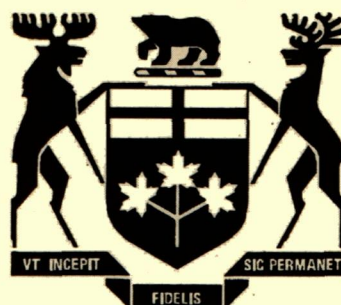


ORIGINAL



Ontario

# ONTARIO ENERGY BOARD

FILE NO.: EB-2007-0067

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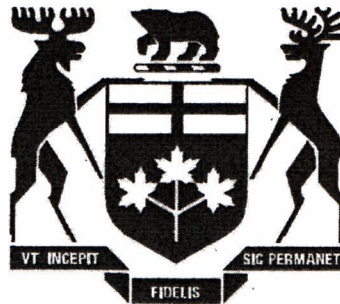
VOLUME: Technical Conference

DATE: May 23, 2007

EB-2007-0067

MAY 23/07

TECHNICAL CONFERENCE



Ontario

# ONTARIO ENERGY BOARD

**FILE NO.:** EB-2007-0067

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**VOLUME:** Technical Conference

**DATE:** May 23, 2007

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

**AND IN THE MATTER OF** a motion by Thunder Bay Hydro Electricity Distribution Inc. requesting the Board to review and vary certain aspects of Decision and Order RP-2005-0020 / EB-2005-0419 dated April 12, 2006 and Vary Order RP-2005-0020 / EB-2005-0419 dated December 29, 2006.;

Technical Conference held at  
2300 Yonge Street, 25<sup>th</sup> Floor,  
Toronto, Ontario,  
on Wednesday, May 23, 2007,  
commencing at 9:35 a.m.

-----  
Technical Conference  
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A P P E A R A N C E S

KRISTI SEBALJ  
MARTIN DAVIES  
LENORE DOUGAN  
DARIA BABAIE

Board Staff

PAT MORAN  
CINDY SPEZIALE

Thunder Bay Hydro Electricity  
Distribution Inc.

I N D E X   O F   P R O C E E D I N G S

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Whereupon the conference concluded at 10:54 a.m.	35

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Description

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NO EXHIBITS WERE FILED DURING THIS PROCEEDING

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1 Wednesday, May 23, 2007

2 --- Upon commencing at 9:35 a.m.

3 MS. SEBALJ: So just for the record, then, good  
4 morning, everyone.

5 My name is Kristi Sebalj. I am Board counsel. With  
6 me are Martin Davies, Lenore Dougan and Daria Babaie. I  
7 just want to make sure I get that properly.

8 I guess just for the record, if you want to introduce  
9 yourself, Pat, and your client?

10 **APPEARANCES:**

11 MR. MORAN: Sure. My name is Pat Moran. I am counsel  
12 for Thunder Bay Hydro, and with me is Cindy Speziale, who  
13 is responsible for financial matters at the Thunder Bay  
14 Hydro.

15 MS. SEBALJ: So just by way of background, I wanted to  
16 put on the record that we are here today for a Technical  
17 Conference. The background to this proceeding is a notice  
18 of motion that was filed by Thunder Bay Hydro Electricity  
19 Distribution Inc. on March 15th, 2007, and that notice  
20 requested two things. One was leave of the Board to bring  
21 the notice of motion outside the 20 calendar days, and the  
22 second was the review of the December 29, 2006 vary order  
23 in Board File No. RP-2005-0020/EB-2005-0419 with respect to  
24 Thunder Bay's 2007 distribution rates.

25 The Board issued a PO, Procedural Order, on April  
26 20th, 2007, and that is set out a schedule of  
27 interrogatories and an oral hearing. On May 10th, there  
28 was an amendment to the notice of motion to request that

1 the Board review and vary its decision in EB-2007-0580,  
2 which was dated April 20th, 2007. And that, of course, is  
3 Thunder Bay's 2007 IRM adjustment, and, second, that the  
4 Board combine this proceeding - that is EB-2007-0067 - with  
5 EB-2007-0580.

6 The Board issued a letter on May 16th that granted the  
7 request to combine the motion to review and vary the EB-  
8 2007-0580 decision and to combine it with EB-2007-0067.

9 We do have a Procedural Order No. 2 that was issued on  
10 May 18th, which was issued to postpone the hearing in this  
11 matter and to allow for this Technical Conference.

12 Just by way of note, Thunder Bay Hydro did file  
13 responses to the Board Staff interrogatories on Friday, May  
14 18th.

15 My understanding of today's events is that Mr. Moran,  
16 counsel for Thunder Bay Hydro, will start out by providing  
17 a brief presentation, and we, Board Staff, will ask  
18 questions as they arise, or at the end of the presentation,  
19 in a relatively informal manner.

20 So I will turn it over to you, Pat.

21 **PRESENTATION BY MR. MORAN:**

22 MR. MORAN: Thanks.

23 Just by way of background, Ms. Speziale is a  
24 replacement for somebody who retired recently up at Thunder  
25 Bay, so she has had the difficult challenge of piecing  
26 together the financial trail that started back in the 2006  
27 rates application, and, having done that, I think we are  
28 now in a position to present a relatively coherent history

1 of what has occurred and why we are here today.

2 So, in effect, I guess what we're really doing is  
3 we're looking at two Board decisions, one with respect to  
4 the 2006 rates application and one with respect to the 2007  
5 rates adjustment application, and seeking a variation, in  
6 effect, of both of those decisions to reverse the effects  
7 of I guess what we consider to be a mistake made initially  
8 in the 2006 process.

9 Essentially, I guess what happened was that Thunder  
10 Bay knew that the three customers in its large customer  
11 class had either already left that class and gone to a  
12 lower class, or were about to. So by the time the 2006  
13 rates application was in, two of them had already, for  
14 sure, left. They left at the beginning of 2005, and, from  
15 Thunder Bay's perspective, it was pretty obvious that the  
16 last one was going to leave at some point during 2005, and,  
17 in fact, that is what happened.

18 By the end of 2005, all three customers were gone from  
19 the large use class.

20 So, as a result of that, the person at Thunder Bay  
21 Hydro who was responsible for putting together the  
22 application was trying to figure out a way to manage that  
23 problem. Obviously what the Board had done was had  
24 produced the rate handbook for the 2006 rates process, and,  
25 you know, it had the ability to -- it provided the ability  
26 to create some certain kinds of adjustments.

27 But there was also sections with respect to rate  
28 design, and I guess the thinking was this was like a rate

1 design issue, because there were no customers left in one  
2 of the rate classes and they're moving into another rate  
3 class, and the revenue requirement is still going to be  
4 what it is going to be.

5 Obviously there was yet another option, as well, which  
6 would have to do with putting together a forward test year.  
7 So, ultimately, the decision was taken to deal with this as  
8 a rate design issue.

9 And, as we've set out in one of the interrogatory  
10 responses, in Interrogatory No. 2, we've pointed to  
11 different parts of the 2006 EDR Handbook which, you know,  
12 led Thunder Bay to believe that it would have the ability  
13 to deal with this issue as a rate design issue.

14 Having made that decision, they engaged in a somewhat  
15 creative approach to solving the problem. They determined  
16 that the three large use customers were sufficiently  
17 different from the other customers in the existing sort of  
18 lower class to justify the creation of an intermediate  
19 class.

20 So what they proposed was to assume that the three  
21 large use customers would go into this new proposed  
22 intermediate class. Some of the existing customers in the  
23 existing lower class would also go into that intermediate  
24 class. So they just rejigged the data to reflect that  
25 change.

26 Then the one other thing that I think probably is  
27 where the confusion perhaps started was the idea of having  
28 a notional customer left in that large use class.

1           So when the Board made its decision on it, they didn't  
2 accept the proposed intermediate class, and, as a result of  
3 rerunning the model in the aftermath of that decision, we  
4 ended up with the beginnings of the problem that we're  
5 trying to solve today.

6           The net effect of the way the model was rerun in the  
7 aftermath of the Board decision was to create a situation  
8 where Thunder Bay would under-recover its revenue  
9 requirement, and the amount -- the specific amounts we have  
10 set out in the response to Interrogatory No. 1. We have  
11 tried to break it down into how much of it is associated  
12 with the 2006 rates period, how much it would be if it is  
13 uncorrected through the 2007 rates period, and then what  
14 we're proposing in order to solve the problem and stop the  
15 bleeding, as it were.

16           So if you look at the second page of the first  
17 interrogatory response, page 2 of 9, you will see that  
18 breakdown in the third paragraph. So for the 2006 rates  
19 period, the under-recovery is about \$307,000, and if that  
20 under-recovery remains uncorrected, it gets carried through  
21 the 2007 process, because that was just an adjustment, and  
22 the under-recovery in 2007 would add up to \$254,000.

23           So what Thunder Bay is proposing to resolve the  
24 problem is to ask the Board to put in place a rate rider.  
25 That would allow for the recovery of what hasn't been  
26 recovered up to the date that the rate rider is put into  
27 place, and then on a going-forward basis an adjustment to  
28 the 2007 rates so that they're no longer under-recovering.

1           And because of those two things, then Thunder Bay will  
2 be back to where it should be with respect to its revenue  
3 requirement.

4           We have set out what the bill impact would be in  
5 schedule A, and you can -- which is a schedule that was  
6 filed as part of one of the motions. You will see that the  
7 bill impacts, which includes the impact of the rate rider -  
8 which would only be in place for six months, and then would  
9 be discontinued - are manageable rate impacts when you look  
10 at the last column in that schedule A.

11           The proposal for implementing it is to have the rate  
12 rider kick in on November 1st, rather than do it now, on  
13 the basis that that's the next adjustment point in people's  
14 bills with respect to the RPP. That would reduce  
15 administrative costs and, you know, customer confusion and  
16 the risk that multiple changes that occur outside of a  
17 normal cycle, cause customer confusion, reaction and so on.  
18 So given the impact is manageable in that context,  
19 essentially that is what Thunder Bay seeks to have the  
20 Board do.

21           I haven't gotten into sort of the details of what  
22 happened in terms of the first request, which I guess was a  
23 letter, maybe it looked like it -- it didn't look like a  
24 vary motion. But in response to the letter, there wasn't  
25 any process involved and the Board did make an adjustment  
26 to the 2006 rates for part of the issue that was raised in  
27 that letter.

28           The reality is that the company wasn't really in a

1 position to know that the mistake was as large as it was  
2 until close to the end of 2006, as it went through a cost  
3 allocation study and completed that study in conjunction  
4 with Hydro One.

5 So at that point, it was clear there was a problem of  
6 some kind, and that's why that letter came in as late as it  
7 did as opposed to sort of the day after the decision came  
8 out prior to May 1. It wasn't the kind of mistake that  
9 immediately leaped out of the Board's original decision.

10 Then I think things got a little complicated as we  
11 went into the 2007 rates process and we're now at a point  
12 where we are just trying to present a picture of how it  
13 happened and how we got to the point where we are today and  
14 to present a solution that we think is manageable.

15 One of the things that always happens when you go  
16 through this kind of exercise of reconstructing it is that  
17 sometimes you find some other mistakes as well, and there  
18 is one other issue that we now have discovered and that is  
19 why I wanted the laptop, to sort of walk you through  
20 another issue that we have. We're not sure what to do  
21 about it, what the best way is to deal with it. It's not  
22 an issue that we had any knowledge of until the last couple  
23 of weeks, I guess. Now that we have figured out it is an  
24 issue, we at least want to describe it to you and see --  
25 and get some feedback with respect to what might be an  
26 appropriate approach on that.

27 I don't know if this is capable of being hooked up to  
28 the central display or whether it comes in on these

1 displays here. I haven't used this system before.

2 MS. SEBALJ: It doesn't need to be on the record, but  
3 I let Michael leave the room without figuring that out.  
4 Why don't we take a two-minute break and I will call him  
5 back down here.

6 --- Recess taken at 9:48 a.m.

7 --- On resuming at 9:58 a.m.

8 MS. SEBALJ: Just before you start, I am assuming this  
9 is a whole new issue that you are going to put forward.

10 MR. MORAN: Yes.

11 MS. SEBALJ: Do you want us to ask questions?

12 MR. MORAN: On the other issue?

13 MS. SEBALJ: On the other issue?

14 MR. MORAN: Sure.

15 MS. SEBALJ: We don't have a ton of questions, but  
16 this may lead to further discussion.

17 **QUESTIONS FROM BOARD STAFF:**

18 MS. SEBALJ: I just wanted to confirm - and please  
19 jump in if you want, Lenore and Martin - I just wanted ask  
20 whether you could confirm that the under-recovery that  
21 Thunder Bay is alleging that has occurred is due entirely  
22 to leaving the notional large customer data in the model?  
23 I know that sounds like a blame thing, but what I am trying  
24 to get at is, there's no other -- the under-recovery is  
25 entirely attributable to that notional customer that was  
26 left in the large customer category as opposed to any  
27 other...?

28 MR. MORAN: That's right. That's what's driven the

1 entire set of numbers, and the breakdown is the recovery  
2 that would be associated with one customer in the large use  
3 class based on that notional, the notional numbers that  
4 were originally put in. That's the amount, yes.

5 MS. SEBALJ: Moving to the --

6 MS. SPEZIALE: I was just going to say...

7 MR. MORAN: Oh, sorry. Yes, I will let Ms. Speziale  
8 add. There is one other number component and it was raised  
9 in the original letter and it was that partial resolution  
10 with respect to rate mitigation. If you recall the Board  
11 said, Okay we're going to fix the rate mitigation issue but  
12 only on a going forward basis and we will leave it to  
13 Thunder Bay to propose what it wants to do for the May 1st  
14 up to the vary order. That's why the 2006 number is larger  
15 than the 2007, because it includes that one amount that the  
16 Board basically said we're leaving it to Thunder Bay to  
17 propose how to deal with it.

18 MR. DAVIES: Just to clarify, then. What you're  
19 really seeking, putting aside the other issue you may be  
20 raising, is the removal from the model of the sort of false  
21 or phoney customer data, as I might characterize it, that  
22 is in the large use class and then the recovery of the  
23 revenue that would have been attributed to that class from  
24 the remaining customer classes? Is that the gist of it?

25 MR. MORAN: Yes. Basically.

26 In the original proposal, when the intermediate class  
27 was set up and there was this notional customer also left  
28 in, there was also a rate mitigation component, which --

1 and when the Board reran the model, on the 2006, in its  
2 2006 decision, the rate mitigation was not taken back out.

3 So the Board corrected that component of it, in the  
4 vary order but only on a prospective basis from the date of  
5 the vary order. So there is the revenue associated with  
6 that notional customer and there is the remainder of that  
7 rate mitigation effect for that period, from May 1st up to  
8 the date of the vary order.

9 So where we are today, all we're looking today is to  
10 have -- there are no large use customers, and the large use  
11 customers that were there in 2004 are now assumed to be in  
12 the 1000 to 4999 class. And on that basis, we're seeking  
13 an adjustment to the rates on that basis.

14 So, yes, the model to reallocate costs accordingly.

15 MR. DAVIES: Okay.

16 MS. SEBALJ: And I think, just to be perfectly clear,  
17 in your -- sorry. A perfect example, you turned me off.  
18 But I know you didn't mean to. And I just turned you back  
19 on. Anyway we're connected somehow.

20 Just to be perfectly clear. The under-recovery that  
21 Thunder Bay is seeking that is related to this notional  
22 large use customer is the 237,436 plus the 127,035, which  
23 is this, from May to November 1st?

24 MR. MORAN: That's correct, yes.

25 MS. SEBALJ: Whereas the rate mitigation, the  
26 retrospective rate mitigation is the 69,903?

27 MR. MORAN: That's correct, yes.

28 MS. SEBALJ: Just to follow on the rate mitigation.

1 In Thunder Bay's view, has the rate mitigation issue been  
2 addressed, in terms of, you know, at the principal level  
3 has it been addressed, just the retrospective recovery is  
4 left?

5 MR. MORAN: That is correct, yes. In the vary order,  
6 the Board, clearly, it made the adjustment to counteract  
7 the effect of that rate mitigation on a going-forward  
8 basis, and then left the 69,000 in the air, essentially.

9 MR. DAVIES: Just to clarify. In the vary order, the  
10 Board invited Thunder Bay to file proposals for the  
11 recovery of that 69-odd thousand dollars, and when you  
12 refer to the remaining mitigation issue, you're just  
13 talking about dealing with the recovery of that amount?

14 MR. MORAN: That 69,000; that's correct. Yes. So  
15 that 69,000 plus the under-recovery associated with the  
16 notional large user brings you to the total of 307,339 for  
17 the 2006 rate period.

18 MS. SEBALJ: Right.

19 MR. MORAN: Then the 254,000, which is what is  
20 projected for the 2007, has no rate mitigation component in  
21 there at all. That is just the straight large use customer  
22 under-recovery amount.

23 MS. SEBALJ: And that is essentially halved for the  
24 purposes of going to November 1st?

25 MR. MORAN: Right.

26 MS. SEBALJ: Okay. I am just wondering, in paragraph  
27 9 of the Thunder Bay's answer to the first interrogatory,  
28 it says:

1           "Thunder Bay Hydro seeks an adjustment of its  
2           rates effective November 1, 2007 so that the  
3           under-recovery is no longer occurring."

4           I am assuming that that adjustment is removing the  
5           notional customer from the large user class?

6           MR. MORAN: Yes.

7           MS. SEBALJ: And there is no other adjustment beyond  
8           that?

9           MR. MORAN: That's right. It is straight prospective,  
10          at that point.

11          MS. SEBALJ: Right.

12          MR. MORAN: The rate rider is proposed as the  
13          technique for recovering what happened from May 1st, 2006  
14          to November 1.

15          MS. SEBALJ: And the prospective adjustment that is an  
16          adjustment potentially for all time is taking out those  
17          numbers or taking out that data?

18          MR. MORAN: Right. That's right.

19          MS. SEBALJ: The attachment 1, or schedule A, whatever  
20          reference it has, gives some bill impact information, and  
21          I'm just wondering if it is possible to provide the  
22          calculations that back up those final numbers.

23          I don't know if you can describe, in words, on what  
24          basis those were calculated, but, if not, I guess we would  
25          do it in the form of an undertaking, just to provide the  
26          calculations that were done to get to those bill impact  
27          percentages and amounts.

28          I'm referring to the last, I guess, four columns of

1 the table that was attached to IR Response No. 1.

2 MS. SPEZIALE: I believe what I did was, using the  
3 consumption that is in that third-last column, taking the  
4 estimated monthly adjustment and divided by the total bill  
5 in the model for that particular customer. With the  
6 residential, for example, the 1,000 kilowatt-hour, taking  
7 the 88 cents and determining what percentage of just purely  
8 the distribution, and then the total bill impact.

9 MR. DAVIES: I think if you had backup calculations,  
10 you know, it would probably be helpful to have them.

11 MR. MORAN: We can just provide an undertaking and  
12 file those, then, if -- that might be the easiest way to do  
13 it.

14 MS. SEBALJ: So we will just call that Undertaking No.  
15 1, and it is to provide the backup calculations related to  
16 the calculations of bill impact data which are provided in  
17 the last four columns of attachment 1 to Thunder Bay's IR  
18 responses.

19 **UNDERTAKING NO. 1: TO PROVIDE BACKUP CALCULATIONS**  
20 **RELATED TO CALCULATIONS OF BILL IMPACT DATA PROVIDED**  
21 **IN LAST FOUR COLUMNS OF ATTACHMENT 1 TO INTERROGATORY**  
22 **RESPONSES.**

23 MS. SEBALJ: Just moving quickly -- and I don't know  
24 whether you address this in your discussion, but it is  
25 addressed in the IR responses, and that's with respect to  
26 billing determinant statistics.

27 I am wondering whether you can confirm that the data  
28 that is provided in the responses to the IRs is the most

1 recent data and the most accurate, and whether or not you  
2 foresee any further changes to that data, because, as we  
3 see it, there have been some changes over time to those  
4 numbers.

5         These are the 2002, 2003 and 2004 billing determinants  
6 statistics.

7         In the event that the Panel wants to implement a  
8 solution with respect to this, obviously we want to base it  
9 on the most accurate and most current data. So we just  
10 want to confirm that that is -- there's an end point to any  
11 changes that are going to occur.

12         MR. MORAN: Right. I mean, as you will recall, in the  
13 original application there was a bit of rejigging of the  
14 data based on the new intermediate class and how that data  
15 would be assigned to that new class.

16         So as part of the reconstruction, we now have produced  
17 what it would have been if we had just said here it is,  
18 without that intermediate class. And so I guess the answer  
19 to your question is, yes, that this should be the most  
20 accurate data that Thunder Bay would have available for  
21 you.

22         MR. DAVIES: Could I just give you the concern that I  
23 had going through the data in the interrogatory?

24         When I took the data in the interrogatory response for  
25 each of the years for the general service, 1000 to 4999  
26 class and the large use class, I added that up, which I  
27 believe is what would be done in a model that would be used  
28 to reset rates, because the historic large use data would

1 go into that general service class. I think that's what  
2 you've done.

3 So when I did that, the interrogatory response data  
4 came up as follows: For 2002, the kilowatts were 578,388,  
5 with 26 customers; for 2003, it was 683,195, with 23  
6 customers; and for 2004, it was 689,090 kilowatts with 23  
7 customers.

8 Now, when I went to the vary order model, which I  
9 believe you had used as the basis for the February 2007  
10 appeal filing, the data in that model for 2002 was 578,388,  
11 which is the same as in the interrogatory response.  
12 However, there were 28 customers shown, rather than 26.  
13 And in 2003, the data in both was the same, but in 2004,  
14 the kilowatt-hours in the February 2007 appeal filing were  
15 739,336, with 19 customers as compared to the interrogatory  
16 response, which has the 689,023 customers.

17 So I would just like, if you could confirm that it is  
18 definitely the interog response data that should be used  
19 and not the data that was in the model that was included  
20 with the February 2007 appeal filing.

21 [Mr. Moran and Ms. Speziale confer]

22 MR. MORAN: I think, as I indicated at the outset, a  
23 component of this exercise has been a reconstruction. So I  
24 guess from Thunder Bay's perspective, in going through that  
25 process, they landed on the numbers that you now see in the  
26 interrogatory response. So I think we have to say, those  
27 are the numbers that we should be running with at this  
28 point.

1           They are the result of going back over all of the  
2 records that are available and figuring out just exactly  
3 what happened and compared to what was filed.

4           I'm not sure that we have an answer for why the  
5 version that was filed as part of one of the vary motions  
6 is a bit different. We're not quite sure why that is. We  
7 walked through, back, and these were the numbers that we  
8 were able to reconstruct based on the data that was  
9 available.

10          MR. DAVIES: Okay. So assuming that the Board was to  
11 decide to grant the relief that Thunder Bay is requesting,  
12 then the data that should be used in the model is the data  
13 that is in the interrogatory responses?

14          MR. MORAN: Well, I mean, except to the extent that  
15 the data right now includes three large use customers that  
16 don't exist any more, right. But --

17          MR. DAVIES: Recognizing that. But the presumption  
18 is, I think, that what you're doing is that the historic  
19 large use customer data has been moved into the general  
20 service class and what you're seeking is that we remove the  
21 so-called notional customer from the large use class, but  
22 we leave the historic large use customer consumption data  
23 in the general service class. Is that correct?

24          MR. MORAN: In the 1000 to 4999, yes.

25          MR. DAVIES: Yes.

26          MR. MORAN: Yes.

27          MS. SEBALJ: Sorry, was that asked and answered? I  
28 didn't hear the answer.

1 MR. MORAN: The answer was "yes."

2 MR. DAVIES: Yes, okay. Thanks.

3 MS. SEBALJ: I have just a few other -- sorry.

4 [Mr. Moran and Ms. Speziale confer]

5 MR. MORAN: Sorry, just a moment.

6 MS. SEBALJ: Sure.

7 MR. MORAN: There is one variation on the last  
8 question. In 2004, the customer count that was used  
9 previously was 19. And the reason for that was that there  
10 had been a movement of customers from to GS1000 to the  
11 class below.

12 MR. DAVIES: Okay. But then in the interrogatory  
13 response for 2004, the GS1000 to 4999 kilowatt class shows  
14 20 customers and the large use shows three for a total of  
15 23. Whereas the February appeal filing showed a total of  
16 19 customers for 2004, which I believe would be the  
17 combined total of the GS1000 to 4999 plus the three large  
18 use customers.

19 MR. MORAN: Right. Minus some customers who had moved  
20 down a class, as well. All of which happened in 2005.

21 MR. DAVIES: So what is the conclusion, then, about  
22 the 23 customers in the large use and the 1000 to 4999  
23 general service class in the interrog response?

24 MR. MORAN: Well, as we understood the interrogatory,  
25 you were asking us to produce the actuals for 2002, 2003  
26 and 2004; right?

27 MR. DAVIES: Hmm-hmm.

1 MR. MORAN: So that is what is produced there. But  
2 the reality is that the three large use customers all left  
3 in 2005, which is what Thunder Bay was originally trying to  
4 address. And underlying all of that was also the movement  
5 of some customers from GS1000 down to GS50, which is why  
6 you get that number 19 instead of 23.

7 MR. DAVIES: Okay. But then are you saying --

8 MR. MORAN: So what we have in the interrogatory  
9 response is that is the 2002, 2003 and 2004 as we  
10 reconstructed it back to -- just to step back for a moment.

11 If Thunder Bay had just said, We're just going to run  
12 the model. Here is our actual 2002, 2003, 2004 data and  
13 we're just going to run the model that way, that's what we  
14 understood the interrogatory to be asking us, what would  
15 that data look like.

16 So the answer to interrogatory number 4 does not  
17 address any of the issues that Thunder Bay was attempting  
18 to address in the context of its actual applications.

19 MR. DAVIES: Okay. But then this is -- just a  
20 clarification, then.

21 In the February 2007 appeal filing for 2004, in the  
22 general service 1000 to 4999 class, you had 19 customers --

23 MR. MORAN: Right.

24 MR. DAVIES: -- and 739,336 kilowatts. When you total  
25 the two classes in the interrogatory response for 2004, you  
26 have 23 customers, i.e., four more, but you only have  
27 689,090 kilowatts, which is about 50,000 less with four

1 more customers. That was one of the sort of areas of  
2 confusion that I just wanted to clarify.

3 MR. MORAN: Okay. So in the Interrogatory Response  
4 No. 4, that's just based on actuals for 2004. Thunder Bay  
5 wanted to address the loss of three large use customers and  
6 that's what led to what was originally filed.

7 In the appeal model, there was also a -- what was also  
8 recognized was the movement of a number of customers from  
9 GS1000 down to GS50.

10 So Thunder Bay is not seeking the -- is not looking  
11 for the Board to run the model based on the data as it is  
12 currently set out in Interrogatory Response No. 4, because  
13 that is just the historical data and it doesn't address the  
14 issue. It is assuming there is three large customers,  
15 which aren't there and it's assuming that there is 20  
16 customers in the GS1000 which isn't the case, because there  
17 was some downward movement out of that class, as well.

18 MR. DAVIES: So would it be the case, then, that if  
19 the Board decides to give you the relief that you are  
20 requesting, and we have to run a model to reflect  
21 adjustments for that relief, that we should use the model  
22 that you filed in February with the vary order request,  
23 given that that model shows the differential-type  
24 consumption data, including the additional roughly 50,000  
25 kilowatts in 2004 versus what you had in the interrog  
26 response?

27 MR. MORAN: Thunder Bay is looking to have the model  
28 run on the assumption that there are, rather than 23

1 customers, there are 19 in the GS1000 to 4999.

2 MR. DAVIES: Okay. But then if that is the case,  
3 where I get confused you're saying run it on the basis of  
4 four less customers, but in spite of the fact that there is  
5 four less customers, the vary order appeal model shows  
6 about 50,000 more kilowatts with four less customers. I'm  
7 just a bit confused as to --

8 MR. MORAN: So you want us to confirm what kilowatts  
9 should be used in addition to the 19 customers?

10 MR. DAVIES: I think what we would like is, if you  
11 could confirm exactly what information you believe should  
12 be in schedule 6(2) of the EDR 2006 model, and, more  
13 specifically, do you believe that there would be a need for  
14 any changes in the data that was filed in the model that  
15 you included with the February 2007 filing related to this  
16 appeal, given the interrogatory response to Interrogatory  
17 No. 4?

18 We just want to be sure that we have a consistent set  
19 of data and everyone agrees on what it is.

20 MR. MORAN: Absolutely. So why don't we just  
21 undertake to do that, then. So I guess that would be  
22 undertaking 2?

23 MS. SEBALJ: Yes.

24 **UNDERTAKING NO. 2: TO PROVIDE INFORMATION THAT SHOULD**  
25 **BE INCLUDED IN SCHEDULE 6(2) AND PROVIDE EXPLANATION**  
26 **IF DIFFERENT THAN FEBRUARY 2000 FILING.**

27 MR. MORAN: So we will provide the information that  
28 should be included in Schedule 6(2), and if it's different

1 from what's in the February 2000 filing we will provide an  
2 explanation.

3 MR. DAVIES: Yes, thanks.

4 MR. MORAN: Okay.

5 MS. SEBALJ: I just had two -- I will call them points  
6 rather than questions. I just wanted to draw your  
7 attention to the fact that there are two things in  
8 Procedural Order No. 1, two issues outlined there.

9 One is the issue of retrospective versus prospective  
10 recovery. I don't think it is properly the subject of a  
11 technical conference, because it will be done by way of  
12 legal argument, I assume.

13 The other is with respect to the threshold issue.  
14 This is a notice of motion, and the motion will have to  
15 meet the threshold test that you'll be even more familiar  
16 with, now that the NGEIR decision is out. So I am assuming  
17 that we will also have submissions with respect to that;  
18 again, not properly the subject of a technical conference,  
19 but I just wanted to put it out there.

20 MR. MORAN: As I understand the threshold issue, it is  
21 mostly focussed on the question of timing; right?

22 MS. SEBALJ: Yes, you're right. The Procedural Order  
23 specifies why the Panel should consider this motion in  
24 light of the fact that it was late, technically.

25 MR. MORAN: All right. And I think as I indicated,  
26 the issue wasn't actually discovered until the end of 2006,  
27 when Thunder Bay Hydro had completed the load data analysis  
28 for submission to Hydro One Networks. That's when people

1 realized that the effect of the decision was what it was.

2 MS. SEBALJ: Sure. I don't think, unless - I'm  
3 looking to my right - unless there is anything else from  
4 anyone here, that we have any questions with respect to the  
5 issues that were to be discussed today.

6 So why don't we go on to the model and the new issue  
7 that Thunder Bay wants to put on the record.

8 MR. MORAN: Okay. We will get Ms. Speziale to walk  
9 you through that issue.

10 **FURTHER PRESENTATIONS BY MR. MORAN:**

11 MR. MORAN: Essentially what the issue has to do with  
12 is the treatment in the model of the pole rental revenue.  
13 As you know, that's considered to be other distribution  
14 revenue and is used as an offset against base revenue  
15 requirement.

16 As we went through the process of reconstructing  
17 everything that had happened in the course of these  
18 filings, it appeared that there has been a double  
19 subtraction of pole rental income against base requirement,  
20 adding up to approximately \$212,000.

21 **FURTHER QUESTIONS FROM BOARD STAFF:**

22 MR. DAVIES: Could you just give a bit more context.  
23 You had a request, I believe, in the 2006 application for  
24 some -- for differential treatment of pole rentals.

25 MR. MORAN: I think in the original application, there  
26 had been a proposal with respect to partial connections  
27 that was abandoned, as I understand it, in that process. I  
28 wasn't involved at that time, but that's what I understood.

1 I think that was the main reason for one of the  
2 intervenors who showed up in that process. That was the  
3 reason why they were there, and ultimately they didn't  
4 participate, because that issue wasn't pursued by Thunder  
5 Bay Hydro.

6 But quite separate from that is the issue of the  
7 specific charge for access to power poles and the treatment  
8 of that revenue in the model that was filed.

9 MR. DAVIES: Okay. So is this error that you have now  
10 found, you believe, separate from the issue that came up in  
11 the EDR 2006?

12 MR. MORAN: That's correct.

13 The error happened in 2006, but it was separate from  
14 the issue that you asked about just now, yes.

15 MR. DAVIES: Okay.

16 MS. SPEZIALE: Okay. I'm on schedule 5-2. You will  
17 see line 30 say "Specific service charges for access to  
18 power poles", and it says 22.35, for an amount of 341,067.

19 If we look at the bottom of that page, the total there  
20 is 656,412. That number goes to 55, I guess, subtracted  
21 from the top line, from the base revenue requirement.

22 Okay. So 346,000 is included in there for pole rentals.

23 Then if we go to sheet 5-3, this 212,663 is  
24 essentially the pole revenue as well, coming from the  
25 adjusted trial balance of 2-4.

26 So P474 is \$432,342 on line 474. That's the other  
27 distribution revenue. So that goes over to schedule 5-3,  
28 and that's the total there, the 435,342.

1 Now, the way the model works, it's asking specifically  
2 for a breakdown of the revenues that are there. So 4082 is  
3 the 76,894; 258 and pole rental revenues were actually  
4 358,000. But because we have to enter this number, which  
5 is account 4080b, which represents the standard supply  
6 admin charges, the formula down here takes that number on,  
7 474, and subtracts the sum of the above numbers.

8 The 145,000 was not included in that total at P474 on  
9 schedule 2-4. So it's actually reducing this, but really  
10 what's left here, representing pole revenues, is 212,663.

11 So we are actually -- and then this 435,000 also goes  
12 to 5-5 and deducts as other revenue from the base revenue  
13 requirement. So pole revenues are included at line 19, and  
14 that's 656,000. There's 349 in there.

15 On line 21, in the 435, there's 212,663 essentially in  
16 there. So it's coming out twice from base revenue  
17 requirement.

18 MR. DAVIES: Which version of the model is this that  
19 you're showing us?

20 MS. SPEZIALE: This was from the final version.

21 MR. DAVIES: But what is shown on the screen with  
22 these models in that data does not always make it clear  
23 which model is being used, because if you look at a lot of  
24 the models that have been filed in this proceeding, you  
25 will see a date like November 1st, 2005, but it has been  
26 subsequently updated.

27 So just to be clear, is this model that you're showing  
28 now the final model resulting from the EDR 2006 decision?

1 MS. SPEZIALE: Yes. I started with, yes, the Board-  
2 approved decision.

3 MR. DAVIES: So this is the Board-approved decision  
4 model for EDR 2006.

5 And this error that you're suggesting exists would  
6 also have carried through to the model that the Board used  
7 when it produced the vary order?

8 MS. SPEZIALE: Yes.

9 MR. DAVIES: Okay. So we would see this error in  
10 subsequent models as well, including the one that would  
11 have been filed in February?

12 MS. SPEZIALE: I would have to confirm that, but I  
13 believe so because the base revenue requirement is still  
14 the same.

15 MR. DAVIES: Okay.

16 [Board Staff confer]

17 MS. SEBALJ: We're just discussing how best to get  
18 this information.

19 MR. MORAN: If you look at this one, at the top you  
20 will see it is version 2.1 and there is a date of November  
21 1, 2005 on it.

22 MS. SEBALJ: Right.

23 MR. MORAN: So we know the date of this version. And  
24 I guess you will have to check.

25 MR. DAVIES: But just to point out, if this is the  
26 Board's decision model, it would have been the model that  
27 Thunder Bay filed November 1st, 2005 as modified by the  
28 Board for its decision. So that's why I say there is

1 confusion, because if you looked at the model Thunder Bay  
2 filed, you would see those dates on it and you would  
3 probably also see those dates -- presuming this is the  
4 Board's decision model, it says November 1st, 2005, but it  
5 is actually April 12, 2006. That's why I think you have to  
6 be careful with those references.

7 MS. SEBALJ: So that's one issue. But what we were  
8 actually just discussing is, how best to get this issue, a  
9 description of the issue and a reference to the model, I  
10 guess, as it is already filed, I presume, because you're  
11 suggesting that this error was already made. So these  
12 numbers already exist in a model that has been filed with  
13 the Board as part of the 2006 EDR.

14 So I'm just trying to -- I'm discussing with Martin  
15 how best to get this information on the record so that he  
16 can go through and track it, because I think -- I sort of  
17 followed and Martin did follow, but we need to look into  
18 this a little bit more.

19 MR. MORAN: Yes. That's why we wanted to raise it  
20 today, because we wanted to explore with you how we might  
21 proceed with the presentation of it at least.

22 MR. DAVIES: Could I just ask one more clarification  
23 question. Do you believe that this error was in the model  
24 as far back as the original 2005 filing? Or that it has  
25 come into the model somewhere along the way during the  
26 various stages of the process that we have gone through?

27 MR. MORAN: I'm not sure we know the answer to that  
28 question.

1 MR. DAVIES: So it's a possibility that this could  
2 have been sitting in the model going all the way back to  
3 the original August 2005 filing?

4 MR. MORAN: Yes. It's a possibility.

5 MR. DAVIES: Okay.

6 MS. SEBALJ: So am I correct in understanding that  
7 these are the numbers, this is the model that's been filed  
8 as part of the 2006 EDR filing. So we have this  
9 information from Thunder Bay already?

10 MS. SPEZIALE: Yes.

11 MS. SEBALJ: And is there a way that you could provide  
12 -- I'm just thinking that the transcript of this is not  
13 going to read very well.

14 MR. MORAN: Yes.

15 MS. SEBALJ: So I'm wondering if you could provide  
16 what essentially amounts to a description.

17 MR. MORAN: Yes. We can go through that and, you  
18 know, reference the lines and the sheets and the formulae  
19 and what it goes back to. So we can provide a narrative  
20 description of the question that we were raising, yes.

21 MS. SEBALJ: That would be helpful.

22 MR. MORAN: Make that an undertaking, as well, number  
23 3?

24 MS. SEBALJ: Yes. We will call it Undertaking No. 3.  
25 **UNDERTAKING NO. 3: TO PROVIDE AN EXACT REFERENCE TO**  
26 **THE INFORMATION IN THE EXISTING 2006 EDR FILING AND A**  
27 **DESCRIPTION OF THE POLE RENTAL DOUBLE-COUNTING ISSUE**

28 MS. SEBALJ: It will be to provide an exact reference

1 to the information in the existing 2006 EDR filing and a  
2 description of the --

3 MR. MORAN: Pole rental.

4 MS. SEBALJ: -- pole rental double-counting issue.

5 MR. MORAN: Yes.

6 MS. SEBALJ: Obviously in this room we can't accept or  
7 reject this as being an issue before the Panel. It will  
8 have to be done by way of amendment to the notice.

9 Then we can address it more fully at the hearing.

10 MR. DAVIES: But I guess the conclusion would be that  
11 -- let's assume that the Board accepts that this is another  
12 error that needs to be dealt with, then presumably there  
13 would be revisions to the amounts of the relief that you  
14 would be requesting, and the rate riders, et cetera?

15 MR. MORAN: Yes. That's right. So we would need to  
16 provide an update to the breakdown of those amounts, as we  
17 already did in Interrogatory No. 1.

18 MS. SEBALJ: So the breakdown of the numbers, just to  
19 follow on Martin's point, would describe some form of rate  
20 rider or other mechanism for recovery, in addition to an  
21 adjustment?

22 MR. MORAN: Right. To follow the same model that  
23 we've proposed, yes.

24 MS. SEBALJ: All right. And can we assume that that  
25 will be done as part of Undertaking No. 3? Or do you  
26 want --

27 MR. MORAN: Yes, we will do it as part of undertaking  
28 number 3.

1 MS. SEBALJ: Just to confirm, should you decide to  
2 pursue this, it will be done by way of amendment to the  
3 notice?

4 MR. MORAN: Yes.

5 MS. SEBALJ: Obviously given that we, I think, have a  
6 week between now and then, that will be done when, do you  
7 think?

8 MR. MORAN: This week.

9 MS. SEBALJ: Okay. We haven't discussed when the  
10 answers to the undertakings can be completed.

11 MR. MORAN: These are pretty straightforward  
12 questions, so I think we can turn that around quickly, in  
13 the next day or so.

14 MS. SEBALJ: Okay, great.

15 MR. MORAN: I think it is in everybody's interest for  
16 us to do that anyway.

17 MS. SEBALJ: Right.

18 [Board Staff confer]

19 MR. MORAN: In terms of figuring out how this issue  
20 fits with what the Board used on the vary order and so on,  
21 I'm not sure what the proposal there is. Is that something  
22 you're going to check on the Board side?

23 MR. DAVIES: Would it be your point of view that the  
24 vary order fixed the mitigation issues and that this, from  
25 your point of view, is another separate issue that was not  
26 dealt with by the vary order at all?

27 MR. MORAN: That's right. It's never been raised  
28 before. As I say, we went through the exercise of pulling

1 together everything we did and going through the model, it  
2 became clear that there was a question with respect to the  
3 pole rental income and how it was treated in the -- and  
4 it's the kind of issue, I mean, I guess the obvious  
5 question is: How come you didn't discover it before today?  
6 And the reality is that when you're looking at your  
7 revenues and so on, if they're pretty well in the ballpark  
8 of where they should be, you're not necessarily questioning  
9 if they're right.

10 So there would have been no reason for anybody to go  
11 back and check every cell in the model once it was run to  
12 see if, in fact, there was any problem, right? I mean,  
13 nobody did that.

14 Until we tried to reconstruct everything and put  
15 together the package for this process, in which case we did  
16 go through that process, and looked at everything, and lo  
17 and behold we found that there is a question here, as well.  
18 Ms. Speziale was very, very thorough in her review of this,  
19 having inherited the file from someone who is now retired.

20 MS. SEBALJ: I think there is correspondence on this.

21 MR. DAVIES: I will tell you the question that -- just  
22 to clarify, if you go to, in the March 16th request for the  
23 review of the vary order, the Cheadles filing.

24 MR. MORAN: Hmm-hmm.

25 MR. DAVIES: It's the affidavit of C. Thomas Wright.

26 MR. MORAN: Yes.

27 MR. DAVIES: And it's paragraph 18.

28 MR. MORAN: Okay, hang on. I just have to find it

1 here. Paragraph 18 in Mr. Wright's affidavit?

2 MR. DAVIES: Yes. He says there:

3 "Unfortunately the vary order is not correct.

4 The 2006 EDR rate filing approval created a total  
5 shortfall of approximately \$335,000 comprised of  
6 the following..."

7 And the first item is:

8 "Large use revenue erroneously included in both  
9 2006 rate orders, 235,000."

10 Then he says:

11 "Error in not correcting rates for removal of  
12 revenue for pole rentals, \$100,000."

13 I'm just wondering if the purpose of the vary order  
14 was to correct mitigation, the implication of what he's  
15 saying here could be seen as arguing that the vary order  
16 was, in his view, correcting rates for the removal of  
17 revenue for pole rentals, which sounds like a similar issue  
18 to what we're discussing here.

19 So can we just be clear that this is an issue that is  
20 definitely separate from the vary order, and, if so, why  
21 Mr. Wright made this reference in his affidavit?

22 MR. MORAN: Well, I guess to answer the last part, we  
23 have no idea why Mr. Wright made this reference in this  
24 fashion, because the issue always has been -- and I think  
25 when you look at the original letter, it had to do with the  
26 mitigation problem, which the Board actually addressed in  
27 the vary order. So we don't understand the reference here  
28 at all.

1           In coming forward, we've always been focussed on  
2 addressing the issue of the notional large use customer and  
3 the effect that that has on the rates, and resolution of  
4 the rate mitigation issue for the period of May 1st to the  
5 date of the vary order.

6           Then in going through the process of reviewing the  
7 model and how it dealt with it, the issue with respect to  
8 the treatment of pole rental revenue is something that we  
9 worked our way through and said this is something we need  
10 to raise as part of our discussion today.

11           So that's where Thunder Bay is coming from at the  
12 moment. We don't know what that 100,000 means. We don't  
13 have any idea where that number came from. We're not sure  
14 why he is referring to the removal of revenue for pole  
15 rentals, because when you actually go through the model,  
16 the number is 212,663.

17           So we're not sure what was going on there, at all.

18           MR. DAVIES: Okay. So the bottom line is, then, that  
19 your view of the vary order is that it dealt purely with  
20 the mitigation issue and the pole rental issue is a new and  
21 separate issue?

22           MR. MORAN: Yes.

23           MR. DAVIES: Okay.

24           MR. MORAN: Ms. Speziale is reminding me that the  
25 100,000 number does line up neatly with the mitigation  
26 issue. I mean, that was the total amount of that  
27 mitigation issue which the Board dealt with, and the  
28 outstanding amount was the 69,000. But the Board dealt

1 with the mitigation issue going forward.

2 MR. DAVIES: I agree. I think we're all clear that  
3 the 100,000 amount was addressed in the vary order. I just  
4 wanted to be clear that we were on the same -- had the same  
5 understanding of what it was addressing.

6 MR. MORAN: That's right. When he talks about the  
7 revenue for pole rentals, don't know where that came from.  
8 Maybe by the time all of this happened, he was focussed on  
9 greener pastures, moving into the retirement side.

10 MS. SEBALJ: I don't think we have any other questions  
11 related to this, based on Undertaking No. 3 and subject to  
12 an amendment to the notice.

13 The only other issue I wanted to discuss briefly is  
14 what comes of our discussions today in respect of the  
15 hearing next week, June 4th, if that is next week, or  
16 shortly -- the week after.

17 One of the things that we thought would be beneficial  
18 to the Panel, other than reading the transcript of the  
19 Technical Conference, if they wish to do that, is the  
20 potential for, if you will, an agreed-upon statement of  
21 facts or some form of document that could be used to  
22 alleviate having to go through in a painstaking way the  
23 details stemming back to the original filing, and then the  
24 vary order and so forth - one of the Panel members will be  
25 familiar with it, but the other one won't - and whether we  
26 might sort of short-circuit that process by having this  
27 issue aside, because it looks like it will be a new one  
28 that we can address there.

1 I just wondered if there is any appetite, perhaps, for  
2 Thunder Bay to prepare something, not extensive, that Board  
3 Staff could then review, and we could come to some  
4 consensus that that is the basis upon which we are  
5 appearing before you on June 4th, and then we can talk  
6 about solutions as opposed to the facts behind the problem.

7 MR. MORAN: I think that is a great suggestion. It  
8 makes an awful lot of sense, and we're happy to take a shot  
9 at pulling something together.

10 In my mind, I'm thinking it is along the lines of how  
11 we structured the response to Interrogatory 1 --

12 MS. SEBALJ: Right.

13 MR. MORAN: -- but maybe with a bit more detail to  
14 flesh it out a bit. You know, what we tried to do in  
15 Interrogatory Response 1 was to just try to follow the  
16 whole process from where it started to where we are today.

17 MS. SEBALJ: Right.

18 MR. MORAN: And I guess part of it would be to build  
19 in the results of these undertaking responses that we're  
20 going to provide, so that the numbers are clear and the  
21 relief is clear and the breakdown --

22 MS. SEBALJ: Right. And we're not sort of committing  
23 to agreeing to all of it at this point, but if we can have  
24 some back and forth in the short days ahead, then we might  
25 be able to present something.

26 MR. MORAN: Yes.

27 MS. SEBALJ: As you know, the Panel can reject it, and  
28 ask its own questions, but we just thought, given the

1 complexity of what has gone on, it may not be worthwhile  
2 going through every minute detail.

3 MR. MORAN: Yes. When I think about the process that  
4 I had to go through and the process that Ms. Speziale had  
5 to go through prior to that, I mean, anything that we can  
6 do to help the learning curve of the Panel, I think, is a  
7 really good idea here, because it is a painful process.

8 MS. SEBALJ: Yes. Subject to that, is there anything  
9 else from our end? Anything else from your end?

10 MR. MORAN: I don't think so. So we have the three  
11 undertakings, and I guess we have to provide formal  
12 amendment, formal notice of the amendment to include this  
13 additional issue that we have talked about on the pole  
14 rental side.

15 MS. SEBALJ: Yes.

16 MR. MORAN: Very good.

17 MS. SEBALJ: All right. I think we're adjourned.

18 --- Whereupon the technical conference concluded  
19 at 10:54 a.m.

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