ATIKOKAN HYDRO INC.

117 Gorrie Street, Box 1480
Atikokan, Ontario P0T 1C0

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January 26, 2009

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto, Ontario
Attn: Ms. Kirsten Walli
Board Secretary

Re: Board Staff Interrogatories
2009 Incentive Regulation Mechanism Rate Application
Atikokan Hydro Inc.
EB-2008-0158

Dear Ms. Walli,

Atikokan Hydro Inc. is pleased to file with the Board our reply submission to submissions from Board staff and the Vulnerable Energy Consumers Coalition. We have included two paper copies and an electronic version filed through the Board's RESS.

If you have any questions, please contact the undersigned at (807) 597-6600.

Yours truly,

Wilf Thorburn

Wilf Thorburn
CEO/Secretary-Treasurer

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Board Staff Interrogatories

2009 Incentive Regulation Mechanism Rate Application

Atikokan Hydro Inc.

EB-2008-0158

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Board Staff Interrogatories
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Smart Meters

Reference: Manager's Summary, Page 2-3

1. Atikokan Hydro Inc. ("Atikokan") is requesting an increased smart meter funding adder of $1.00. The utility advises it expects to enter into negotiations with a vendor in December 2008 for 1686 meters with an expected capital cost of $225 per meter. The utility also advises it does not expect to purchase smart meters whose functionality exceeds the minimum adopted in O.Reg. 425/06 and does not expect to incur costs associated with functions for which the SME has exclusive authority.

   a) What is the present status of the above negotiations?

Response:

   a) The negotiations are at the point where our legal people are reviewing the contract. Atikokan Hydro anticipates it will be signed soon.

   b) Section 1.4 of Board Guideline G-2008-0002, *Smart Meter Funding and Cost Recovery*, specifies further filing requirements for distributors seeking the standard $1.00 smart meter funding adder. In accordance with section 1.4, please provide documentation supporting that Atikokan is duly authorized to deploy smart meters pursuant to O.Reg. 427/06, as amended on June 25, 2008 by O.Reg. 235/08. A copy of an "Attestation of the Fairness Commissioner" would be consistent with this filing requirement.

Response:

The required document is attached as Appendix "A"

Revenue to Cost Ratios

Reference: 2009 3rd Gen. IRM Supplementary Filing Module, Sheet C2.1

2. The Board's August 21st 2008 Decision (EB-2008-0014 at page 18) directed Atikokan to adjust its revenue to cost ratios in its 2008 rate to yield 50% for the GS>50 kW, 45% for the Street Lighting, 40% for the Sentinel Lighting and 45% for the Unmetered Scattered Load ("USL") rate classes.

a) Please explain why Sheet C2.1 of the filed 2009 3rd Generation IRM Supplementary Filing Module indicates the actual revenue to cost ratios for 2008 were: 42.4% for the GS>50 kW, 44.9% for the Street Lighting, 3.1% for the Sentinel Lighting, and 803.2% USL.

Response:

The table below outlines the approved 2008 base revenue by rate class and the approved revenue/cost ratio.

	Approved 2008 Base Revenue Split From Board Decision	**Approved 2008 Revenue Cost Ratio from Board Decision (%)**
Residential	$741,014	113.6%
General Service < 50 kW	$264,563	107.7%
General Service > 50 kW	$69,214	50.0%
Street Lighting	$51,244	45.0%
Sentinel Lighting	$84	40.0%
Unmetered Scattered Load	$17,730	45.0%
Total	$1,143,849	

In the 3rd GIRM Supplementary Filing Module, it is assumed the proportion of revenue requirement by rate class from the cost allocation was applied to the total approved 2008 base revenue of $1,143,849 to determine an estimate of revenue requirement or "cost" by rate class assumed in the approved 2008 revenue/cost ratio. This was not the case for Atikokan's 2008 rate application. As a result, the revenue/cost ratios in the 3rd GIRM Supplementary Filing Module, Sheet C2.1 are not correct.

As explained in the Submission By Atikokan Hydro Inc. Regarding Change in Revenue Cost Ratios for 2009 ("the Submission"), Atikokan assumed the proportion of revenue at existing rates was applied to the base revenue requirement to determine the starting revenue amounts for purposes of moving the revenue/cost ratios. It was assumed that the starting revenue amounts had the same level of subsidization or over recovery as the cost allocation study indicated as there had not been any steps taken since the completion of the cost allocation study to adjust revenues for the results of the study. The revenue/cost ratios from the cost allocation model were applied to the starting revenue amounts to determine an estimate of revenue requirement or cost by rate class. Then the starting revenue amounts were moved and divided by the estimated revenue requirement to achieve the proposed revenue cost/ratios

The following explains the steps taken and summaries the Submission

Step 1: Determine proportion of revenue at existing rates by class in 2008 (A).

Step 2: Apply (A) to the base revenue requirement which results in 2008 revenue by rate class (B) based on the proportion of revenue at existing rates.

Step 3: Divide (B) by the revenue/cost ratio from the cost allocation model to determine estimated revenue requirement or cost by rate class (C) assuming 2008 base revenue requirement.

Step 4: Determine proposed revenue/cost ratios

Step 5: Adjust revenues by rate class (B) to (D) in order to achieve proposed revenue/cost ratios. The proposed revenue/cost ratios will be (D)/(C)

b) Please provide corrected figures, if required, in a resubmitted filing.

Response:

In Atikokan's view based on the Submission, the information in 3rd GIRM Supplementary Filing Module, Sheets C1.1 to C4.3 is not needed. These sheets deal with the adjustments that need to made to rates for the change in revenue/cost ratio but this issue has been addressed in the Submission. The resulting adjustments to rates for the revenue/cost change have been provided in the Submission and included in 3GIRM Rate Generator Model. As a result, Sheets C1.1 to C4.3 are not relevant.

Reference: Manager's Summary, Pages 3 to 8

3. Please provide in Excel format the spreadsheet used by Atikokan, in lieu of the cost allocation sections in the IRM filing model, to derive the proposed revenue to cost ratio adjustments for the 2009 rates.

Response:

The requested information is provided in the attached Excel spreadsheet titled "Rev Cost Ratio Support1.xls" Appendix "B"

Reference: Sheet D1.2, 3GIRM Rate Generator Model

4. On Page 7 of the Manager's Summary, Atikokan indicates that for the Street Lighting rate class, there should be a $1.7484 change in 2009 to the base rate volumetric charge. However, at sheet D1.2 of the utility's filed 3rd Generation IRM Rate Generator Model, a change of $0.0105 is entered for this item. Please explain the discrepancy and confirm what should be the correct number.

Response:

The manager's summary is correct. There was a typo in the Rate Generator model and the UMSL rate was inadvertently placed in the Street Light cell.

Rural or Remote Electricity Rate Protection

5. By letter dated December 17, 2008, the Board informed the electricity distributors of the approval it has given to the IESO regarding the level of charge the IESO may apply to its Market Participants for the Rural or Remote Electricity Rate Protection (RRRP) program. In that letter, the Board stated: “Distributors that currently have a rate application before the Board shall file this letter as an update to their evidence along with a request that the RRRP charge in their tariff sheet be revised to 0.13 cents per kilowatt-hour effective May 1, 2009.”

   If Atikokan has not done so, please file the required addition to the evidence as outlined in the December 17th letter.

Response:

   The referenced letter is attached as Appendix “C”

PRP International, Inc.

Fairness Advisory Services

May 30, 2008

Mr. Wilf Thorburn
CEO and Secretary Treasurer
Atikokan Hydro Inc.
P.O. Box 1480
Atikokan, ON P0T 1C0

Dear Mr. Thorburn:

Subject: Attestation of the Fairness Commissioner
Advanced Metering Infrastructure RFP, August 2007
London Hydro & Consortium of LDCs Smartmetering Project

PRP International, Inc. is pleased to submit its letter report of the Fairness Commissioner for the noted Request for Proposal (RFP) evaluation and selection phase. This judgment is being provided for the information and use of each Consortium LDC Sponsor, in their consideration of the report from the Evaluation Phase, for this competitive transaction.

"It is the judgment of PRP International, Inc., as the Fairness Commissioner, that the determinations of the two (2) highest ranked Proponents for the "Group of the Northern Five LDCs" (Atikokan Hydro Inc., Fort Francis Hydro Power Corporation, Kenora Hydro Electric Corporation Ltd, Sioux Lookout Hydro Inc., and Thunder Bay Hydro Electricity Distribution) requirements are:

- *Elster Metering, as the recommended Preferred Proponent, based on its highest ranking, and*
- *KTI/ Sensus Limited being the second ranked Proponent.*

These determinations were made in a fair (objective and competent) manner and consistent with the evaluation and selection processes set out in the RFP, issued August 14, 2007."

A detailed report for your records will be submitted to you, by August 31, 2008. Should you have any questions or require clarification of any matter contained in this letter report, please contact the undersigned.

Yours truly,

Peter Sorensen
President
cc: Mr. Gary Rains, RFP Project Director

203 - 8 QUEEN STREET, SUMMERSIDE, PEI C1N 0A6
TELEPHONE: 902.436.3930 FAX: 604-677-5409
EMAIL: fairness@telus.net

Appendix "B"

	Approved 2008 Base Revenue Split From Board Decision (A)	Approved 2008 Revenue Cost Ratio from Board Decision (%) (B)	Proposed 2009 Revenue Cost Ratio to move Revenue Cost Ratio as directed by Board in Decision (%) (C)	Proposed Change to Base Revenue (D) = (A/B * C) - A	% Change to Base Rates (E) = (D)/(A)	2008 Base Rate Monthly Service Charge (F)	Monthly Service Charge $Change (G) = (F) * (E)	2008 Base Rate Volumetric Charge (H)	Volumetric Charge $Change (I) = (H) * (E)
Residential	$741,014	113.6%	107.2%	($41,978)	(5.66%)	$34.71	($1.97)	$0.0137	($0.0008)
General Service Less Than 50 kW	$264,563	107.7%	107.7%	$0	0.00%	$76.17	$0.00	$0.0097	$0.0000
General Service 1,000 to 4,999 kW	$69,214	50.0%	65.0%	$20,814	30.07%	$222.67	$66.96	$0.8670	$0.2607
Street Lighting	$51,244	45.0%	57.5%	$14,230	27.77%	$5.47	$1.52	$6.2964	$1.7484
Sentinel Lighting	$84	40.0%	55.0%	$31	37.47%	$5.11	$1.91	$44.3918	$16.6343
Unmetered Scattered Load	$17,730	45.0%	62.5%	$6,903	38.93%	$209.17	$81.44	$0.0269	$0.0105
Total	$1,143,849			0					

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Ontario Energy Board
P.O. Box 2319 27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

January 2, 2009

Attention:
Kirsten Walli
Board Secretary

Re: Update to 2009 Electricity Distribution Rates Application EB-2008-0158

Atikokan Hydro Inc. filed an application on November 7, 2008, under section 78 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c 15 (Schedule B), seeking approval for changes to the rates charged for electricity distribution and retail transmission, to be effective May 1, 2009. The Ontario Energy Board (the "Board") assigned the application file number EB-2008-0158.

The Board issued a letter on December 17, 2008 to all Licensed Electricity Distributors indicating that the Rural or Remote Electricity Rate Protection ("RRRP") charge from the Independent Electricity System Operator to Distributors will increase from $0.0010/kWh to $0.0013/kWh, effective May 1, 2009 and Distributors should revise the charge to customers similarly.

As directed in the December 17, 2008 letter, please find attached a copy of the Board's letter as an update to the evidence for EB-2008-0158. In addition, Hydro Ottawa is requesting that the RRRP charge in the tariff sheet to be revised as part of EB-2008-0158 be changed from $0.0010/kWh to $0.0013/kWh for all applicable classes.

If further information is required, please contact the undersigned at 807-597-6600 or wilf.thorburn@athydro.com

Yours truly,

Wilf Thorburn

Wilf Thorburn
CEO / Sec / Treas
Atikokan Hydro Inc.

ATIKOKAN HYDRO INC
EB-2008-0158

VECC Interrogatory Requests

Question #1

Reference: Atikokan Application, Revenue to Cost Ratio Submission and 3GIRM Supplemental Model

a) Please reconcile the differences in class revenues for 2008 based on existing rates as between Tab C2.1 (Column E) of the 3GIRM Supplemental Model and those reported in Table 5 of the Submission on Revenue to Cost Ratios.

Response:

The following table provides the differences between class revenues shown Tab C2.1 (Column E) of the 3GIRM Supplemental Model and those reported in Table 5 of the Submission on Revenue to Cost Ratios. The total difference is within the tolerance level outlined in Tab B3.1 of the 3GIRM Supplemental Model. The differences by rate class represent the differences between rounded rates and non-rounded rates. Rounded rates were assumed for the information in Tab C2.1 and non-rounded rates were used in the Submission, Table 5. In addition, for the General Service > 50 kW class the revenues in Tab C2.1, Col E are before transformer allowance and the revenues in the Submission, Table 5 are after transformer allowance. The transformer allowance amount is $350.

	Revenue as per Tab C2.1, Col E	Revenue as per the Submission, Table 5	Difference ($)	Difference (%)
Residential	$741,453	$741,014	$440	0.1%
General Service < 50 kW	$271,511	$264,563	$6,948	2.6%
General Service > 50 kW	$69,566	$69,214	$352	0.5%
Street Lighting	$48,678	$51,244	($2,566)	(5.0%)
Sentinel Lighting	$88	$84	$4	5.2%
Unmetered Scattered Load	$17,730	$17,730	$0	0.0%
Total	$1,149,027	$1,143,849	$5,178	0.5%