EB-2008-0245

Ontario Energy Board

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

AND IN THE MATTER OF an Application by Thunder Bay Hydro Electricity Distribution Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2009.

INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

November 26, 2008

THUNDER BAY HYDRO ELECTRICITY DISTRIBUTION INC.
2009 RATES REBASING CASE
EB-2008-0245

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

Interrogatory # 1

Ref: Exhibit 1, Tab 2, Schedule 1, Table 1

a) Why are there no percentage figures shown for the GS > 50 kW, street lighting, sentinel lighting and USL classes?

Response

The percentage figures provided were as directed per the following e-mail received from the OEB on September 4, 2008

"Allan Fogwill" <Allan.Fogwill@oeb.gov.on.ca>

09/04/2008 11:53 AM

This request is directed to electricity distributors planning to file a 2009 cost of service rate application.

The Board is seeking to improve the transparency and usefulness of the notices that inform interested parties as to the nature of the cost of service rate applications. To that end there are 4 specific pieces of information that the Board requests you include in your cost of service rate application when it is filed. These include:

1. *The most recent board approved revenue requirement from a cost of service application. In most cases this will be from your Board decision for 2006 rates.*
2. *The revenue requirement requested in 2009 using the same cost elements as was used to represent the number in the 2006 decision.*
3. *The percentage change in the delivery line charges. This is inclusive of fixed charges, variable charges, rate riders and retail transmission rates.*
4. *The actual dollar per month change that customers will see in their bill associated with your cost of service application.*

For points number 3 and 4 the information is needed for your residential customer class at a consumption level of 1000 kWh and general service <50 kW at a consumption level of 2000 kWh.

If you have any questions regarding this information request, please let me know. You can send me an e-mail or call at 416 440 7746.

Allan Fogwill
Director, Applications

b) Please provide the percentage change in the delivery line for each of these classes in (a) above.

Response

The average Delivery Line Bill Impact % (excluding any RTR delivery charges) is as follows:

Residential	*1000 kwh*	*8.75%*
General Service < 50kw	*2000 kwh*	*11.06%*
General Service> 50kw	*100 kw*	*20.00%*
Street Lighting	*2500 kw*	*236.18%*
Sentinel Lighting	*1 kw*	*8.78%*
Unmetered Scattered Load	*500 kwh*	*71.36%*

Interrogatory # 2

Ref: Exhibit 1, Tab 2, Schedule 3, pages 3, 4 & 5

The evidence indicates that regular scheduled forestry practices for line clearing were downsized in the past by a well meaning desire to maintain rates as low as possible. The historical line clearing costs for 2000 through 2007, shown on page 4, average considerably below the estimated cost of $518,000 to maintain a sustainable level of vegetation over a complete cycle.

a) Please explain how rates were set in each of 2000 through 2007.

Response

Rates in the period of 2000 to 2007 were set in accordance with our costs and corresponding revenue requirement as they are today. From 2000 to 2002 the regulator was Ontario Hydro and in 2003 that regulator became the OEB.

b) Please explain the link between the downsized budget for line clearing and how the rates were set in each year.

Response

In those years the forestry program was operated primarily as a reactive function and ran for only 9 months of the year. As the budget and subsequent forestry costs were less then the sustaining levels, the revenue requirement and rates were set in accordance with those levels.

c) What other costs were downsized over this period in order to maintain rates as low as possible?

Response

In 2003 the Board of Directors approved the implementation of an Accelerated Cost Reduction Strategy with the objective of eliminating $1,200,000 from the Operating, Maintenance and Administration expenses of the utility. The strategy required a review of activities across the utility and appropriate cost reduction measures in order to meet the objective.

This strategy was successfully implemented resulting in cost savings due to staff reductions (approximately 18 full time staff positions were eliminated), benefit cost savings through self insurance, rent reductions through reduced space requirements, and government relations expense reductions. The staff reduction savings were reflected in numerous Operations, Maintenance and Administration functions. Examples include, but were not limited to, forestry activity reductions, elimination of cashier service, merging of the Human Resources and Safety and Training departments, outsourcing of landscaping and maintenance functions, and reorganization of administrative support functions. As a result of the Accelerated Cost Reduction Strategy, total labor FTE's (full time equivalents, which includes all full time, part time, casual and overtime labor hours) were reduced from 159.5 in 2002, to 134.7 in 2005.

Interrogatory # 3

Ref: Exhibit 2, Tab 2, Schedule 3, pages 1 & 2

a) Please quantify the "sizeable contingency" that was included in the Frankwood Rebuild budgeted amount of $1.2 million.

Response

The Frankwood project included a contingency of 25% as it was the first large scale complete neighbourhood rebuild using new construction standards and revised standard and construction procedures, and Thunder Bay Hydro was uncertain what level of opposition and potential remedial actions would be necessary to complete the work along with any unforeseen challenges that may have been encountered.

b) The evidence states that this project has redefined how Thunder Bay Hydro estimates and budgets for large scale distribution rebuilds going forward. How does Thunder Bay Hydro now calculate the contingency for such projects?

Response

Our present practice is to build in a contingency only as required on large scale neighbourhood rebuilds given that we now have a good understanding of the requirements to complete this type of project. A contingency may be utilized for projects where some significant uncertainty exists and is typically set at 5-10%.

Where an unusually high risk is associated with a specific project the contingency may be increased in line with the risks.

The overall objective being to estimate projects as closely as possible to what we expect them to cost. The contingency will be utilized only to address unknowns as well as unforeseen issues that may arise.

Interrogatory # 4

Ref: Exhibit 2, Tab 2, Schedule 3, Table 1

For each of the three projects listed, please indicate:

a) whether the project will be completed and in-service by the end of 2008;

Response

The status of projects by the end 2008 are:

1) *Tarbutt St. Area Conversion/Rebuild – BCR #812-03: The project was completed in Oct 2008 and is in-service.*

2) *10M6 Kam River Crossing – BCR #813-08: The project work, directional drilling under the Kam river and installing cable conduits, was contracted out but the contractor has not been able to complete the work execution as per the schedule, due to a delay in receipt of material and equipment by the contractor. The project is scheduled for completion in early 2009.*

3) *Hill St. Area Conversion/Rebuild – BCR #812-09: The entire project has been completed in November 2008 and is in-service ahead of original projections.*

b) the actual cost or the most recent estimated cost for the project;

Response

The actual cost or the most recent projected cost for the projects is:

1)	*Tarbutt St. Area Conversion/Rebuild – BCR #812-03:*	*$1,062,486*
2)	*10M6 Kam River Crossing – BCR #813-08:*	*$ 438,801*
3)	*Hill St. Area Conversion/Rebuild – BCR #812-09:*	*$1,022,752.*

c) the amount of the contingency associated with each project;

Response

The amount of the contingency associated with each project is:

1)	*Tarbutt St. Area Conversion/Rebuild – BCR #812-03:*	*$ 0 (Nil)*
2)	*10M6 Kam River Crossing – BCR #813-08:*	*$39,891*
3)	*Hill St. Area Conversion/Rebuild – BCR #812-09:*	*$ 0 (Nil);*

and,

d) the actual cost or the most recent estimated cost for 2008 for the "all other infrastructure capital" costs.

Response

The most recent estimated cost for 2008 for the "All Other Infrastructure Capital" is $3,155,467.

e) Please provide the contingency amount included in the "all other infrastructure capital" line.

Response

The contingency amount included in "All Other Infrastructure Capital" is $129,499.

Interrogatory # 5

Ref: Exhibit 2, Tab 2, Schedule 3, Table 2

a) Please provide the contingency amount included in each of the three identified projects.

Response

The contingency amount for each of the three identified projects is:

1)	*County Fair Park Underground Rebuild – BCR # B914-05*	*$ 96,649*
2)	*Winnipeg Area Conversion/Rebuild – BCR # B912-11*	*$119,818*
3)	*Birch/Port Arthur*	*$ 72,839.*

b) Please provide the contingency amount included in the "all other infrastructure capital" line.

Response

The contingency amounts included in "All Other Infrastructure Capital" is $127,708.

c) What is driving the significant increase in the "all other infrastructure capital" costs in 2009 as compared to 2008?

Response

The net increase in "All Other Infrastructure Capital" for 2009 as compared to 2008 is $454,642 ($3,610,109 - $3,155,467); which in order of significance is due to: the replacement capital program, safety report corrective measures, small unplanned replacements, customer driven expansions and relocations.

Interrogatory # 6

Ref: Exhibit 2, Tab 3, Schedule 1, page 6

a) Has Thunder Bay Hydro included any smart meter related costs in its capital expenditure forecasts for inclusion in rate base in either 2008 or 2009?

Response

There are no smart meter related costs in Thunder Bay Hydro's capital expenditure forecasts for inclusion in rate base in either 2008 or 2009.

b) How has Thunder Bay Hydro proposed to deal with the removal of the existing meters that are in currently in service but will not be used or useful by the end of 2009? Please explain.

Response

This is presently under investigation; Thunder Bay Hydro is seeking to get the greatest return possible on these investments and options such as scrapping, selling; recycling and shipping out of country are being investigated.

c) What is the estimated net book value of the meters that will be replaced by the end of October, 2009?

Response

Thunder Bay Hydro has now extended its implementation from the end of October to the end of the 1st week of December. The net book value of the meters being replaced approximates $2.2M.

Interrogatory # 7

Ref: Exhibit 2, Tab 3, Schedule 1, pages 10 & 11

a) The evidence states that Thunder Bay Hydro utilizes a three-year life cycle for all computer and network infrastructure hardware with the exception of printers. Please provide the depreciation rates used by Thunder Bay Hydro for these assets. If this rate is different than the 20% specified in the 2006 EDR Handbook, please explain the rationale for the difference.

Response

Thunder Bay Hydro uses a 3 year replacement policy for the computer hardware purchases. This does differ from the 5 year rate specified in the 2006 EDR Handbook. Thunder Bay Hydro has chosen an amortization rate which estimates the useful life of the computer software and hardware.

The net impact to amortization is as follows:

2008 $ 2,218 less amortized using 3 year amortization
2009 $(9,255)more amortized using 3 year amortization.

b) Please provide the most recent forecast for the total expenditures related to computer hardware for the 2008 bridge year which was forecast to total $199,555.

Response

The most recent forecast of the total expenditures related to computer hardware for the 2008 bridge year is $180,524.

Interrogatory # 8

Ref: Exhibit 2, Tab 2, Schedule 1

a) The tables shown for 2006 and 2007 include the disposals of assets in the accounts for meters, office furniture, computer hardware, transportation equipment and tools. However, in 2008 and 2009, there are only disposals associated with transportation equipment. Please explain why there are no other asset disposals shown for 2008 or 2009.

Response

Only asset disposals related to transportation equipment have been estimated for 2008 and 2009. These particular disposals are related to transportation asset purchases related to replacements. As a result we were able to identify specific assets which will be disposed of/retired in 2008 and 2009.

2006 and 2007 meter disposals related to net meter movements in the field.

Other disposals related to office furniture and computer hardware are usually fully depreciated assets and therefore when disposed of there is no net balance sheet or income statement impact.

b) Please explain the rationale for the disposals related to accumulated depreciation in 2006 and 2007 where there was no corresponding disposal of assets or the disposal of assets was less than the disposal for accumulated depreciation (i.e. accounts related to poles, line transformers, and meters). Please confirm that these disposals related to accumulated depreciation increase the net book value of the assets.

Response

Disposals related to accumulated depreciation in 2006 and 2007 for poles, line transformers and meters represent the old assets scrapped coming back from the field during construction. The additions on this table are the "net" additions. New purchases less scrapped assets. These disposals do not increase the net book value of the assets because the old assets are also "disposed of". In our presentation in the Exhibit, these scrapped assets were netted with the additions.

c) The disposals related to accumulated depreciation for a number of categories in 2006 and 2007 are the same as the level of disposals for the assets (i.e. accounts related to office furniture, computer hardware, transportation equipment and tools). Please explain why these figures are the same.

Response

The disposal of the assets and accumulated depreciation are the same in instances where the assets have been fully depreciated.

d) If Thunder Bay Hydro sells an asset such as a vehicle that is being replaced and removed from its assets, how does it account for the proceeds of the sale or of the scrap value? Are the net proceeds shown in account 4335 (Gain on Disposition of Utility and Other Property)? If not, what account are they reflected in?

Response

Any proceeds in excess of NBV related to the sale of a vehicle are shown in account 4335 Gain on Disposition of Utility and Other Property.

e) Please explain the negative disposal of $84,677 shown for computer software in 2008.

Response

During 2008, our lease related to computer equipment was finalized. As a result we transferred the cost and accumulated depreciation to date from account 2005 to 1925.

f) Please explain the significant reduction in 2008 and 2009 as compared to 2006 and 2007 related to contributions and grants.

Response

The 2006 and 2007 values reflect both cash contributions as well as contribution in-kind. For 2008 and 2009 we have only forecasted cash contributions which have been based on our historical average of cash contributions.

g) Please provide the most recent year-to-date figures for capital expenditures in 2008 in the same level of detail as shown in Table 3.

Response

Thunder Bay Hydro		
Capital Expenditures to Date		
OEB	***Description***	***30-Sep-08***
1805	*Land*	
1808	*Buildings and Fixtures*	
1820	*Substation Equipment*	
1830	*Poles, Towers, Fixtures*	*1,211,630*
1835	*OH Conductors & Devices*	*1,372,991*
1840	*UG Conduit*	*224,535*
1845	*UG Conductors $ Devices*	*443,648*
1850	*Line Transformers*	*919,195*
1855	*Services (OH & UG)*	*386,498*
1860	*Meters*	*99,931*
1915	*Office Furniture and Equipment*	*18,144*
1920	*Computer - Hardware*	*111,678*
1925	*Computer - Software*	*46,899*
1930	*Transportation Equipment*	*206,330*
1935	*Stores Equipment*	
1940	*Tools, Shop & Garage Equip*	*37,749*
1945	*Measurement & Testing Equip*	
1950	*Power Operated Equip*	
1955	*Communications Equip*	
1980	*System Supervisory Equip*	
	Subtotal	*5,079,228*
1995	*Contributions and Grants*	*(1,118,350)*
1996	*Hydro One Upgrades*	*91,104*
2005	*Other Capital Assets Computer Lease*	
		4,051,982

h) Please provide the most recent year-to-date figures for disposals in both the cost and accumulated depreciation columns for the 2008 bridge year.

Response

Thunder Bay Hydro			
		Cost	Accumulated Depreciation
		Disposals	Disposals
OEB	Description	30-Sep-08	30-Sep-08
1805	Land		
1808	Buildings and Fixtures		
1820	Substation Equipment		
1830	Poles, Towers, Fixtures		(5,732)
1835	OH Conductors & Devices		
1840	UG Conduit		
1845	UG Conductors $ Devices		
1850	Line Transformers		(31,171)
1855	Services (OH & UG)		
1860	Meters		(134,820)
1915	Office Furniture and Equipment		
1920	Computer - Hardware	(20,014)	(20,014)
1925	Computer - Software		
1930	Transportation Equipment		
1935	Stores Equipment		
1940	Tools, Shop & Garage Equip		
1945	Measurement & Testing Equip		
1950	Power Operated Equip		
1955	Communications Equip		
1980	System Supervisory Equip		
1995	Contributions and Grants		
1996	Hydro One Upgrades		
2005	Other Capital Assets Computer Lease		
		(20,014)	(191,737)

i) Please explain the amortization allocated to other trial balance accounts & overheads shown at the bottom of each table. Please explain how the 2009 figure of $538,946.79 has been calculated. Please also indicate whether or not these costs are in whole or in part reflected in capital additions or OM&A expenses. Please explain.

Response

Amortization has been calculated for all capital assets of the organization. Some of these assets are used by "Overhead" Departments or for capital construction. As a result, total amortization is not expensed as "amortization". Amortization, related to the Overhead Departments are allocated to capital, operating or maintenance accounts based on activity or use. The $538,946.79 in 2009 represents the difference between the total amortization calculation and the amortization presented as Amortization in account 5705. These costs are reflected in operating or maintenance expenses as well as capital additions.

j) A number of vehicles are forecast to be replaced in 2009. Please indicate the amount of the proceeds associated with the sale or scrap value of the vehicles being replaced. Where are these proceeds shown in the evidence?

Response

No proceeds associated with the sale or scrap value of vehicles being replaced in 2009 were estimated. Therefore no amounts had been included in the evidence.

Per further review, we estimate a total of $4,000 may be received for scrapped vehicles in 2009.

Interrogatory # 9

Ref: Exhibit 2, Tab 4, Schedule 1, Table 1

a) Please provide the rates used to calculate each of the cost of power components of the working capital allowance.

Response

Commodity Price used $ .05 for Tier 1, $.059 for Tier 2, Remainder $.06072.
Wholesale Market Service Price used $.005562
Network Price used $.003838
Connection Price used $.003393.

b) For each of the rates used in part (a) above, please indicate if there are more recent rates available that could be used in the calculations.

Response

There are more recent rates available which can be used in the calculations:

Commodity Price	*Tier 1*	*$0.056*
	Tier 2	*$0.065*
	Remainder	*$0.05016*

Wholesale Market Service – same as used in calculations

Network Price	*$.0043 (11.26% increase based on the increase* that reflect the Uniform Transmission Rates that will come into effect January 1, 2009)
Connection Price	*$.00357(5.45% increase based on the increase* that reflect the Uniform Transmission Rates that will come into effect January 1, 2009)

c) Please update the cost of power component of the working capital allowance to reflect the retail transmission service rates as approved in EB-2008-0113 and the cost of power to reflect the October 15, 2008 Regulated Price Plan Price Report.

Response

THUNDER BAY HYDRO DISTRIBUTION INCORPORATED
Network, Connection & Wholesale Marketing Cost Forecast Updated for the New RSTR

		NETWORK		CONNECTION		Wholesale Market Services	
YEAR	**Predicted Purchases - Load Forecast (1)**	**Rate**	**Total Cost**	**Rate**	**Total Cost**	**Rate**	**Total Cost**
2009 Test Year Normalized	**1,042,694,317**	**$ 0.004270**	**$ 4,452,310**	**$ 0.003581**	**$ 3,733,952**	**0**	**5,799,377**
	Increase per EB-2008-0113		11.26%		5.45%		
	Rate Application		3,989,549		3,527,192		
	Increase per EB-2008-0113		**462,761**		**206,760**		

3350-Power Supply Expenses		**Adjusted for RSTR increase, LRAM Correction & Updated RPP**
4705-Power Purchased	$ 59,823,352	$ 59,147,968
4708-Charges-WMS	$ 5,781,742	$ 5,799,377
4710-Cost of Power Adjustments		
4714-Charges-NW	$ 3,989,549	$ 4,452,310
4715-System Control and Load Dispatching		
4716-Charges-CN	$ 3,527,192	$ 3,733,952
4730-Rural Rate Assistance Expense	$ -	
3350-Power Supply Expenses Total	**$ 73,121,835**	**$ 73,133,607**

Increase in Cost of Power	$ 11,772
Increase in Working Capital Allowance	$ 1,766

Interrogatory # 10

Ref: Exhibit 3, Tab 1, Schedules 1 & 2

a) Distribution revenues shown for 2009 reflect a significant increase over the 2008 level (Exhibit 3, Tab 1, Schedule 2), yet the evidence in Schedule 1 indicates that distribution revenues have been calculated using the rates approved in the OEB's Decision and Order EB-2007-0880 dated April 15, 2008. Please reconcile this statement with the significant increase in distribution revenues.

Response

The evidence could have been further clarified by stating that the distribution revenues were calculated using the rates approved in the OEB's Decision and Order E-2008-0880 dated April 15, 2008 as the starting point and then adding the Revenue Deficiency calculated to such base. 2009 Distribution Revenue has been calculated using the Distribution Rates as set out at Exhibit 8/Tab1/Schedule 7.

b) Do the distribution revenues include and any revenues associated with rate riders and/or smart meter rate riders? If yes, please quantify the amount shown in each year.

Response

No, the distribution revenues do not include any revenues associated with rate riders or smart meter rate riders.

Interrogatory # 11

Ref: Exhibit 3, Tab 2, Schedule 1, page 5

Please provide the t-statistic for each of the estimated regression coefficients and the overall F value for the estimated equation.

Response

The t-statistic for each of the variables used in the prediction formula are shown below and it is Thunder Bay Hydro's understanding that the overall F value for formula is 407.5.

Variable	*t Stat*
Intercept	*(3.11)*
Heating Degree Days	*40.75*
Cooling Degree Days	*7.42*
Ontario Real GDP Monthly %	*3.21*
Number of Days in Month	*10.36*
Spring Fall Flag	*(5.07)*
Population	*2.76*

Interrogatory # 12

Ref: Exhibit 3, Tab 2, Schedule 1, pages 9 & 10

a) Please explain why the reductions shown in Table 6 would not be reflected in the Ontario Real GDP Monthly Index explanatory variable.

Response

Since the reductions in Table 6 relate specifically to the Thunder Bay area, it is Thunder Bay Hydro's view the Ontario Real GDP monthly index would not reflect these reductions as the index is a provincial measurement. As a result, the index would most likely include a higher weighting to reflect the economic conditions of higher populated areas such as the GTA.

b) Please update the 2008 expected energy reductions for Great West, Agricore and Northern Wood to reflect the most recent year-to-date information available for each of these customers.

Response

The actual consumption for the period May 2008 to November 2008 varied from the consumption used in Thunder Bay Hydro's projections as per the following:

Great West	*Under estimated the reduction*	*659,974 kwh*
Agricore	*Under estimated the reduction*	*1,119,342 kwh*
Northern Wood	*Over estimated the reduction*	*390,225 kwh*

The projected adjustments that were used for the foregoing customers totaled 47.1 (GWh). The actual reductions based on the variance between the projected consumption May to November 2008 should have actually been 1.4 (GWh) more or a total 48.5 (GWh).

c) Please confirm that Thunder Bay Hydro is not aware of any new or increased large loads in 2008 or 2009.

Response

Thunder Bay Hydro is not aware of any new or increased large loads in 2008 or 2009.

d) Please indicate how the energy savings of 12.9 GWh was calculated for 2007.

Response

The following table provides detailed calculations showing the derivation of the proposed 12.9 GWh CDM impact. The table also provides impacts of programs, delivered by Thunder Bay Hydro and effects caused by other activities.

Result of Thunder Bay Hydro's CDM programs (kWh)	***After June 2006***	***2007***	***Total***
Residential			
Seasonal LEDs	*5,092*	*7,269*	*12,361*
Energy Star Appliance Rebates	*23,095*	*34,042*	*57,137*
Secondary Fridge Retirement Program	*73,800*		*73,800*
Water Heater Fuel Conversion	*20,000*		*20,000*
Compact Fluorescent Bulbs	*62,640*	*187,920*	*250,560*
Home Energy Saver Kits	*104,400*		*104,400*
One Change CFL Initiative		*3,758,400*	*3,758,400*
OPA Fridge Bounty		*779,148*	*779,148*
OPA Summer Savings		*1,662,914*	*1,662,914*
Conservation Bureau EKC Coupons	*837,575*	*4,168,942*	*5,006,517*
Sub-total	*1,126,602*	*10,598,635*	*11,725,236*
General Service <50kW			
Traffic Light LEDs	*224,864*	*225,900*	*450,764*
General Service >50kW			
Parking Lot Winter Plug In Controls	*8,682*	*46,520*	*55,201*
General Service >1MW			
Commercial Lighting Incentive	*54,808*		*54,808*
Total	*1,414,955*	*10,871,054*	*12,286,009*
Loss Adjusted @ 1.047			*12,863,452*

Interrogatory # 13

Ref: Exhibit 3, Tab 2, Schedule 1, Table 10

Please provide the number of customers based on the most recent month available for each class of customers shown in Table 10. Please also provide the number of customers for each rate class for the corresponding month in 2007.

Response

December 31st Customers/ Connection	Residential	General Service < 50 kW	General Service > 50 to 999 kW	General Service > 1000 to 4999 kW	Streetlights	Sentinel Lights	Unmetered Loads	Total
2008	44,348	4,425	509	19	13,030	147	454	62,331
2007	44,460	4,436	506	19	12,969	153	457	62,390

Interrogatory # 14

Ref: Exhibit 3, Tab 3, Schedule 1

a) Please provide the most recent year-to-date revenue information available for 2008 based on the same level of detail as shown in this schedule. Please also provide the year-to-date figure for the corresponding year-to-date period in 2007.

Response

Other Distribution Revenue		**2008 Bridge ($'s)**	Dec YTD Figures	YTD for 2007 Same basis as 2008	Comments
Retail Services Revenues	4082	$ 71,800	$ 66,069	$ 80,964	
Service Transaction Requests (STR) Revenues	4084	$ 3,400	$ 2,590	$ 6,180	
Rent from Electric Property	4210	$ 436,300	$ 436,733	$ 443,900	
Other Utility Operating Income	4215	$ 131,500	$ 129,861	$ 124,728	
Other Electric Revenues	4220	$ 2,521	$ 2,120	$ 304	Net Bilings to November
Late Payment Charges	4225	$ 282,000	$ 272,798	$ 274,296	
Miscellaneous Service Revenues	4235	$ 308,700	$ 324,326	$ 323,492	
Provision for Rate Refunds	4240	$ -		$ 0	
Gain on Disposition of Utility and Other Property	4355	$ -		$ 8,799	
Revenues from Non-Utility Operations	4375	$ 155,000	$ 169,306	$ 206,114	Bilings to November
Expenses of Non-Utility Operations	4380	$ (83,267)	$ (127,941)	$ (111,917)	Costs to November

b) Does the Interest and Dividend Income figure include interest related to regulatory accounts? If yes, please provide these figures excluding the interest related to regulatory accounts.

Response

The figure does not include carrying charge income; however, to properly answer your question, Thunder Bay's net regulatory liability is a component driving the average cash balance that the interest income is calculated on.

c) Please explain the forecasted reductions in revenues in 2008 as compared to 2007 for each of the following accounts:

i) 4082 retail Services Revenues
ii) 4084 STR Revenues
iii) 4210 Rent from Electric Property
iv) 4235 Miscellaneous Service Revenues
v) 4335 Gain on Disposition of Utility and Other Property
vi) 4390 Miscellaneous Non-Operating Income
vii) 4405 Interest and Dividend Income (excluding interest related to regulatory accounts).

Response

i) Reduction in number of customers with Retailers during 2008
ii) Reduction in number of customers with Retailers during 2008
iii) Reduced activity in temporary services rentals during 2008
iv) Had projected slightly less activity based on the 2006 and 2007
v) Conservative estimate
vi) Reduced price of copper and less scrapping activity anticipated
vii) Reduced interest rates.

d) Please explain the significant reduction forecast for 2009 as compared to 2008 in the net income from accounts 4375 and 4380 from approximately $72,000 to less than $7,000.

Response

There has been a significant reduction forecast for 2009 as compared to 2008 in the net income from accounts 4375 and 4380 as a result of the sale of the Water Heater Rental assets by TBHESI in 2008. As a result, 2009 does not include any revenues or expenses related to these activities.

e) Please provide the average interest rate forecast for 2008 and 2009 and the actual interest rate in 2007 that results in the forecast shown for account 4405 (excluding regulatory related amounts).

Response

2008 and 2009 used 3.05% average interest rate and the 2007 actual average interest rate was 4.4%

Interrogatory # 15

Ref: Exhibit 3, Tab 2, Schedule 1, Appendix A

Please confirm that the heating and cooling degree days are based on Thunder Bay data. If this cannot be confirmed, please indicate the location of the degree day data used.

Response

Confirmed.

Interrogatory # 16

Ref: Exhibit 4, Tab 1, Schedule 1, Table 1 (summary of operating costs)

a) Please provide the most recent year-to-date figures for the 2008 bridge year for each of the operation, maintenance, billing and collections, community relations, administrative and general expenses and total controllable costs (sub-total).

Response

Actual costs to September 30, 2008 with comparatives for September 30, 2007 are as follows:

Thunder Bay Hydro
Actual Expenditures to September

	30-Sep-08	30-Sep-07
Operation	2,078,856.24	2,281,349.86
Maintenance	2,338,522.55	2,263,805.09
Billing and Collecting	1,678,348.84	1,729,355.15
Community Relations	98,538.68	259,978.89
Administration	2,421,168.49	2,429,441.87
Total	8,615,434.80	8,963,930.86

Costs incurred by the organization do not necessarily occur on a linear basis.

b) Please provide the same figures for the corresponding year-to-date period in 2007.

Response

See a) above.

Interrogatory # 17

~~**Ref: Exhibit 4, Tab 3, Schedule 4**~~
Ref should read: Exhibit 4, Tab 2, Schedule 3

a) How are the revenues from TBHESI and TBHUSI accounted for? Are these revenues shown in Exhibit 3, Tab 3, Schedule 1 or are they reflected through lower OM&A costs? Please indicate in which accounts these revenues are reflected.

Response

Incremental costs directly or indirectly incurred for providing Services through TBHESI or TBHUSI are included in accounts 4220 and 4380. Costs related to the provision of "Other Electric Services" through TBHESI are netted against the revenue reported in account 4220. Incremental costs related to "Non-Utility Operations" through TBHUSI are reported in account 4380.

b) Are the assets and personnel used to provide these services by Thunder Bay Hydro included in the rate base and revenue requirement of the regulated distributor? If not, please explain how they have been removed.

Response

The incremental costs used to provide these services have been accounted for as described in a) above.

c) Please explain the forecast reduction in revenue shown in Table 1 in 2008.

Response

The forecast reduction in revenue shown in Table 1 in 2008 is a result of anticipated decreases in the Meter Service Provider activities for TBHUSI. Thunder Bay does not anticipate much activity for these services on a go forward basis.

d) Please provide the most recent year-to-date revenues for the 2008 bridge year in both Table 1 and Table 2. Please also provide the corresponding year-to-date figures for 2007.

Response

Thunder Bay Hydro		
	30-Sep-08	**30-Sep-07**
Services Billed to TBHUSI	50,075.00	50,124.78
Services Billed to TBHESI	100,848.00	86,956.57

e) Has TBHESI sold the rental water heater business? If not, is this sale still contemplated?

Response

TBHESI completed the sale of its Water Heater Division effective September 19, 2008.

f) If TBHESI does not have any activity in the 2009 test year, how has Thunder Bay Hydro reflect its decrease in costs associated with providing services to TBHESI? If it has not reflected any cost decreases, please explain why. If it has reflected cost decreases, please quantify these decreases and where they are reflected in the evidence.

Response

Cost decreases related to TBHESI reduction in activity have been reflected in the reduced costs recorded in account 4380. Costs related to TBHESI's Water Heater Division were as follows:

- *2007 $65,932.14*
- *2008 $69,947.00*
- *2009 $0*

g) Does Thunder Bay Hydro expect to provide any services to the new owner of the rental water heaters?

Response

TBHESI will continue to provide the following services during the transition period.

- *Monitoring of customer calls*
- *Monthly billing of water heater accounts*
- *Processing of water heater tank buy outs*
- *Dispatching sub contractors with relation to water heater maintenance and installs*

h) Is a services agreement with TBRPI still anticipated to be in place by the end of 2008? If not, when is it expected to be in place? Please provide a forecast of the revenues for services provided by Thunder Bay Hydro for the 2009 test year.

Response

Thunder Bay has commenced the process of having a Services Agreement drafted with TBRPI. Thunder Bay does not anticipate providing services to TBRPI beyond some minimal administrative assistance. Thunder Bay does not expect that it will incur any incremental costs as a result of any activity with this *affiliate. An external consultant is working for TBRPI and it is anticipated that a "Project Manager" will be hired within TBRPI.*

Interrogatory #18

Ref: Exhibit 4, Tab 3, Schedule 4

Are any of the costs associated with the Board of Directors of Thunder Bay Hydro Corporation allocated to Thunder Bay Hydro, the regulated distributor? If yes, please provide the allocated costs for 2006 and 2007 and the forecast amounts for 2008 and 2009.

Response

The portion of the Board Honorarium for Thunder Bay Hydro Corporation is fully allocated to Thunder Bay Hydro Electricity Distribution Inc. The total amounts are as follows:

2006	*$14,279*	*2008*	*$14,776*
2007	*$13,552*	*2009*	*$14,743.*

Interrogatory # 19

Ref: Exhibit 4, Tab 2, Schedule 1, page 32

a) Please explain the significant increase in account 5035 – overhead distribution transformers – operation in 2009 of more than $250,000 from the level forecast in 2008 of just over $88,000.

Response

This increase is primarily due to the requirement to comply with new PCB legislation that came into effect in September of 2008 and includes a schedule for the retirement of all PCB equipment which includes transformers. The latest details of this program are included in OEB interrogatory question #9. Also contributing to this increase is the preparation for significant Lines Departmental retirements and included is a portion of wages and benefits for 5 apprentice line technicians.

b) Please explain the increase in account 5065 – meter expense – in 2009 of more than $58,000 from the level forecast in 2008 of approximately $458,000. How are these meter expenses impacted by the replacement of the existing meters with smart meters by October, 2009?

Response

The increase is required to prepare for an anticipated two (2) metering staff personnel retirements over the next four years. This increase comprises the wages and benefits for an apprentice metering technician.

These expenses have not been increased by the Smart Meter program as Thunder Bay Hydro will be contracting out the installation of the smart meters and all those costs are accounted for separately.

Interrogatory # 20

Ref: Exhibit 4, Tab 2, Schedule 1, page 34

a) Please explain the almost double of bad debt expense in 2008 as compared to 2007. Are there a small number of large bad expenses forecast for 2008? If so, please provide details on these bad debts.

Response

We historically budget conservatively for this account given that in any particular year a larger account (as occurred in 2002 – two larger commercial accounts totalling $152,000 required write-off) could easily cause the expense to increase over the past few year's experience. Additionally, a review of inactive accounts (customers that are in collection or finaled status) generated December 2008 versus the same report generated in 2007 reflects a 10% increase in the balance; our bad debt recoveries have reduced by 10% in 2008 and finally the accounts outstanding greater than six months in 2008 versus the comparative 2007 amount has likewise increased 19%. In light of the current economic times, Thunder Bay feels that the bad debt expense of $160,000 is reasonable.

b) Please provide the most recent year-to-date bad debt expense for the 2008 bridge year and the figure for the corresponding period in 2007.

Response

2008 $113,767
2007 $ 80,362

Interrogatory # 21

Ref: Exhibit 4, Tab 2, Schedule 1, page 35

a) Please explain the significant increase in the 2008 bridge year forecast in account 5640 – Injuries and Damages – of nearly $90,000.

Response

The increase in the 2008 budget year forecast in account 5640 – Injuries and Damages, is a result of a number of factors:

- *All conferences and seminars, ergonomic initiatives and training are budgeted in account 5640. When the actual expenditures are incurred the applicable Department incurs the expense and therefore the actual costs will be reported in their applicable OEB account number*

- *There was an estimated increase in general new hire training due to the anticipated retirements and subsequent hiring of applicable replacements, as well as the increase in apprentice hires*

- *There was an estimated increase in Thunder Bay Hydro Award Program expenditures.*

c) Please provide the most recent year-to-date injuries and damages expenses for the 2008 bridge year and the figure for the corresponding period in 2007.

Response

The most recent year-to-date injuries and damage expenses for the 2008 budget year and corresponding 2007 expenses are as follows:

	September 30, 2008	*September 30, 2007*
5640	*$169,687*	*$135,666.*

Interrogatory # 22

Ref: Exhibit 4, Tab 2, Schedule 1, page 31 & 35

The evidence states that regulatory expenses are expenses incurred in connection with Decisions and orders on Cost Awards for hearings, proceedings, etc., as well as annual fees assessed by the OEB. However, account 5655 does not include any costs for 2007, 2008 and 2009.

a) Where have these regulatory costs been recorded?

Response

The 2009 forecasted OM&A does not include any amounts for regulatory expenses in OEB account 5655. Thunder Bay Hydro has always reported costs associated with OEB Assessments, OEB Cost Awards, ESA Fees etc. in account 5665. For 2008 consulting fees related to the Rate Rebasing were reported in account 5630.

b) Please provide the actual and forecasted regulatory expenses for 2007, 2008 and 2009.

Response

Regulatory expenses are been reported in the following OEB account numbers:

	5630	**5655**	**5665**
2007			
Consulting Services Related to OEB Oral Hearing	*23,154*		
Consulting Services related to Conditions of Service Review	*9,934*		
Ontario Energy Board - Cost Awards and Assessments		*125,422*	
ESA	*3,386*	*18,742*	
Other Professional Services Related to OEB filings	*1,530*		
	$38,004	*$144,164*	*$ 0*
2008			
Consulting services related to Rebasing	*25,000*		
Ontario Energy Board - Cost Awards and Assessments		*130,000*	
Ontario Energy Board - Rate Filing Intervenor Cost Awards		*5,000*	
ESA		*21,000*	
	$25,000	*$156,000*	*$ 0*
2009			
Consulting Services related to Rebasing	*33,000*		
Ontario Energy Board - Cost Awards and Assessments		*136,050*	
ESA		*21,420*	
	$33,000	*$157,470*	*$ 0*

c) How has Thunder Bay Hydro accounted for/forecast the regulatory expenses associated with this 2009 cost of service application? Please provide a breakout of the 2009 cost of service application costs and indicate whether they are included in the 2008 and/or 2009 expense.

Response

Thunder Bay Hydro has projected $25,000 for regulatory expenses associated with this 2009 Cost of Service Application in the forecasted 2008. Expenses of $33,000 have been Included in the 2009 budget.

d) Has Thunder Bay Hydro proposed recovery of the 2009 cost of service application regulatory costs in 2009 only, or has it amortized these costs over a longer period and if so, what period?

Response

Thunder Bay Hydro has budgeted for one-third the anticipated expenses associated with the Cost of Service Application. Included in the 2009 budget is $33,000.

Interrogatory # 23

Ref: Exhibit 4, Tab 2, Schedule 6, Table 1

a) Please confirm that the supply facility loss adjustment factor of 100.55% is actually based on the 5 year average of 2003 through 2007, not a 3 year average as stated in the table.

Response

Yes, confirmed.

b) Please confirm that the distribution loss factor of 104.78% which is shown as a 5 year average, is actually a six year average of 2002 through 2007.

Response

Yes, confirmed.

d) Please recalculate the distribution loss factor as a 5 year average using the data from 2003 through 2007.

Response

The table has been revised from the original application (incorrectly double-counted the SFLF) and is provided below.

	Table 1 Total Loss Factor Calculations						
	Calculation for distribution loss adjustment factors						
	Description	2003	2004	2005	2006	2007	Total
A	"Wholesale" kWh IESO plus Embedded Gener	1,088,848,581	1,075,796,638	1,095,213,320	1,074,918,308	1,069,209,629	5,403,986,476
B	"Wholesale" kWh for Large Use customer(s)	61,582,912	48,566,752	26,801,264	2,277,520	0	139,228,447
C	Net "Wholesale" kWh (A)-(B)	1,027,265,669	1,027,229,886	1,068,412,056	1,072,640,788	1,069,209,629	5,264,758,029
D	"Retail" kWh (Distributor)	1,051,670,544	1,034,530,471	1,053,058,417	1,042,542,867	1,022,967,701	5,204,770,000
E	"Retail" kWh for Large Use Customer(s)	60,967,083	48,081,084	26,533,251	2,254,745	0	137,836,163
F	Net "Retail" kWh (D)-(E)	990,703,461	986,449,387	1,026,525,166	1,040,288,122	1,022,967,701	5,066,933,837
G	Loss Factor [(C)/(F)]	103.69%	104.13%	104.08%	103.11%	104.52%	103.90%
H	Distribution Loss Adjustment Factor (5 year avg.)						**103.90%**
	Supply Facility Loss Factor	100.56%	100.61%	100.56%	100.51%	100.51%	100.55%
	Supply Facility Loss Adjustment Factor (5 year avg.)						**100.55%**
	Total Loss Factor						**1.044764976**
"Wholesale" kWh IESO No Losses		1,088,127,000	1,073,807,000	1,092,816,000	1,073,499,000	1,067,018,000	5,395,267,000
Embedded Generation		721,581	1,989,638	2,397,320	1,419,308	2,191,629	8,719,476
		1,088,848,581	1,075,796,638	1,095,213,320	1,074,918,308	1,069,209,629	5,403,986,476

d) Please provide a revised Table 3 using the distribution lost adjustment factor calculated in (c) above.

Response

Table 3- Total Utility Loss Adjustment Factor	
Total Utility Loss Adjustment Factor	LAF
Supply Facility Loss Factor	1.0055
Distribution Loss Factor	
Distribution Loss Factor - Secondary Metered Customer < 5,000kW	1.0390
Distribution Loss Factor - Primary Metered Customer < 5,000kW	1.0287
Total Loss Factor	
Total Loss Factor - Secondary Metered Customer < 5,000kW	1.0448
Total Loss Factor - Primary Metered Customer < 5,000kW	1.0343

e) Exhibit 4, Tab 2, Schedule 6, page 3 states that Thunder Bay Hydro’s total loss factor is 4.78% and since this figure is less than 5.00%, no explanation or justification for the loss factor adjustment is required. However, as shown in Table 1, the total loss factor is 5.36%. Please reconcile this with the need to provide an explanation or justification for the loss factor.

Response

Please see response to OEB Interrogatory #48.

Interrogatory # 24

Ref: Exhibit 4, Tab 3, Schedule 1, Table 2

a) Please explain the addition to accounting income related to depreciation and amortization of $5,112,382 for 2009 when the amount deducted in the calculation of utility income before taxes of $2,021,239 is only $4,573,436, as shown in Exhibit 6, Tab 1, Schedule 1, page 2.

Response

The add back of $5,112,382 on Exhibit 4, Tab 3, Schedule 1, Table 2 relates to total "Accounting Depreciation and Amortization" as was calculated on Exhibit 2, Tab 2, Schedule 1. The $4,573,436 on Exhibit 6, Tab 1, Schedule 1 represents the expensed Depreciation and Amortization as shown on Exhibit 2, Tab 2, Schedule 1. See Interrogatory question #8 I) for explanation of amounts.

b) Please explain how the deduction from accounting income for the amortization of capitalized depreciation of $243,380 is calculated. Please show all calculations and assumptions.

Response

The $243,380 represents the depreciation expense of the "Overhead Departments" which is allocated to capital. These costs are included in the total $5,112,382 added back on the T2S(1) and are then deducted for tax purposes in recognition of the fact that this portion did not reduce our net income. See below for a detailed calculation.

Thunder Bay Hydro					
2009 Capitalized Depreciation					
		% to Capital	***Depreciation***		
Engineering		*57.24%*	*$ 90,969.00*	*52,071.62*	
Purchasing and Stores		*43.41%*	*$ 2,156.00*	*935.84*	
Supervisory		*46.05%*	*$ 7,338.00*	*3,379.34*	
Fleet		*47.29%*	*$ 348,481.00*	*164,807.58*	
Operations Centre		*27.43%*	*$ 80,868.00*	*22,185.73*	
				$ 243,380.11	
For simplicity, have assumed that the overhead department splits between capital and operating will approximate 2007 percentages.					

c) Please indicate how the apprenticeship tax credit tax rate of (0.0228354) has been determined.

Response

The apprenticeship tax credit tax rate of .0228354 has been determined as follows:

- *The applicable allowable tax credit amount was calculated based on budgeted apprentices. The rate was calculated by dividing the apprentice tax credit by the taxable income.*

d) Please indicate how the total rate base figure for 2009 of $90,318,279 was derived in the calculation of the Ontario Capital Tax, when the rate base figure is shown to be $75,169,648 in the section used for the calculation of the Large Corporation Tax and in Exhibit 2, Tab 1, Schedule 1, Table 1.

Response

Thunder Bay Hydro used Option B as permissible in the 2006 EDR PILS calculations for the capital tax base. The amount that the rate base was grossed up for was the average of the actual capital tax over the rate base for 2006 and 2007.

	2006	***2007***
Rate Base	*71,778,536.54*	*73,254,017.96*
Taxable Capital as per PILS Filings	*86,566,770.00*	*88,763,046.00*
	14,788,233.46	*15,509,028.04*

2009
75,169,648.23
5,148,630.99
90,318,279.22

e) Please recalculate the Ontario Capital Tax using the rate base figure of $75,169,648 from Exhibit 2, Tab 1, Schedule 1, Table 1.

Response

Calculation of Ontario Capital Tax

Total Rate Base	*88,516,821*	*73,583,178*	*75,169,648*
Less Exemption	*10,000,000*	*15,000,000*	*15,000,000*
Taxable Capital /Deemed taxable capital	***78,516,821***	***58,583,178***	***60,169,648***
OCT Rate	*0.0030*	*0.0023*	*0.0023*
Ontario Capital Tax	***235,550***	***131,812***	***135,382***

Summary of Income Taxes

Description	2006 Board Approved	2008 Bridge	2009 Test
Income Taxes	*697,806*	*655,911*	*800,672*
Large Corporation Tax	*13,473*	*0*	*0*
Ontario Capital Tax	*235,550*	*131,812*	*135,382*
Total Taxes	***946,829***	***787,723***	***936,053***

f) Please explain how the 2009 figure of $69,049 related to cumulative eligible capital deductions has been calculated. Please show all calculations and assumptions.

Response

The $69,049 represents the calculated cumulative eligible capital deduction. The additions for 2009 to the pool represent the additions to account 1996 Hydro One Current & Voltage Transformer Upgrade. As these upgrades are being made on Hydro One assets and not Thunder Bay Hydro assets they have been added to the CEC pool to receive a taxable deduction for the outlays.

Thunder Bay Hydro
Cumulative Eligible Capital

OEB Account 1996			$
Hydro One Asset Additions 2007	*34,080.31*	*75%*	*25,560.23*
Hydro One Asset Additions 2008	*546,585.00*	*75%*	*409,938.75*
			435,498.98
CEC 2008		*7%*	*30,484.93*
			405,014.06
Hydro One Asset Additions 2009	*775,207.52*	*75%*	*581,405.64*
			986,419.70
CEC 2009		*7%*	*69,049.38*
CEC Balance 2009			*917,370.32*

g) Please show how the 2009 figure of $59,524 for other additions (apprenticeship tax credits) has been calculated. Please show all calculations and assumptions.

Response

The apprenticeship tax credit has been calculated as follows:

2009 Apprenticeship Credits

Current Apprentice			*5,000*
Current Apprentice			*5,000*
Current Apprentice	*Until Feb 2009*	*$54290*2/12*25%'*	*2,262*
Current Apprentice	*Until Feb 2009*	*$54290*2/12*25%'*	*2,262*
Current Apprentice			*5,000*
Current Apprentice			*5,000*
5 Power Systems			*25,000*
1 System Control			*5,000*
1 Metering			*5,000*
			$59,524

Interrogatory # 25

Ref: Exhibit 4, Tab 3, Schedule 3

a) Please confirm that all distribution system additions post February 22, 2005 have been posted to CCA class 47 in 2005, 2006 and 2007.

Response

All distribution system additions post February 22, 2005 have been posted to CCA class 47 in 2005, 2006, and 2007.

b) Please confirm that Thunder Bay Hydro placed all computer related capital expenditures prior to 2008 in class 45 for acquisitions on or after March 22, 2004 and prior to March 19, 2007.

Response

Thunder Bay Hydro has placed all computer related capital expenditures prior to 2008 in class 45 for acquisitions on or after March 22, 2005 and prior to March 19, 2007.

c) Please confirm that Thunder Bay Hydro placed all computer related capital expenditures prior to 2008 in class 55 for acquisitions after March, 19, 2007.

Response

Thunder Bay Hydro has placed all computer related capital expenditures acquired after March 19, 2007 into class 45.1 and amortized them at 55%.

d) If the response to any of (a), (b) or (c) above is not confirmed, please provide the UCC at the end of 2008 for all assets that were classified incorrectly for CCA purposes. Please transfer these UCC amounts to the correct class in 2009 and recalculate the total CCA for 2009.

Response

All assets have been classified correctly.

e) Please explain why the additions shown for the 2008 bridge year of $4,661,166 do not match the capital expenditures of $5,635,130.73 shown in Table 3 of Exhibit 2, Tab 2, Schedule 1.

Response

Reconciliation of capital additions per the Fixed Asset Continuity Schedule 2008 Forecast and CCA Continuity Schedule 2008

Total Assets additions before WIP per the Fixed Asset Continuity	*$5,530,013.73*
Less OEB account 1995 (included as CEC Addition)	*(546,585.00)*
Less Employee Future Benefits Capitalized	*(87,837.00)*
Less Amortization Capitalized	*(234,426.00)*
Total Additions per CCA Continuity Schedule	*$4,661,165.73*

f) Please explain why the additions shown for the 2009 test year of $6,511,827 do not match the capital expenditures of $7,620,832.50 shown in Table 4 of Exhibit 2, Tab 2, Schedule 1.

Response

Reconciliation of capital additions per the Fixed Asset Continuity Schedule 2009 and CCA Continuity Schedule 2009

Total Asset additions before WIP per the Fixed Asset Continuity	*$7,620,832.50*
Less OEB account 1995 (included as CEC Addition)	*(775,207.52)*
Less Employee Future Benefits Capitalized	*(90,418.00)*
Less Amortization Capitalized	*(243,380.00)*
Total Additions per the CCA Continuity Schedule	*$6,511,826.98.*

Interrogatory # 26

Ref: Exhibit 5, Tab 1, Schedule 3

a) Is the long term debt related to the 2009 capital funding from an affiliated party? If yes, please provide details.

Response

Not determined at this time.

b) Has this loan been put in place? If yes, what is the actual interest rate payable on the loan?

Response

No.

c) If the loan has not yet been put in place, is the forecasted interest rate of 6.0% still applicable? If not, please provide the new forecasted interest rate.

Response

Thunder Bay Hydro still deems the 6.0% to be applicable.

Interrogatory # 27

Ref: Exhibit 7, Tab 1, Schedule 2, page 3 & 4

The evidence indicates that Thunder Bay Hydro is proposing to move the revenue-to-cost ratios for the GS 50 to 999, GS 1,000 to 4,999 and street light classes so that they are approximately 50% of the way between the current ratios and bottom of the target ratio.

a) Does Thunder Bay Hydro propose to move these ratios by the final amount to the bottom of the target ratios in 2010? If not, please explain why not?

Response

Given the magnitude of the movement and the impact on the Distribution component of the bill, it is Thunder Bay Hydro's intention to move to the bottom of the target ratio equally over 2010 and 2011.

b) Assuming the Board directs Thunder Bay Hydro to move the ratios for the classes that are under contributing to the bottom of the target ratios in 2010, please indicate which rate class or classes the additional revenue would be used to reduce the revenue-to-cost ratios.

Response

The residential class.

c) What is the overall percentage impact on the bill for a typical general service 50 to 999 kW customer if the revenue-to-cost-ratio were moved to 80% in 2009?

Response *– General Service >50kw (100 kw)*

	2008 BILL			2009 BILL			IMPACT		
	Volume	**RATE $**	**CHARGE $**	**Volume**	**RATE $**	**CHARGE $**	**$**	**%**	**% of Total Bill**
Monthly Service Charge			186.25			245.77	59.52	31.96%	1.58%
Distribution (kW)	100	1.0637	106.37	100	1.3690	136.90	30.53	28.70%	0.81%
Smart Meter Rider (per month)			0.27			1.25	0.98	362.96%	0.03%
LRAM & SSM Rider (kWh)	100			100	0.0021	0.21	0.21		0.01%
Regulatory Assets (kW)	100	0.0000	0.00	100	0.0000	0.00	0.00		0.00%
Sub-Total			**292.89**			**384.13**	**91.24**	**31.15%**	**2.42%**
Other Charges (kWh)	41,828	0.0132	552.13	41,912	0.0132	553.24	1.11	0.20%	0.03%
Other Charges (kW)	100	2.2519	225.19	100	2.8116	281.16	55.97	24.85%	1.49%
Cost of Power Commodity (kWh)	41,828	0.0607	2,539.80	41,912	0.0607	2,544.90	5.10	0.20%	0.14%
Total Bill			**3,610.01**			**3,763.43**	**153.42**	**4.25%**	**4.08%**

d) What is the overall percentage impact on the bill for a typical general service 1,000 to 4,999 kW customer if the revenue-to-cost ratio were moved to 80% in 2009?

Response – *GS >1,000 to 4,999 kw (3,500 kw)*

	2008 BILL			2009 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			1,632.83			2,365.29	732.46	44.86%	1.14%
Distribution (kW)	3,500	1.4364	5,027.40	3,500	1.8143	6,350.05	1,322.65	26.31%	2.06%
Smart Meter Rider/month			0.27			1.25	0.98	362.96%	0.00%
LRAM & SSM Rider (kWh)	3,500			3,500	0.0027	9.45	9.45		0.03%
Regulatory Assets (kW)	3,500	0.0000	0.00	3,500	0.0000	0.00	0.00		0.00%
Sub-Total			**6,660.50**			**8,726.04**	**2,065.54**	**31.01%**	**3.22%**
Other Charges (kWh)	605,617	0.0132	7,994.15	606,833	0.0132	8,010.20	16.05	0.20%	0.03%
Other Charges (kW)	3,500	2.4265	8,492.75	3,500	3.0354	10,623.90	2,131.15	25.09%	3.32%
Cost of Power Commodity (kWh)	605,617	0.0607	36,773.07	606,833	0.0607	36,846.92	73.85	0.20%	0.12%
Total Bill			**59,920.47**			**64,207.06**	**4,286.59**	**7.15%**	**6.68%**

Interrogatory # 28

Ref: Exhibit 8, Tab 1, Schedule 1, page 7

Does Thunder Bay Hydro believe its evidence in support of a smart meter rate adder (funding adder) of $1.25 is sufficient in light of the G-2008-0002 Guideline on Smart Meter Funding and Cost Recovery dated October 22, 2008? If not, please provide any further evidence required.

Response

Thunder Bay Hydro has provided supplementary evidence in its interrogatory response to the OEB in support of the $1.25 smart meter rate adder and believes its evidence is sufficient in light of G-2008-0002 Guideline on Smart Meter Funding and Cost Recovery dated October 22, 2008. Please refer to the OEB's Interrogatory Response # 28-Smart Metering.

Interrogatory # 29

Ref: Exhibit 8, Tab 1, Schedule 1

a) Why has Thunder Bay Hydro used a weighted debt rate of 6.00% on page 12, when the deemed debt rate proposed is approximately 0.51% (Exhibit 5, Tab 1, Schedule 2, page 2)?

Response

Thunder Bay has used a weighted debt rate of 6.00% as 100% of the Smart Meter Capital will be financed. The 6.0% is the rate that was assumed at the time of submission.

b) Please confirm that Thunder Bay Hydro used CCA Class 55 (55%) on page 17 for the computers rather than class 45.

Response

Thunder Bay confirms CCA rate of 55% was used.

c) Why is computer software included in CCA class 55 rather than in class 12 (at 100%) on page 17?

Response

Thunder Bay used the CCA rate of 55% for computer software as per the OEB Smart Meter model.

d) What is the impact on the rate adder calculation on page 14 if the weighted debt rate is changed to 0.51% and the software is put in CCA class 12 rather than 55?

Response

The rate adder would reduce to $1.01 if both of the foregoing actions were taken; however, Thunder Bay Hydro does not feel that the weighted debt rate should be reduced. In fact Thunder Bay Hydro requires that the Rate of Return used in the Smart Meter Model be revised to 7.9% in order for Thunder Bay Hydro to recover the full cost of the Smart Meter Program as evidenced by the worksheets on the following two pages.

For simplicity, the following uses $8.2 for the purposes of illustrating the impact.

RATE BASE										
Capital	Working Capital Allowance	Funded	Loan-at 6%		Total	OEB Funding				
					Payments	Debt-	Debt-	Equity	Depreciation	Total
Smart Meter Capital		Depreciation	Principal	Interest		Long-Term	ShortTerm			
$8,200,000	$ 99,943					56%	4%	40%		
2009		273,333	172,358	246,000	418,358	129,944	7,224	64,263	273,333	474,764
2010		546,667	360,384	476,332	836,716	260,510	13,863	116,299	546,667	937,339
2011		546,667	382,330	454,386	836,716	242,142	13,032	109,332	546,667	911,173
2012		546,667	405,614	431,102	836,716	223,774	12,328	103,422	546,667	886,191
2013		546,667	430,316	406,399	836,715	205,406	11,581	97,153	546,667	860,806
2014		546,667	456,523	380,193	836,716	187,038	10,788	90,501	546,667	834,994
2015		546,667	484,324	352,391	836,715	168,670	8,976	75,299	546,667	799,612
2016		546,667	513,820	322,896	836,716	150,302	7,998	67,099	546,667	772,066
2017		546,667	545,112	291,604	836,716	131,934	8,621	72,326	546,667	759,548
2018		546,667	578,309	258,407	836,716	113,566	7,617	63,900	546,667	731,750
2019		546,667	613,529	223,187	836,716	95,198	6,551	54,961	546,667	703,377
2020		546,667	650,893	185,823	836,716	76,830	5,421	45,478	546,667	674,396
2021		546,667	690,531	146,184	836,715	58,462	4,222	35,417	546,667	644,768
2022		546,667	732,585	104,131	836,716	40,094	2,949	24,744	546,667	614,454
2023		546,667	777,200	59,516	836,716	21,726	1,600	13,421	546,667	583,413
2024		273,333	406,172	12,186	418,358	7,950	542	4,545	273,333	286,371
			8,200,000	4,350,737	12,550,737	2,113,547	123,313	1,038,161	8,200,000	11,475,021

	2010	Rate of Return	Weighted Rate of Return
OEB Funding for Capital			
Short-term Debt	4.00%	4.47%	0.18%
Long-term Debt	56.00%	6%	3.36%
Equity	40.00%	3.75%	1.50%
	100.00%		5.04%

Funding Shortfall (Excess)	1,075,716

RATE BASE

Capital Smart Meter Capital	Working Capital Allowance	Funded Depreciation	Loan-at 6% Principal	Interest	Total Payments	OEB Funding Debt-Long-Term	Debt-Short-Term	Equity	Depreciation	Total
$ 8,200,000	$ 99,943					56%	4%	40%		
2009		273,333	172,358	246,000	418,358	129,944	7,224	64,263	273,333	474,764
2010		546,667	360,384	476,332	836,716	260,510	13,863	245,004	546,667	1,066,043
2011		546,667	382,330	454,386	836,716	242,142	13,032	230,325	546,667	1,032,166
2012		546,667	405,614	431,102	836,716	223,774	12,328	217,876	546,667	1,000,645
2013		546,667	430,316	406,399	836,715	205,406	11,581	204,668	546,667	968,322
2014		546,667	456,523	380,193	836,716	187,038	10,788	190,656	546,667	935,149
2015		546,667	484,324	352,391	836,715	168,670	8,976	158,630	546,667	882,943
2016		546,667	513,820	322,896	836,716	150,302	7,998	141,356	546,667	846,323
2017		546,667	545,112	291,604	836,716	131,934	8,621	152,366	546,667	839,588
2018		546,667	578,309	258,407	836,716	113,566	7,617	134,616	546,667	802,466
2019		546,667	613,529	223,187	836,716	95,198	6,551	115,785	546,667	764,201
2020		546,667	650,893	185,823	836,716	76,830	5,421	95,807	546,667	724,725
2021		546,667	690,531	146,184	836,715	58,462	4,222	74,613	546,667	683,963
2022		546,667	732,585	104,131	836,716	40,094	2,949	52,128	546,667	641,838
2023		546,667	777,200	59,516	836,716	21,726	1,600	28,273	546,667	598,266
2024		273,333	406,172	12,186	418,358	7,950	542	9,576	273,333	291,401
			8,200,000	4,350,737	12,550,737	2,113,547	123,313	2,115,942	8,200,000	12,552,802

Funding Shortfall (Excess) (2,065)

OEB Funding for Capital	2010	Rate of Return	Weighted Rate of Return
Short-term Debt	4.00%	4.47%	0.18%
Long-term Debt	56.00%	6%	3.36%
Equity	40.00%	7.90%	3.16%
	100.00%		6.70%

Interrogatory # 30

Ref: Exhibit 8, Tab 1, Schedule 3

It would appear that the difference between Table 3 and Table 4 is that the adjustments ($2,352,208, $1,325,749, $4,677,118 & $2,839,439) have been moved from the cost category in Table 3 to the revenue category in Table 4. However, the evidence at page 1 states that Table 4 represents the actual RTS costs and revenues exclusive of RSVA adjustments. Please explain.

Response

The "Total 2004 Revenue" figures in Table 3 represent revenue for the year after adjusting for the RSVA variances, both opening and closing. Table 4 reflects the original figures from Table 3 adjusted for the removal of the RSVA adjustments, therefore leaving the actual revenue billed to compare to the actual charges paid for the year to arrive at the Cost/Revenue Ratio.

Interrogatory # 31

Ref: Exhibit 8, Tab 1, Schedule 10, page 14

Thunder Bay Hydro suggests that because of the small bill impact it should not be subject to a further review of the LRAM and SSM balances. Would Thunder Bay Hydro accept a reduction of 10% in the LRAM and SSM balances in lieu of a further review, similar to the process the Board used for recovery of regulatory asset costs? If not, why not?

Response

Thunder Bay Hydro would not be in favour of accepting a reduction of 10% in the LRAM and SSM balances in lieu of a further review, similar to the process the Board uses for recovery of regulatory asset costs. Thunder Bay Hydro believes that the evidence it has filed supports its application for recovery of lost revenues and shared savings. A 10% reduction, although small from a customer bill impact standpoint is still a material amount with respect to the delivery of conservation and demand management programming. Thunder Bay Hydro, in good faith, delivered these programs with the knowledge of lost revenue protection and shared savings payments; integral components of program delivery to ensure LDC participation in program delivery and ultimately helping the Province meet the Ministerial directives as it relates to MW reduction targets.

Interrogatory # 32

Ref: Exhibit 1, Tab 2, Schedule 1, page 2
Exhibit 6, Tab 1, Schedule 1, page 2

The evidence states that the Corporation of the City of Thunder Bay has a governing principle known as the "rate minimization model" which is essentially to keep electricity rates as low as possible and to encourage economic development by foregoing debt and dividend payments. The Note payable to the City of Thunder Bay was set up without any provision for the payment of interest or the repayment of principal.

a) Would the City of Thunder Bay be subject to any income taxes on payments of interest made by Thunder Bay Hydro if the Note payable included interest payments?

Response

Although Thunder Bay Hydro does not know with certainty, we do not believe that The Corporation of the City of Thunder Bay would be subject to any income taxes on payments of interest.

b) Has Thunder Bay Hydro and/or the City of Thunder Bay considered the following strategy to minimize rates while retaining the same overall dollar return on its investment? If not, why not?

In place of earning a return on equity of $1,220,567 on the deemed equity, reduce this amount to $0 and charge an interest rate on the $33,490,500 Note of approximately 3.6445% that would generate $1,220,567 in interest payable on the Note. This interest would be paid to the City which would then re-invest the same amount as equity back into Thunder Bay Hydro.

Response

The Corporation of the City of Thunder Bay set the provisions of the debt. Thunder Bay Hydro does not know the details of the alternatives considered by the City resulting in the Shareholder Declaration. However, prior to moving to such, Thunder Bay Hydro would require a full review, including CRA implication of such being considered (interest deductibility, substance versus form considerations, etc.).

Interrogatory # 33

Ref: Exhibit 1, Tab 2, Schedule 1, page 2
Exhibit 6, Tab 1, Schedule 1, page 2

The attached Appendix A, *Calculation of Revenue Deficiency and Calculation of Income Taxes,* schedule shows the impact of the Proposed Rates (as shown in Exhibit 6, Tab 1, Schedule 1, page 2). The Rate Minimization column reflects the movement of $1,220,567 from the return on equity to an increase in the interest cost. The resulting reduction in PILS of $583,939 results in a reduction in the overall deficiency by the same amount from $1,414,077, as filed by Thunder Bay Hydro, to $830,137.

a) Does Thunder Bay Hydro agree with the calculations and outcome shown in the rate minimization column?

<u>Response</u>

Thunder Bay Hydro agrees the calculation approximates the results of the change.

b) If not, please indicate where it believes changes or corrections are required.

<u>Response</u>

N/A.