



Thunder Bay Hydro Electricity Distribution Inc.

OEB 2006 Rates Informal Consultation

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Contents

Part 1: Regional Issues

Part 2: Comments on Global Issues

Map of Ontario





Regional Issues

1. Declining Load Forecasts
2. Low Density Factors
3. No Shoulder-to-Shoulder Utilities/Workforce
4. Topography
5. Weather



Declining Load Forecasts

1. Resource Based Industry

- Volatility associated with resource based customers mainly lumber, pulp and paper products
- Small Business dependent upon big industry
- Environmental and Legislative Risks
(softwood lumber dispute)

2. Little economic growth

Declining Load Forecasts (cont'd)

3. Population/Demand Trend

	Population	Avg. Monthly Demand kW
1996	113,662	175,942
2001	109,016	165,878
Percent Decline	-4.1%	-5.7%



Low Density Factors

Illustration through comparison to a utility from Southern Ontario with similar customer base*:

	Thunder Bay Hydro	Southern Utility
Average # of Customers	48,821	51,300
Service Area in Square KM	381	95
Average Customers/Square KM	128	540
% Rural Service Area	85.56%	28.42%

*Data taken from 2002 Utility Performance Management Survey



Housing Starts (Ontario Home Builders Association)	January – December 2001	January – December 2002	%	+ / -
Hamilton	3,365	3,803	13%	+
Kingston	707	810	15%	+
Kitchener	3,537	4,130	17%	+
London	1,607	2,604	62%	+
Oshawa	2,561	3,490	36%	+
Ottawa	6,251	7,796	25%	+
St. Catherines/Niagara	1,134	1,317	16%	+
Sudbury	191	298	56%	+
Thunder Bay	211	197	-7%	-
Toronto	41,017	43,805	7%	+
Windsor	2,157	2,490	15%	+



No Shoulder-to-Shoulder Utilities/Workforce

- Inability to share resources
- Inability to attract already skilled workers
- Location a factor in access to contract services
- Inability to match workforce to work available

Map of Ontario





Topography

- City is situated along the rugged, rocky coastline of Lake Superior.
- The Canadian Shield covers northern Ontario, and extends into the southeast. While the Shield is marked by impressive granite formations, pine forests, lakes and rivers, it can prove to be a challenge in building and maintaining distribution lines.
- Increased O&M and Capital Expenses: Line Clearings Costs, Setting Poles, Tree Trimming.

Example of a Rural Line



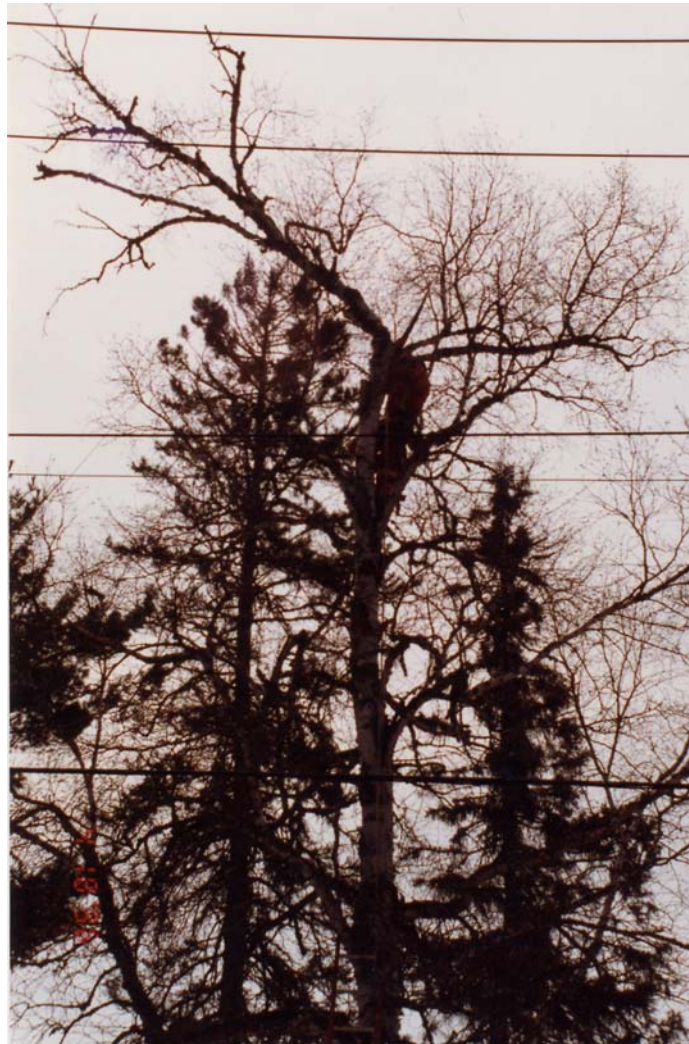
A Finished Line with the Hydro Axe



Lineman Trimming a Tree that Equipment Cannot Access



Line Clearing Required



Tree Being Trimmed

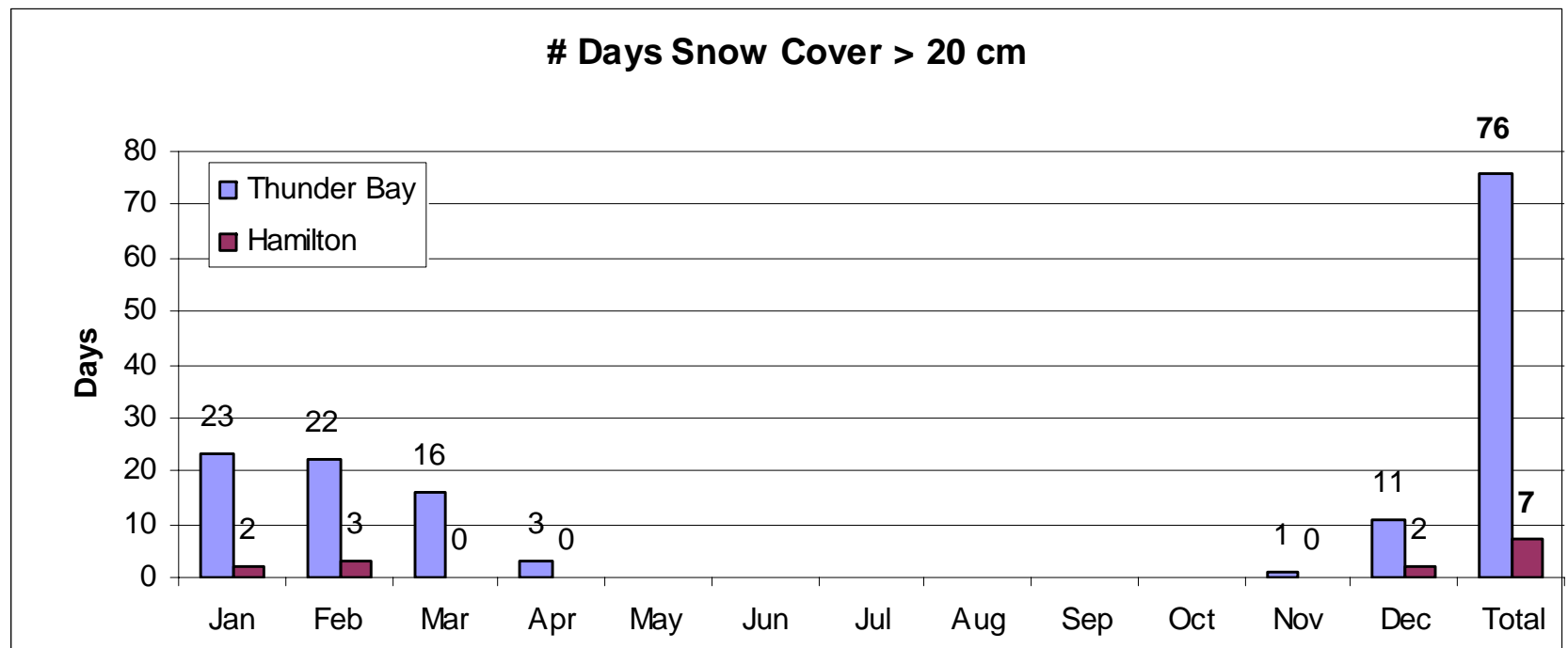




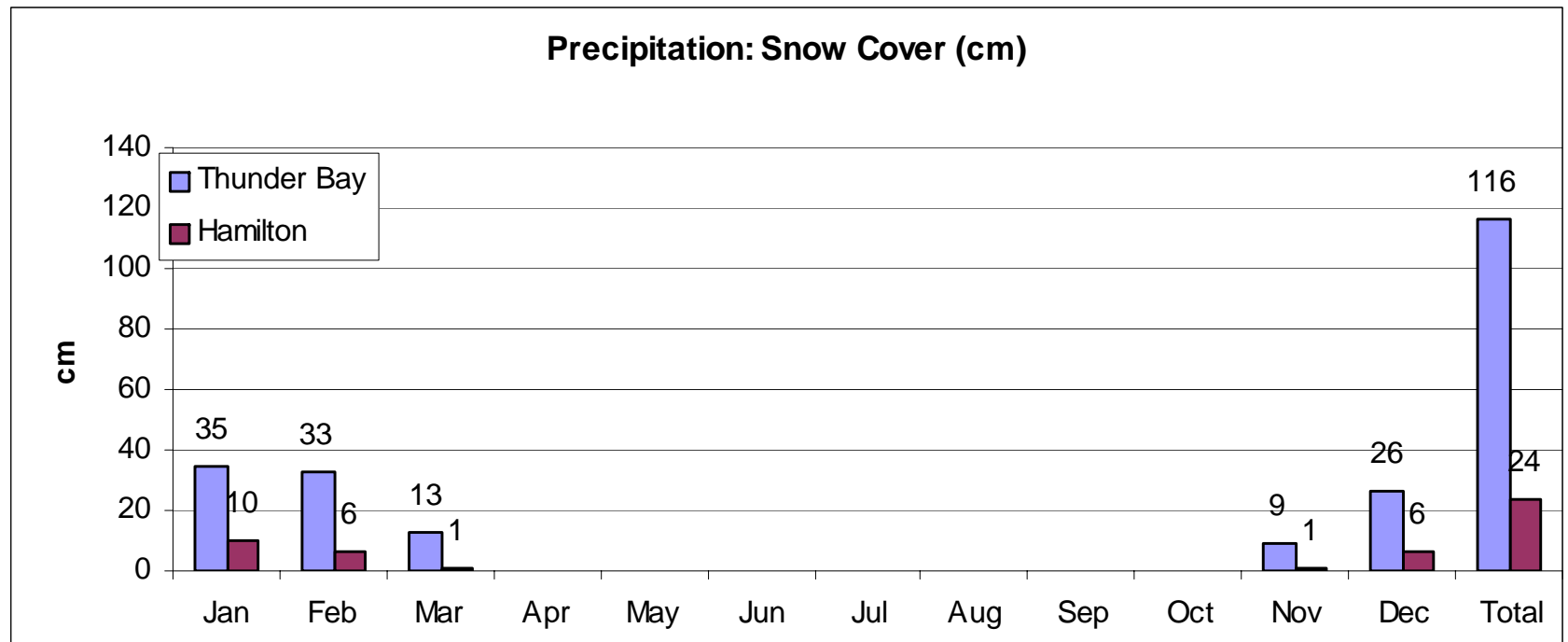
Weather

- Impact on outages
- Impact on ability to work in certain weather conditions: job planning
- Clearing to gain access

Weather (cont'd)



Weather (cont'd)





Comments on Global Issues

- Agreement that the issues identified need to be addressed.
- There is merit to grouping utilities into a smaller number of cohorts (size, operating characteristics, structure, operational or management process).
- Utilities cannot be compared to one another directly, a hybrid of comparisons must be used. For example, Thunder Bay Hydro might be compared to other utilities with same size customer base for such costs as related to customer service: billing, collecting, etc. However, for O&M expenses, a more relevant comparator might be other rural utilities with similar density factors, similar access to resources, geographic location, age of system, etc.



Comments on Global Issues (cont'd)

- It would be extremely onerous to administrate a prudency review of LDC's costs accurately and with confidence.
- There might not be sufficient groupings available.
- In theory concept is great; however, considering the Board's aggressive timelines for implementation of a revised rate handbook, any development of comparisons at this point in time would be likely less than ideal and flawed at best.
- The value of the information is questionable.
- A framework should be established for future rate filings.
- Discussion required as to whether depreciation should be aligned with CCA Rates.