulatory Charges, Cell D17 "This was rescinded Effective May 1 2017, EB-2017-0135". Board Staff should note that Thunder Bay Hydro removed the charge amount from this tab, and confirmed that it was not calculated in the Tab 5. 2-W Bill Impacts. Thunder Bay Hydro confirms that it does not intend to bill this

rate, and has not billed this rate as of the Board Order EB-2017-0135. This will be removed from the Thunder Bay Hydro's updated version named 'TBHEDI_Proposed Tariff Rates and ChargesV2_20171003' which will be uploaded following discussion between Board Staff regarding additional formatting changes.

Tariff of Rates and Charges: Formatting Change:

Thunder Bay Hydro confirms that it has discussed formatting changes to the proposed tariff sheet with Board staff, and has agreed to these updates to conform with industry practice. Thunder Bay Hydro has uploaded the updated version of the Draft Rate Order "TBHEDI_Proposed Tariff Rates and ChargesV2_20171006".

Tariff of Rates and Charges: General Service 50 – 999kW Service Classification:

Thunder Bay Hydro considers the description for its "General Service Greater Than 1,000 kW Service Classification" related to the "Rate Rider for the disposition of Class B WMS – Sub account CBR(2017)", as well as the "Rate Rider for the disposition of Global Adjustment(2017)" as appropriate for its "General Service 50 – 999kW Service Classification". To support this reasoning, Thunder Bay Hydro would like to note that in April 2017, the government of Ontario reduced the ICI threshold from 1MW to 500kW in order to make Ontario consumers/market participants in targeted sectors and having restricted NAICS codes eligible to opt-in to the program.

Thunder Bay Hydro recognizes this change as appropriate, and has included the two rate rider descriptions in its "General Service 50 – 999 kW Service Classification" on its Draft Rate Order "TBHEDI_Proposed Tariff Rates and ChargesV2_20171006" uploaded through the RESS system .

- All of which is respectfully submitted -