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BY EMAIL

January 13, 2010

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Atikokan Hydro Inc.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0064**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Atikokan Hydro Inc. and to all other registered parties to this proceeding.

In addition please advise Atikokan Hydro Inc. that its Reply Submission is due by February 3, 2011.

Yours truly,

Original Signed By

Lawrie Gluck
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Atikokan Hydro Inc.

EB-2010-0064

January 13, 2011

**Board Staff Submission
Atikokan Hydro Inc.
2011 IRM3 Rate Application
EB-2010-0064**

Introduction

Atikokan Hydro Inc. (“Atikokan Hydro”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on September 17, 2010, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Atikokan Hydro charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Atikokan Hydro.

Board staff makes submissions only in regards to Deferral and Variance Account Disposition.

DEFERRAL AND VARIANCE ACCOUNT DISPOSITION

Background

Atikokan Hydro had originally requested the continuation of its existing rate rider for 2008 Deferral and Variance Account disposition. Atikokan Hydro had also requested the disposition of a debit balance of \$186,637 related to its 2009 Deferral and Variance Accounts as it exceeded the Board prescribed threshold. However, in preparing its response to Board Staff Interrogatory No. 2, Atikokan Hydro reviewed the 2008 Group 1 Deferral and Variance Account balances approved on an interim basis by the Board in the Atikokan Hydro’s 2010 rates case (EB-2009-0212). In the Board’s Decision, the 2008 Group 1 Deferral and Variance Account balances were reported as shown in the below table.

2010 Disposition of 2008 Group 1 Deferral and Variance Accounts - Interim Approval

Account Description	Account Numbers	Principal Amounts A	Interest Amounts B	Total Claim C = A + B
RSVA - Wholesale Market Service Charge	1580	(65,776)	(12,312)	(78,088)
RSVA - Retail Transmission Network Charge	1584	(43,059)	(10,442)	(53,501)
RSVA - Retail Transmission Connection Charge	1586	(3,370)	(47,232)	(50,602)
RSVA - Power (Excluding Global Adjustment)	1588	78,303	16,871	95,174
RSVA - Power (Global Adjustment Sub-account)	1588	(31,083)	(2,400)	(33,483)
Recovery of Regulatory Asset Balances	1590	(824)	814	(10)
		(65,809)	(54,701)	(120,510)

The Board approved the disposition of \$(120,510) over a two-year period which included the December 31, 2008 balances and projected interest to April 30, 2010. However, the balances were not approved on a final basis. The Board, in its Decision, noted that any adjustment to the 2008 Group 1 Deferral and Variance Account balances be brought forward to the Board as part of Atikokan Hydro's 2011 rate proceeding.

Atikokan has proposed to adjust the balance for the 2008 Group 1 Deferral and Variance Accounts to \$(247,027). This adjustment has been reviewed by Atikokan Hydro's auditor. The table below highlights the revised 2008 Group 1 Deferral and Variance Account balances.

2008 Group 1 Deferral and Variance Accounts – Revised Balances

Account Description	Account Numbers	Principal Amounts A	Interest Amounts B	Total Claim C = A + B
RSVA - Wholesale Market Service Charge	1580	(81,638)	3,342	(78,296)
RSVA - Retail Transmission Network Charge	1584	(43,839)	(9,673)	(53,512)
RSVA - Retail Transmission Connection Charge	1586	(15,661)	(35,104)	(50,764)
RSVA - Power (Excluding Global Adjustment)	1588	(63,918)	15,006	(48,913)
RSVA - Power (Global Adjustment Sub-account)	1588	(13,385)	(2,148)	(15,533)
Recovery of Regulatory Asset Balances	1590	(824)	814	(10)
		(219,265)	(27,763)	(247,027)

The table below highlights the revised 2009 Group 1 Deferral and Variance Account balances.

2009 Group 1 Deferral and Variance Accounts – Balances

Account Description	Account Numbers	Principal Amounts A	Interest Amounts B	Total Claim C = A + B
RSVA - Wholesale Market Service Charge	1580	458	(999)	(541)
RSVA - Retail Transmission Network Charge	1584	4,279	(438)	3,841
RSVA - Retail Transmission Connection Charge	1586	22,087	220	22,306
RSVA - Power (Excluding Global Adjustment)	1588	128,790	649	129,439
RSVA - Power (Global Adjustment Sub-account)	1588	(17,007)	(326)	(17,334)
Recovery of Regulatory Asset Balances	1595	1,274	(626)	648
		139,879	(1,520)	138,360

Atikokan has proposed the following approach to address the disposition of the 2008 and 2009 Group 1 Deferral and Variance Account balances.

- A) For the 2008 Group 1 Deferral and Variance Accounts, the Board would approve the 2008 Group 1 Deferral and Variance Account balance of \$(247,027) on a final basis.
- B) For the 2008 Group 1 Deferral and Variance Accounts, the 2010 Rate Riders for Deferral and Variance Account disposition and Global Adjustment Sub-Account disposition would be continued as approved until April 30, 2012. These rate riders are expected to provide Atikokan Hydro's customers \$120,510 of the \$247,027 owed to them.
- C) For the 2009 Group 1 Deferral and Variance Accounts, the \$138,360 owed by the customers would not be disposed until after April 30, 2012. As of May 1, 2012 the remaining amount of the 2008 balances owed to the customers would be used to offset the 2009 balances owed to Atikokan Hydro.

Atikokan noted that this proposal may not be the conventional approach to address the disposition of Group 1 Deferral and Variance Account balances. However, Atikokan Hydro believes that the proposed approach is in the best interest of its customers as it will result in no rate increases related to the repayment of the 2009 Group 1 Deferral and Variance Account balances.

Submission

Board staff submits that although Atikokan's proposal for Group 1 Deferral and Variance Account disposition may not be conventional, it is practical given the distributor's unique situation.

Atikokan Hydro already has approved rate riders in place to refund \$120,510 to customers of the 2008 Group 1 Deferral and Variance Account balance of \$(247,027) by April 30, 2012. This means that Atikokan Hydro will still owe its customers \$126,517 related to the 2008 Group 1 Deferral and Variance Accounts once the existing rate riders are discontinued. If the Board approves the proposed approach and allows Atikokan to use the additional money owed to ratepayers in the amount of \$126,517 (related to the 2008 Deferral and Variance Accounts) to offset the 2009 Group 1 Deferral and Variance Account balance of \$138,360, the projected amount owed to Atikokan Hydro as of December 31, 2009 is only \$11,843 (which would be below the Board's established disposition threshold). This would, from the customer's prospective, ensure no rate impacts related to 2008 and 2009 Deferral and Variance Account disposition in the 2011 rate year as the current rate riders would continue to be in effect until April 30, 2012 and no new rate riders would be needed to recover the 2009 Group 1 Deferral and Variance Account balances. Board staff notes that Atikokan Hydro will file a Cost of Service application in 2012 and all Deferral and Variance Account balances will be disposed at that time including any residual amounts from prior periods.

For the reasons set out above, Board staff supports Atikokan Hydro's proposal for Group 1 Deferral and Variance Account Disposition. Board staff, however, notes that it understands that the difference between the 2008 interim balances versus the 2008 final balances, and the 2009 account balances would be would dealt with at the account level. This treatment would ensure that the appropriate allocator is used for each account balance and also recognizes that some accounts apply to all customers while the Global Adjustment Sub-account applies to non-RPP customers only.

All of which is respectfully submitted.