



February 1, 2018

Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319  
Suite 2700  
Toronto, ON M4P 1E4

**Attention: Ms Kirsten Walli  
Board Secretary**

Dear Ms. Walli:

**Re: Thunder Bay Hydro Electricity Distribution Inc. IRM Application  
EB-2017-0075**

On January 17<sup>th</sup> 2018 Thunder Bay Hydro received questions from OEB regarding the 2018 IRM Rate Application (EB-2017-0075). Please find enclosed the applicant's responses to OEB questions.

An electronic copy of this letter containing responses to the questions raised has been filed on the Board's web portal with an updated 2018 IRM Rate Generator Model, and revised 2018 GA Analysis Workform.

Please do not hesitate to contact the undersigned if you have any questions in relation to the foregoing.

Sincerely,

Brittany J. Ashby

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**Thunder Bay Hydro Electricity Distribution Inc. Price Cap IR Application (EB-2017-0075)**

**Thunder Bay Hydro Responses to ORB Questions**

**Question #1**

**References: GA Analysis Workform**

Thunder Bay Hydro has indicated in the GA Analysis Workform that it does not bill its customers on a calendar month basis. In Note 4 of the GA Analysis Workform, the previous and current month unbilled loss adjusted consumption (kWh) has not been provided.

- a) Please confirm whether the consumption amount entered in column F was the actual consumption for the given calendar month or the billed consumption.

**Thunder Bay Hydro Response:**

As stated in the application Thunder Bay Hydro has reported the “Non-RPP Class B Including Loss Factor” billed consumption amount for the given calendar month.

- b) If the consumption entered in column F was the actual consumption for the given calendar month, please provide support for how the monthly quantities were derived.

**Thunder Bay Hydro Response:**

Thunder Bay Hydro did not use actual consumption, Thunder Bay Hydro has used billed consumption.

- c) If applicable, please provide the previous month unbilled loss adjusted consumption (kWh) in column G.

**Thunder Bay Hydro Response:**

Not Applicable.

- d) If applicable, please provide the current month unbilled loss adjusted consumption (kWh) in column H.

**Thunder Bay Hydro Response:**

Not Applicable.

## Question #2

### References: GA Analysis Workform – Reconciliation items 1a and 1b 2018 Rate Generator Model – Tab 3 Continuity Schedule

In booking expense journal entries for Charge Type 1142 (formerly 142), and Charge Type 148 from the IESO invoice, please confirm which of the following approaches is used:

- a) Charge Type 1142 is booked into Account 1588. Charge Type 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively<sup>1</sup>.
- b) Charge Type 1142 is booked into Account 1588. In relation to Charge Type 148, the non-RPP quantities multiplied by the GA rate is booked to account 1589 and the remainder of Charge Type 148 is booked to account 1588.
- c) Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equalling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equalling GA RPP is credited into Account 1589.
- d) If another approach is used, please explain in detail.

#### Thunder Bay Hydro Response:

Thunder Bay Hydro uses option ( c ) to book its monthly IESO Invoice charges 148 and 1142 (formerly 142).

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<sup>1</sup> Note, the following in all references in OEB Staff questions relating to amounts booked to accounts 1588 and 1589. Amounts are not booked directly to accounts USoA 1588 and 1589 relating to power purchase and sale transactions, but are rather booked to the cost of power USoA 4705 Power Purchased/4707 Charges - Global Adjustment and the respective Energy Sales USoA accounts, respectively. However, accounts 1588 and 1589 are impacted the same way as accounts 4705/4707 are for cost of power transactions, and the same way as the Energy Sales accounts are for revenue transactions.

**Question #3**

**References: GA Analysis Workform – Reconciliation items 1a and 1b  
2018 Rate Generator Model – Tab 3 Continuity Schedule**

With regards to the amount being requested for disposition of USoA 1589 account balance as at Dec. 31, 2016, all components that flow into Account 1589 (i to iv in table below) should be based on actuals in the 2018 Rate Generator Model – Tab 3 Continuity. Please complete the following table to:

- a) Indicate whether each of the components are based on estimates or actuals at year end, and
- b) Quantify the adjustment amount pertaining to each component that is trued-up from estimate to actual.

|     | <b>Component</b>   | <b>Estimate or Actual</b>           | <b>Notes/Comments</b>   | <b>Quantify True Up Adjustment \$ Amount</b>   |
|-----|--|-------------------------------------|---|--|
| i   | Revenue (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)                  | Actuals Revenues, Unbilled Estimate | Thunder Bay Hydro confirms that Unbilled Revenue adjustment is reflected in the balances being requested for disposition and is calculated based on actuals.  | Net Unbilled True Up<br>\$227,490.03           |
| ii  | Expenses - GA non-RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end) | Actuals                             | Thunder Bay Hydro confirms that the \$ quantum expense is based on IESO invoices at year end. Thunder Bay Hydro books the invoice amount directly to the 1589 expense account. This is netted against the monthly Class B expected GA on RPP quantum. (See iv)  |  |
| iii | Expenses - GA non-RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.                                       | Actuals, True Up Estimate to Actual | Thunder Bay Hydro during its monthly settlement process will book the estimated RPP and Non RPP kWh GA volume proportions. Quarterly Thunder Bay Hydro will true up this estimate to actuals Non-RPP volumes.   | True Up<br>(\$679,465.05)                      |
| iv  | Credit of GA RPP: Charge Type 142 if the approach under Staff Question 1c is used  | Actuals, True Up Estimate to Actual | Thunder Bay Hydro records the portion of charge type 142 equalling GA – RPP during its monthly settlement process based on estimated volumes, and estimated global adjustment rate. The fixed rate settlement portion is then booked to 1588 expense, and the global adjustment portion on RPP consumption is booked to 1589 expense. Thunder Bay Hydro confirms that the balance being requested for disposition is calculated | GA Portion of the True Up:<br>(\$1,410,886.46) |

|  |  |  |   |  |
|--|--|--|---|--|
|  |  |  | based on the true up performed to bring these estimates to actual RPP, and Non-RPP allocations. |  |
|--|--|--|---|--|

- c) For each item in the table above, please confirm that the GA Analysis Workform for 2016 and the 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016 have been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

**Thunder Bay Hydro Response:**

Thunder Bay Hydro confirms that for each of the items in the table above, that the GA Analysis work form for 2016 and the Rate Generator has been adjusted for the settlement true ups where settlement was originally based on estimate then trued up to actuals subsequent to 2016. These items are included and netted with activity in the Transaction Debit (Credit) during 2016 column 'BD' in 2018 IRM Rate Generator Model - Tab 3. 'Continuity Schedule'.

#### Question #4

#### References: 2018 Rate Generator Model – Tab 3 Continuity Schedule

With regards to the amount being requested for disposition of USoA 1588 account balance as at Dec. 31, 2016, all components that flow into Account 1588 (i to iv in table below) should be all based on actuals at year end. Please complete the following table to:

- a) Indicate whether the component is based on estimates or actuals at year end, and
- b) Quantify the adjustment pertaining to each component that is tried-up from estimate to actual

|     | Component  | Estimate or Actual?                 | Notes/Comments  | Quantify True Up Adjustment \$ Amount     |
|-----|--|-------------------------------------|---|---|
| i   | Revenues (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition)              | Actuals Revenues, Unbilled Estimate | Thunder Bay Hydro Confirms that Unbilled Revenue adjustment is reflected in the revenue balances being requested for disposition and is calculated based on actuals.  | Unbilled True Up \$378,933.84             |
| ii  | Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)  | Actuals                             | Thunder Bay Hydro records the actual invoice expense of <b>Charge Type 101 “Net Energy Market Settlement”</b> based on the invoice to 1588’s expense account.   |   |
| ijj | Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end) | Actuals                             | Thunder Bay Hydro does not book <b>Charge Type 148 “Class B Global Adjustment Settlement”</b> to the 1588 expense account.  |   |
| iv  | Expenses - GA RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.                                       | Actuals                             | Thunder Bay Hydro does not book <b>Charge Type 148 “Class B Global Adjustment Settlement”</b> to the 1588 expense account.  |   |
| v   | RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type        | Actuals, True Up Estimate to Actual | Thunder Bay Hydro records the portion of charge type 142 equaling RPP during its monthly settlement process based on estimates. The fixed rate settlement portion is then booked to 1588 expense side, and the global adjustment portion on RPP consumption is booked to 1589 expense side. Thunder Bay Hydro confirmed that the balance requested for disposition are actuals of RPP, and Non-RPP allocations. | RPP Portion of the True Up \$1,255,482.01 |

- c) For each item in the table above, please confirm that the 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016 have been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

**Thunder Bay Hydro Response:**

Thunder Bay Hydro confirms that for each of the items in the table, that the Rate Generator has been adjusted for the settlement true ups where settlement was originally based on estimate then trued up to actuals subsequent to 2016. These items are included in the Transaction Debit (Credit) during 2016 column 'BD' in 2018 IRM Rate Generator Model - Tab 3. 'Continuity Schedule'.



## **Question #5**

### **References: GA Analysis Workform**

The starting point for Note 5 (cell D65) of the GA Analysis Workform must agree to the “Transactions Debit / (Credit)” column in the DVA continuity. In the GA Analysis Workform submitted by the applicant, the starting point of Note 5 does not agree to the DVA continuity schedule as the balance in the continuity schedule is negative (credit). Please explain why an alternate balance has been used. If this was done in error, then please update the GA Analysis Workform accordingly and resubmit.

### **Thunder Bay Hydro Response:**

Thunder Bay Hydro has inadvertently linked the data in the GA Analysis work sheet to an internal support spreadsheet in the opposite signage. The GA Analysis has been updated to properly reflect the GMBA and the correct signage as the Rate Generator Model has been submitted.

## **Question #6**

### **References: GA Analysis Workform**

Please further explain adjustment 6 of Note 5 of the GA Analysis Workform. It is unclear what this reconciling item is for. Also confirm that the G/L for 2016 reflects the actual invoices billed by the IESO.

### **Thunder Bay Hydro Response:**

Adjustment 6 of Note 5 in the GA Analysis Workform is the net of Thunder Bay Hydro's Class B Customer Revenues (Charged at GA 1st Estimate), and Expenses (Charge Type 148, and Charge Type 1142 equaling GA portion of RPP- Class B) within account 1589 including the necessary adjustment to true up the difference between Global Adjustment 1st Estimate billed to the Final Global Adjustment Pricing.

Thunder Bay Hydro confirms that the GL for 2016 reflects the actual invoices billed by the IESO.

## **Question #7**

### **References: GA Analysis Workform**

Please explain and discuss the explanations given for the reconciling items 1a and 1b in Note 5 of the GA Analysis Workform.

### **Thunder Bay Hydro Response:**

Thunder Bay Hydro has included the items in 1(a) and 1(b) to remove the impacts to GA from prior year (2015) RPP Settlement true up process booked into 2016, and to Add impacts to GA from current year RPP Settlement true up process that are booked in the subsequent (2017) year.

1 (a) Represents the actual amount of GA on RPP that was paid to the IESO in 2016 for related to 2015, as well as the amount for Final RPP Volume true up for 2015 paid in 2016.

1 (b) Represents the actual amount of GA on RPP receivable from the IESO related to 2016 and recorded in 2017.

## **Question #8**

### **References: Tab 3 (Continuity Schedule) of the IRM Model**

Account 1580, sub-account CBR Class A should have a zero balance as of December 31, 2016. Please explain why this is not the case.

#### Thunder Bay Hydro Response:

Thunder Bay Hydro has settled the 2017 Cost of Service (EB-2016-0105) amount of \$6,277 directly with its Class A customer in 2017 for balances related to 2015 year end. During 2016 Thunder Bay Hydro reviewed its Class A CBR process and calculated a necessary billing adjustment of CBR-A which requires a further settlement of \$1,451 to the customer. Thunder Bay Hydro will be adjusting this balance with its customer directly and has not applied for this disposition.

## Question #9

### References: Tab 3 (Continuity Schedule) of the IRM Model

Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications states that applicants are expected to only request disposition of residual balances for vintage Account 1595 Sub-Accounts once and that any vintage Account 1595 Sub-Account is to be disposed only once, on a final basis. No further dispositions of these accounts are expected thereafter unless justified by the distributor. Please explain and discuss why there is still a balance and why disposition is being sought for 2012, 2013, and 2014.

#### Thunder Bay Hydro Response:

Thunder Bay Hydro is requesting disposition of the residual balances in each account, which has a net impact of \$308 (rounded to the nearest decimal). These balances are primarily accounted for due to the difference from projected interest calculations made in rate generator model and the actual interest calculations in each variance account. These values combined are considered immaterial, and upon approved disposition, will be netted in the 2018 variance account.

|  |                            | Principal      | Interest     | Total Requested Disposition |
|--|----------------------------|----------------|--------------|-----------------------------|
| Disposition and Recovery/Refund of Regulatory Balances (2009) <sup>3</sup> | 1595                       | 0              | (0)          | (0)                         |
| Disposition and Recovery/Refund of Regulatory Balances (2010) <sup>3</sup> | 1595                       | 0              | 0            | 0                           |
| Disposition and Recovery/Refund of Regulatory Balances (2011) <sup>3</sup> | 1595                       | 0              | 0            | 0                           |
| Disposition and Recovery/Refund of Regulatory Balances (2012) <sup>3</sup> | 1595                       | 0              | 706          | 706                         |
| Disposition and Recovery/Refund of Regulatory Balances (2013) <sup>3</sup> | 1595                       | 0              | 1,268        | 1,268                       |
| Disposition and Recovery/Refund of Regulatory Balances (2014) <sup>3</sup> | 1595                       | (1,305)        | (362)        | (1,667)                     |
|  | <b>Total 1595 Pre-2015</b> | <b>(1,305)</b> | <b>1,613</b> | <b>308</b>                  |

## Question #10

### References: Tab 3 (Continuity Schedule) of the IRM Model

The 2015 balance in Account 1595 Sub-Account shows a significant under-recovery. Please reconcile the under-recovery by producing i) a table that provides the amount of the original amount approved for principal and interest, and ii) a table that shows the volumes billed multiplied by the rate rider to reconcile the total recovery, which will show the balance being requested for disposition.

#### Thunder Bay Hydro Response:

Thunder Bay Hydro has experienced a significant under-recovery of its expected revenue stream for recovery variance Account 1595-2015. This is due to many contributing factors, aggressive yearly rate class reviews, and decreased expected consumption on a customer class basis.

- i) Thunder Bay Hydro has provided in the table below the amount of the original board approved recovery from 2015 IRM Forecast EB-2014-0114, the original forecasted volumes, and expected revenue recoveries by rate class.

| 2015 IRM Forecast<br>EB-2014-0114 |             |                             |                             |                      |                    |                            |  |  |                                       |
|-----------------------------------|-------------|-----------------------------|-----------------------------|----------------------|--------------------|----------------------------|--|--|---------------------------------------|
| 2015                              | Determinant | 1595 -<br>Approved<br>Rates | 1595 - Approved GA<br>Rates | Volumes - kWh/<br>kW | Non RPP kWh/<br>kW | Total Forecasted<br>Volume | Total Group 1<br>Excluding GA<br>(1589) - Expected<br>Recovery | Total GA<br>(1589) -<br>Expected<br>Recovery | Total Claim -<br>Expected<br>Recovery |
| Residential                       | /kWh        | (0.0016)                    | (0.0026)                    | 339,721,062          | 32,526,740         | 372,247,802                | (553,258)  | (84,707)                                     | (637,965)                             |
| General Service < 50              | /kWh        | (0.0016)                    | (0.0026)                    | 131,404,394          | 18,892,749         | 150,297,143                | (213,465)  | (49,201)                                     | (262,666)                             |
| GS 50 - 999                       | /kW         | (0.6076)                    | (0.9585)                    | 783,589              | 657,787            | 1,441,376                  | (476,128)  | (630,478)                                    | (1,106,606)                           |
| GS 1,000 - 4,999                  | /kW         | (0.5363)                    | (0.8069)                    | 568,917              | 490,763            | 1,059,680                  | (305,098)  | (395,997)                                    | (701,095)                             |
| Class A                           |             | (0.5363)                    |                             |                      |                    |                            |  |  |                                       |
| Streetlight                       | /kW         | (0.5896)                    | (0.9245)                    | 31,502               | 31,502             | 63,004                     | (18,575)   | (29,125)                                     | (47,700)                              |
| USL                               | /kWh        | (0.0016)                    | (0.0026)                    | 2,024,907            | 385,276            | 2,410,183                  | (3,278)  | (1,003)                                      | (4,281)                               |
| Sentinel                          | /kW         | (0.5815)                    | 0.0000                      | 340                  | 0                  | 340                        | (198)  | 0  | (198)                                 |
| Total                             |             |                             |                             | 474,534,711          | 52,984,817         | 527,519,528                | (1,570,000)  | (1,190,511)                                  | (2,760,511)                           |

ii) Thunder Bay Hydro has provided in the tables below summaries of the volumes billed, which when divided by the rate rider will reconcile to the total requested recovery in this application EB-2017-0075. These summaries will show the balance being requested for disposition, in comparison to the original forecasted recovery from EB-2014-0114. It is recognized that the actual billed volume is a shortfall of the expected original forecast amount from application EB-2014-0114 and year over year.

Summary of the proposed disposition activity EB: 2017-0075 – Rate Generator.

| EB 2014-0114   |                              |           |               |          |               |                |
|----------------|------------------------------|-----------|---------------|----------|---------------|----------------|
|                |                              | Revenues  |               | Revenues |               |                |
| 2015-1595      | 1595- 2015 Disposition Setup | 2015      | 2015 Year End | 2016     | 2016 Year End | Revenues Total |
| RR - Principal | (1,523,168)                  | 929,198   | (593,970)     | 508,025  | (85,945)      | 2,460,627      |
| GA- Principal  | (1,123,783)                  | 694,623   | (429,160)     | 328,780  | (100,380)     |                |
| Interest       | (113,560)                    | (14,411)  | (127,971)     | (4,246)  | (132,217)     |                |
| Total Claim    | (2,760,511)                  | 1,609,411 | (1,151,101)   | 832,559  | (318,542)     |                |

Summary of rate recovery of the Billed Volume to Forecasted Volume, by rate determinant, and rate class:

| EB-2014-0114               |             |                   |             |           |                   |            |             |               |               |
|----------------------------|-------------|-------------------|-------------|-----------|-------------------|------------|-------------|---------------|---------------|
| May 1 2015 - April 30 2016 |             |                   |             |           |                   |            |             |               |               |
|                            | Determinant | Recovery / Refund | kWh/ Kw     | 1595 - RR | Recovery / Refund | kWh/ Kw    | 1595 - GARR | Total Revenue | Total kWh/ kW |
| Residential                | /kWh        | (505,569)         | 315,979,261 | (0.0016)  | (25,470)          | 9,795,805  | (0.0026)    | (531,039)     | 325,775,066   |
| General Service < 50 & USL | /kWh        | (217,470)         | 135,848,881 | (0.0016)  | (55,923)          | 21,509,011 | (0.0026)    | (273,393)     | 157,357,892   |
| GS 50 - 999                | /kW         | (409,937)         | 674,681     | (0.6076)  | (548,500)         | 572,249    | (0.9585)    | (958,437)     | 1,246,930     |
| GS 1,000 - 4,999           | /kW         | (285,080)         | 531,568     | (0.5363)  | (368,459)         | 456,635    | (0.8069)    | (653,539)     | 988,204       |
| Streetlight                | /kW         | (15,434)          | 26,172      | (0.5897)  | (24,039)          | 26,002     | (0.9245)    | (39,473)      | 52,175        |
| USL                        | /kWh        | (3,569)           | 2,230,974   | (0.0016)  | (1,010)           | 388,440    | (0.0026)    | (4,580)       | 2,619,414     |
| Sentinel                   | /kW         | (165)             | 284         | (0.5815)  |                   |            |             | (165)         | 284           |
| Total                      |             | (1,437,224)       | 455,291,821 |           | (1,023,403)       | 32,748,142 |             | (2,460,626)   | 488,039,963   |

High level summary comparing the 2015 billed volume to forecasted volume, by rate determinant, and rate class:

| 2015                 | Determinant | EB-2014-0114 | Actual Recovery Period | Variance in Estimate to Actual |
|----------------------|-------------|--------------|------------------------|--------------------------------|
| Residential          | /kWh        | 372,247,802  | 325,775,066            | 46,472,736                     |
| General Service < 50 | /kWh        | 150,297,143  | 157,357,892            | (7,060,749)                    |
| GS 50 - 999          | /kW         | 1,441,376    | 1,246,930              | 194,446                        |
| GS 1,000 - 4,999     | /kW         | 1,059,680    | 988,204                | 71,476                         |
| Class A              |             | 0            |                        | 0                              |
| Streetlight          | /kW         | 63,004       | 52,175                 | 10,829                         |
| USL                  | /kWh        | 2,410,183    | 2,619,414              | (209,231)                      |
| Sentinel             | /kW         | 340          | 284                    | 57                             |
| Total                |             | 527,519,528  | 488,039,963            | 39,479,565                     |