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October 21, 2009

**Ms. Kirsten Walli**  
**Board Secretary**  
**Ontario Energy Board**  
**P.O. Box 2319, 27<sup>th</sup> Floor**  
**2300 Yonge Street**  
Toronto, Ontario  
M4P 1E4

**Dear Kirsten:**

**Re: Atikokan Hydro Inc. - Application for 2010 Electricity Distribution Rates EB-2009-0212**

Atikokan Hydro Inc. ("Atikokan") is pleased to submit to the Ontario Energy Board (the "Board") its 2010 electricity distribution rate application, in compliance with the Board letter dated July 3, 2009 that directs the company to file its electricity distribution rate application by October 21, 2009. In the July 3<sup>rd</sup> letter distributors were assigned to one of five groups based on the type of application the distributor was submitting. In the case of Atikokan, this application is a 3<sup>rd</sup> Generation Incentive Rate ("IRM3") rate application which includes the continuation of a directive from a previous Board Decision for a Revenue Cost Ratio Adjustment. As a result, Atikokan has been assigned to group three and is required to file the application by October 21, 2009.

The filing requirements indicate that each application should include:

- A Manager's Summary documenting and explaining all rate adjustments applied for.
- A completed Rate Generator model with supplemental filing modules or work forms, provided by the Board, both in electronic (i.e. Excel) and PDF form.
- A copy of the current Tariff Sheet.
- A PDF copy of the facsimile tariff sheet generated by the Rate Generator.
- A PDF copy of the bill impacts generated by the Rate Generator.

The completed 2010 IRM3 models are attached along with the requested tariff sheet and bill impact information. The Manager's Summary for Atikokan's 2010 rate application is attached to this letter. The information that is provided in the IRM3 models will not be repeated in the Manager's Summary in order to focus the Manager's Summary on the relevant items.

Atikokan's 2010 electricity distribution rate application will be sent to you in the following form:

- (a) Electronic filing through the Board's web portal at [www.errr.oeb.gov.on.ca](http://www.errr.oeb.gov.on.ca), consisting of one (1) electronic copy of the application in searchable /unrestricted PDF format and one (1) electronic copy in Microsoft Excel format of the completed IRM3 models and one (1) electronic copy of the Manager's summary;
- (b) Two (2) paper copies of the application, the Manager's Summary and the IRM Model, along with a CD of the above (item (a)).

We would be pleased to provide any further information or details that you may require relative to this application.

**Yours truly,**

A handwritten signature in black ink, appearing to read "Wilf Thorburn". The signature is written in a cursive, flowing style.

**Wilf Thorburn**  
**CEO/Secretary/Treasurer**  
Atikokan Hydro Inc.

# **Atikokan Hydro Inc.**

## **EB-2009-0212**

### **MANAGER'S SUMMARY**

**October 21, 2009**

Atikokan Hydro Inc (“Atikokan”) is a licensed electricity distributor (ED-2003-0001) that owns and operates electricity distribution systems that provide service to the Town of Atikokan. Atikokan charges its customers distribution rates and other charges as authorized by the Ontario Energy Board (“Board”). In this application Atikokan is applying for rates and other charges effective May 1, 2010.

Atikokan has adhered to the Board's directions in completing the Board approved IRM3 rate models and incorporated the necessary adjustment. This Manager's Summary will address the following items:

- Revenue to Cost Ratio Adjustment
- Transformer Allowance
- Smart Meter Adder
- Price Cap Adjustment
- K – Factor Adjustment
- Deferral and Variance Account Rider
- Retail Transmission Service Rates
- Current and Proposed Rates – Appendix A
- Customer Impacts – Appendix A

**Revenue to Cost Ratio**

In order to implement the next phase of the directive from the Board’s Decision for on Atikokan’s 2008 cost of service application in regards to revenue to cost ratios, Atikokan proposes the following Revenue to Cost ratios as determined by the Supplemental Model.

Rate Class	2009 Approved Revenue Cost Ratio	2009 Approved Revenue Cost Ratio Adjusted for Transformer Allowance	2010 Proposed Revenue Cost Ratio
Residential	107.2%	107.6%	104.8%
General Service Less Than 50 kW	107.7%	108.3%	100.0%
General Service 50 to 4,999 kW	65.0%	57.0%	70.0%
Unmetered Scattered Load	62.5%	62.5%	62.5%
Sentinel Lighting	55.0%	55.0%	70.0%
Street Lighting	57.5%	57.5%	70.0%

For 2010, Atikokan proposed to increase the revenue to cost ratios for Street Lighting and Sentinel Lighting classes to reach the bottom of the Board’s target range. For Unmetered Scattered Load (“USL”) Atikokan is proposing to maintain the 2009 approved revenue cost ratio of 62.5%. The distribution rates for USL are considerably much higher than USL rates for other distributors in the province. A review of the cost allocation model which supports the starting point revenue to cost ratios suggests the USL results from the cost allocation model may not be correct. As a result, Atikokan is proposing to maintain the USL revenue to cost ratio at the approved 2009 level until the cost allocation model is updated with Atikokan’s next rebased/cost of service rate application. Atikokan is strongly considering submitting a rebased/cost of service rate application for the 2011 rate year.

With regards to the General Service 50 to 4,999 kW class the adjustment made in the Supplemental model for transformation allowance moved the approved 2009 revenue cost ratio down from 65% to 57%. In order to phase-in impact of

the transformation allowance adjustment Atikokan is proposing to increase to revenue to cost ratio for the General Service 50 to 4,999 kW class 70% for 2010 and 80% in 2011.

74% of the addition revenue from the General Service 50 to 4,999 kW, Street Lighting and Sentinel Lighting is assigned to the Residential class to lower its revenue to cost ratio down to 104.8%. The remaining 26% of the additional revenue is used to reduce the General Service Less Than 50 kW to 100%.

The rate adjustments resulting from the above movements in the revenue to cost ratios are determined in Sheet C 1.9 of the Supplemental model and entered in the Rate Generator Model at Sheet D1.2.

#### Transformer Allowance

Atikokan proposes to continue with its present board approved transformer allowance for ownership. The allowance value is set at 10% of the appropriate approved KW rate.

#### **Smart Meter Adder**

For 2010 rates, Atikokan proposes to maintain the \$1.00 per meter per month as approved in its current rates.

#### **Price Cap Adjustment**

Under the 3rd Generation IRM plan, Atikokan's electricity distribution rates for 2010 have been adjusted for three factors: a price escalator, a productivity factor and a stretch factor. For the purposes of preparing the 2010 application, the Board expects Atikokan to use a proxy for the price cap adjustment. The proxy is 1.18%. Atikokan understands that when the final price adjustment factor is

determined the Board will adjust the price cap adjustment assumed in the 2010 final rates.

### **K – Factor Adjustment**

In the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors, the Board determined that a common deemed capital structure of 40% equity and 60% debt would be used for rate-setting purpose. In 2010, the last year of transition, it is assumed Atikokan's deemed capital structure will move from 43.3% equity and 56.7% debt to 40% equity and 60% debt. An adjustment factor of -0.27% is applied to the 2009 rates to address the change in deemed capital structure.

### **Deferral and Variance Account Rider**

The input requirements of the D&V model regarding RSVA account balances determined there was a Total Variance of \$ 237,722 credit. This the 2008 actual year end amount with interest projected to April 30, 2010. The Threshold Test determined a credit rate of \$- 0.009966 per kWh which is slightly below the ceiling rate of \$0.001 per kWh established by the Board. After discussion with a board staff member, it was contemplated that the -\$0.009966 would round up to the \$0.001 amount. Therefore a disposition plan is required by Atikokan. Atikokan proposes to dispose of the variance balance over a four year term. Atikokan collected the funds over a four year period, and propose to pay it out over a four year period.

As per instructions on sheet C1.2 in the "Atikokan IRM Variance and Deferral Account Worksheet", and after consultation with board staff, adjustments had to be entered into column "N" to reflect amounts already considered in our GL accounts. Adjustments were already considered in entries in 2006 as a result of a compliance audit conducted by the OEB.

### **Retail Transmission Rates**

The Board's Revision to Guideline G-2008-0001 - Electricity Distribution Retail Transmission Service Rates ("RTSR's) were issued July 22, 2009. Based on the

Decision and Rate Order of the Board (EB-2008-072), new Uniform Transmission Rates (UTR's) are effective July 1, 2009. The Guideline instructs distributors to adjust RTSR's in the same manner as the UTR's have been changed. An increase of 3.5% has been applied to the 2009 Network Service Rate and a decrease of 2.2% has been applied to the 2008 Line Transformation Connection Service Rate.

### **Conclusion**

A copy of the current tariff sheet, the proposed tariff sheet and the customer impacts are provided in Appendix A. In summary, the bill impact for a Residential customer in Atikokan, with a monthly electricity consumption of 800 kWh, will be -3.97% or -\$3.97 per month after GST. The bill impact for a General Service Less Than 50 kW customer with a monthly electricity consumption of 2,000 kWh, will be -5.3% or -\$15.17 per month after GST