ATIKOKAN HYDRO INC.

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April 20, 2012

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

Dear Ms. Walli:

Re: Argument in Chief
2012 Electricity Distribution Rates
Atikokan Hydro Inc.
Board File No. EB-2011-0293

Atikokan Hydro Inc. is pleased to submit its "Argument in Chief" as requested in Procedural Order 2 regarding EB-2011-0293 Cost of Service study.

The Argument in Chief has been filed electronically with the Board Secretary, VECC, and our case manager today and two (2) paper copies will be delivered to the Board Secretary and VECC
If you require further information please contact me.

Regards,

Wilf Thorburn

Wilf Thorburn
CEO Secretary/Treasurer
Atikokan Hydro Inc

EB-2011-0293

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998, S.O. 1998*, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Atikokan Hydro Inc. to the Ontario Energy Board for an Order approving just and reasonable rates and other charges, effective May 1, 2012.

ARGUMENT-IN-CHIEF
OF ATIKOKAN HYDRO INC.

A. INTRODUCTION

1. Atikokan Hydro Inc. ("Atikokan" or the "Applicant") owns and operates the electricity distribution system located in the Town of Atikokan.

2. On September 30, 2011, Atikokan filed an application with the Ontario Energy Board ("the Board") under section 78 of the *Ontario Energy Board Act, 1998, S.O. 1998,* c. 15, (Schedule B), seeking approval for changes to the rates that Atikokan charges for electricity distribution to be effective May 1, 2012. The Board has assigned the file number EB-2011-0293 to this Application (the "Application").

3. On October 24, 2011, the Board issued a letter to Atikokan identifying certain additional evidence that needed to be filed before the Board would consider the Application. Atikokan filed the requested additional evidence on December 14, 2011.

4. The Board issued a Notice of Application and Hearing dated December 22, 2011. The Vulnerable Energy Consumers Coalition ("VECC") applied for intervenor status and cost eligibility. No objections were received. The Board determined that VECC would be granted intervenor status and is eligible to apply for an award of costs under the Board's Practice and Direction on Cost Awards.

5. In its Notice of Application and Hearing, the Board indicated its intention to consider the Application by way of a written hearing. The Board issued Procedural Order No. 1 on January 13, 2012. In Procedural Order No. 1, the Board allowed for an initial round of discovery through written interrogatories.

6. On January 31, 2012, Board staff filed its interrogatories with Atikokan; VECC filed its

interrogatories on February 3, 2012. On February 23, 2012 Atikokan filed a letter requesting an extension for filing its interrogatory responses to February 29, 2012. The Board responded by way of a letter issued on February 24, 2012 granting the extension. Atikokan filed its interrogatory responses on March 2, 2012.

7. On March 16, 2012, the Board issued Procedural Order No. 2 and acknowledged that Atikokan had responded to a relatively large number of interrogatories; however he Board was of the view that a second round of interrogatories was necessary to complete the record. This was due to amended and, in some instances, new, evidence placed on the record in the first round.

8. Procedural Order No. 2 outlined the following process to be followed for this Application:

   a) A second round of interrogatories was to be delivered to the Atikokan by Board staff and intervenors by March 28, 2012;
   b) Atikokan was to file its responses to those interrogatories by April 11, 2012;
   c) Atikokan was to file an Argument-in-Chief with the Board and intervenors by April 20, 2012; and
   d) The Board staff submission to the Board is due May 4, 2012; the intervenor submission to the Board is due May 9, 2012; and the Applicant's reply submission is due May 18, 2010.

9. In accordance with the Board's Order, Board staff and intervenors submitted the second round of interrogatories to Atikokan on March 28, 2012.

10. Atikokan's responses to the second round of interrogatories were filed with the Board and provided to intervenors on April 11, 2012.

11. The record in this proceeding, consisting of comprehensive pre-filed evidence and responses to interrogatories, supports Atikokan's Application. The Application, with the adjustments set out in this submission, will provide the revenue requirement necessary to sustain Atikokan's capital, operating and maintenance programs in a manner that continues to provide safe and reliable distribution of electricity in the Town of Atikokan.

12. Throughout the Application process, Atikokan has been conscious of and focused on minimizing impacts on its customers. In the Application, Atikokan proposed that a rate mitigation plan be implemented to limit the bill impacts for Residential customers using 800 kWh per month to a bill increase of 10%. The proposed rate mitigation plan included a rate migration rate rider (i.e. a credit to customers) plus a proposal to defer the

disposition of the 2010 Group 1 and 2 deferral and variance account balances until the 2013 IRM. The implementation of the plan would limit the bill impacts for a Residential customer using 800 kWh per month to 10%.

13. If the Application, as filed and with the modifications proposed by Atikokan, is approved by the Board, a Residential customer consuming 581 kWh per month (as discussed below, this would represent a more typical Atikokan Residential customer) would have a total bill increase of 10%, and a General Service < 50 kW customer using 2,000 kWh per month would have a total bill increase of 8.64%.

14. Atikokan submits that its proposed revenue requirement has been determined appropriately; that its proposed capital and OM&A programs for the 2012 Test Year are reasonable and supported by the evidence in this proceeding; and that the resulting distribution rates are fair and reasonable.

B. RELIEF SOUGHT

The relief sought by Atikokan, subject to the adjustments arising out of the interrogatory process, will result in just and reasonable rates.

15. Atikokan filed its Application for just and reasonable rates to be effective on May 1, 2012. The original Application (at Exhibit 1; Tab 1, Schedule 3 pages 1 and 2) requested the following relief:

- Approval to charge rates effective May 1, 2012 to recover a revenue requirement of $1,579,603 which includes a revenue deficiency of $ 364,011, as set out in Exhibit 6, Schedule 1, Tab 1;
- Approval of the proposed loss factor as set out in Exhibit 8, Tab 1, Schedule 3;
- Approval to charge a Retail Transmission Network Service rate and a Retail Transmission Connection Rate as proposed and described in Exhibit 8, Tab 1, Schedule 2;
- Approval to continue to charge Wholesale Market and Rural Rate Protection Charges approved in the OEB Decision and Order in the matter of Atikokan's 2011 Distribution Rates (EB-2010-0064);
- Approval to continue the Specific Service Charges and Transformer Allowance approved in the OEB Decision and Order in the matter of Atikokan Hydro's 2011 Distribution Rates (EB-2010-0064);
- Approval for a smart meter cost recovery rate rider for the difference between the smart meter adder collected from May 1, 2006 until April 30, 2012 and the revenue requirement related to these smart meters up to December 31, 2011, through a rider of $3.54 per month per metered customer, for three years;

- Approval for a stranded meter rate rider of $0.39 per month per metered customer, for three years to recover the net book value of $23,375 for stranded meters as at December 31, 2011;
- Approval to include smart meter capital deployed as of December 31, 2011 in the 2012 rate base that supports the 2012 revenue requirement and distribution rates which is the subject of this rate application;
- Approval to include smart meter operation and maintenance expenses in the 2012 revenue requirement associated with the smart meters deployed;
- Approval to discontinue the Smart Meter rate adder;
- Approval to implement a rate mitigation plan which includes a rate migration rate rider to address bill impacts above 10% for the Residential class and deferring the disposition of the 2010 Group 1 and 2 deferral and variance account balances until the 2013 IRM application. Further details of the rate mitigation plan are provided in Exhibit 8, Tab 1, Schedule 4;
- Approval to discontinue the Sentinel Light and Unmetered Scattered Load classes since there are no longer any customers in these rate classes;
- Approval of the Basic Green Energy Plan as set out in Exhibit 2.

16. Atikokan's Application was arranged as follows:

Exhibit 1 - Administrative Documents

Exhibit 2 - Rate Base

Exhibit 3 - Operating Revenue

Exhibit 4 - Operating Costs

Exhibit 5 - Cost of Capital and Capital Structure

Exhibit 6 - Revenue Deficiency/Sufficiency

Exhibit 7 - Cost Allocation

Exhibit 8 - Rate Design

Exhibit 9 - Deferral and Variance Accounts

17. Atikokan has arranged its comments regarding its Application and the revisions thereto arising out of the interrogatory process in a similar manner. Atikokan is proposing no changes to its Application and the proposed Schedule of Rates and Charges set out therein other than those indicated below. The comments that follow refer only to those Exhibits that are relevant to the changes made through the interrogatory process.

C. ADJUSTMENTS TO RELIEF SOUGHT ARISING OUT OF THE INTERROGATORY PROCESS

Introduction:

18. Atikokan has identified the revisions it has made to the relief sought in its Application in its responses to Board Staff Interrogatories Nos. 58 (1st round) and 78 (2nd round). In response to Interrogatory No. 58, Atikokan identified the following revisions:

- Revisions to Atikokan's service and base revenue requirements resulting in an increase in Atikokan's 2012 Test Year rate base of $127,838, from the amount of $2,913,786 proposed in the Application, to $3,041,625 (see Atikokan's responses to Board Staff Interrogatories 36, 38 and 45 and the discussion in the Rate Base section – Exhibit 2 – below). These revisions are the result of using an IFRS calculation for 2011 (Board Staff Interrogatory No. 45), an update to the OMERS calculation (Board Staff Interrogatory No. 36) which affects OM&A and PILs calculations (which in turn affects rate base), and a change in Atikokan's calculation of smart meter costs (Board Staff Interrogatory No. 38);

- Certain revisions mentioned in the preceding paragraph pertain to Atikokan's amortization and/or OM&A and/or PILs calculations, and these will be addressed in the context of Exhibit 4, below;

- Similarly, a revision to Atikokan's PP&E calculation arising out of Board Staff Interrogatory No. 50 affects distribution expenses (Exhibit 4);

- A revision to the Transformation Allowance Credit to be 10% of the proposed volumetric rate of the GS > 50 kW customer class (Exhibit 8);

- An update of the typical usage amount from 800 kWh to 581 kWh per month for the purposes of determining the rate mitigation amount for Residential customers (Exhibit 8);

- A revision to the Retail Transmission Service Rates ("RTSRs") using the Board's model and the Board's recently approved 2012 Uniform Transmission Rates (Exhibit 8);

- An update to the Deferral/Variance Account Work Form to reflect the Board's Decision in Atikokan's 2011 IRM rate adjustment application (Board File No. EB-2010-0064) regarding the treatment of 2008 and 2009 account balances (Exhibit 9);

- An update to the proposed Smart Meter Disposition Rider to be on a class-specific basis (Exhibit 9); and
- A revision to the 1562 PILs Continuity Schedule to reflect the collection of the approved PILs beginning May 1, 2002 which results in balance for account 1562 of $29,597 (this matter relates to Exhibit 9, although material pertaining to Account 1562 was filed with the Board after the delivery of the Application).

19. In its response to Board Staff Interrogatory No. 78, Atikokan updated its response to Board staff Interrogatory No. 58 to reflect the Board's updated (March 2, 2012) Cost of Capital parameters for applications for rates effective May 1, 2012 (Exhibit 5). That was the only change made by Atikokan as a result of the second round of interrogatories.

20. In total, the revisions mentioned above and discussed in further detail below result in a revised proposed Service Revenue Requirement of $1,586,820, an increase of $7,217 over the Service Revenue Requirement of $1,579,603 proposed in the Application. With revenue offsets of $125,235 (this value has remained constant through the interrogatory process), the revised Base Revenue Requirement is $1,461,585.

Exhibit 2: Rate Base

21. As discussed at Exhibit 2; Tab 1; Schedule 1; Page 1, Atikokan's proposed rate base for the 2012 Test Year was $2,913,786. During the interrogatory process the rate base has increased by $127,838 to $3,041,625 for the following three reasons:

- The 2011 bridge year was moved from CGAAP to MIFRS which caused the rate base to increase by $34,914. This essentially reflects a one year change in deprecation resulting from higher useful life under MIFRS (please see Atikokan's response to Board Staff Interrogatory #45);
- An increase in OM&A of $45,229 resulting from OMERS expenses previously recorded in a deferral and variance account which impacts the rate base by $6,784 reflecting the impact on working capital being 15% of $45,229 (please see Atikokan's response to Board Staff Interrogatory #36); and
- As a result of using the Board's smart meter model, Atikokan reviewed the smart meter

costs and determined that capital should move from the computer hardware asset class to the meter asset class. In addition, it was determined that in the original Application the 2012 continuity schedules assumed 2011 smart meter opening balance values in the 2012 opening balances instead of 2012 values. These corrections (please see Atikokan's response to Board Staff Interrogatory #38) increased the rate base by $86,140.

22. Atikokan's revised rate base is presented below:

RATE BASE CALCULATION FOR 2012	
Fixed Assets Opening Balance 2012	2,558,526
Fixed Assets Closing Balance 2012	2,500,032
Average Fixed Asset Balance for 2012	2,529,279
Working Capital Allowance	512,346
Rate Base	3,041,625
Regulated Rate of Return	6.49%
Regulated Return on Capital	197,378
Deemed Interest Expense	80,823
Deemed Return on Equity	116,555

23. As discussed in the Application, the rate base used for the purpose of calculating the revenue requirement is the average of the beginning and ending fixed asset and accumulated depreciation balances, plus a working capital allowance which is 15% of specific OM&A and cost of power accounts.

24. The 2008 Board-approved average net fixed assets was $2,363,115. As shown above, for the 2012 Test Year this has increased to $2,529,279 which reflects a 7% increase or a 1.75% increase per year since the 2008 Board-approved value. Considering the increase in the 2012 rate base is primarily the result of the addition of smart meters, Atikokan submits that this increase is reasonable and appropriate.

25. With respect to its proposed capital spending for the 2012 Test Year, Atikokan submits that its proposed capital spending is fully explained and supported by the comprehensive evidence filed in Exhibit 2 of its Application. No revisions to Atikokan's capital expenditures are being proposed as a result of the interrogatory process.

Exhibit 4 - Operating Costs

26. Changes to Atikokan's Service and Base Revenue Requirements are in part a result of changes in Atikokan's OM&A, amortization and PILs calculations, as well as a revision to Atikokan's Property, Plant and Equipment ("PP&E") calculation. Those changes are more particularly described as follows:

- As noted above, in response to Board Staff Interrogatory #45, the 2011 Bridge Year was moved from CGAAP to MIFRS which caused the rate base to increase by $34,914. This essentially reflected a one year change in deprecation resulting from higher useful life under MIFRS. This change also had impacts on Atikokan's Amortization expense calculation and (albeit to an insignificant extent) its PILs calculation. The result (as shown in the tables prepared in response to Board Staff Interrogatories #58 and #78) is a reduction of $1,825 in amortization expense (from $197,456 as proposed in the Application to $195,630); and a reduction of $89 in PILs expense from (from $17,914 as proposed in the Application to $17,824). Atikokan agrees with these changes. Their overall impact is not significant – they add only $351 to Atikokan's revenue requirement – but Atikokan requests that they be approved by the Board.

- Also noted above in the context of rate base adjustments was a change in the calculation of Atikokan's OMERS expense. In Board Staff Interrogatory #36, Staff noted that "In its decision with respect to Atikokan Hydro's 2008 Cost of Service application (EB-2008-0014), the Board directed Atikokan Hydro to include in its rate order a rate rider and supporting rate schedules to clear the balance in account 1508 over a one year period". Staff noted, however, that Atikokan still had balances in Account 1508 sub- account OEB Cost Assessment and sub-account OMERS notwithstanding that effective May 1, 2006, OEB cost assessments and pension cost contributions to OMERS were incorporated in the distribution rates of distributors that filed rate applications for the 2006-07 rate year. Atikokan explained that it had recorded principal amounts and interest charges for OEB cost assessments from 2006 to 2009, and costs associated with OMERS from 2006 to 2011. It was Atikokan's understanding that the direction from the Board was to cease recording in these accounts once the costs were included in the distribution rates. These costs were not included in Atikokan's 2008 Cost of Service Rate application or the approved 2008 rates. However, for 2012 the OEB Cost Assessment charges have been recorded in account 5655 and the OMERS costs included in account 5645. This adjustment, with which Atikokan agrees, increases OM&A by $45,229, and PILs by an immaterial $48. As noted previously, the impact on Atikokan's 2012 Test Year rate base is $6,784 reflecting an adjustment to the Working Capital Allowance based on 15% of $45,229. With an additional $440 in return on the adjusted rate base, these changes result in a total increase in revenue requirement of $45,717.

- In Board Staff Interrogatory #38, Board Staff requested that Atikokan resubmit its smart meter model using the Board's Smart Meter Model Version 2.17, and providing additional detail ("For example, smart meter costs, computer hardware, computer software, and other equipment and assets should be separately documented."). As noted above, as a result of Board Staff Interrogatory No. 38, Atikokan reviewed its smart meter costs and moved capital from the computer hardware asset class to the meter asset class; and corrected the 2012 smart meter-related opening balances used in the 2012 continuity schedules included in the Application. Those corrections increased the rate base by $86,140. However, they also reduced amortization by $18,337 and PILs by $2,758.

- In Board Staff Interrogatory #50, Board Staff referred Atikokan to the June 13, 2011 Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment, Appendix A, and requested that Atikokan "provide a breakdown of the amount recorded in the PP&E deferral account on the transition date to MIFRS that is effective as of January 1, 2011", with supporting analysis; and that it update the evidence to clear the PP&E Deferral Account as an adjustment to depreciation expense in the 2012 Test year and provide an update to the revenue requirement for the 2012 Test year. In its response to the interrogatory, Atikokan provided the requested breakdown and analysis, and updated its evidence and 2012 Test Year revenue requirement. The effect of this update was a reduction of $8,500 in amortization expense and $1,931 in PP&E return adjustments, for a reduction of $10,431 in the 2012 Test Year revenue requirement.

- Finally, as indicated in response to Board Staff Interrogatory #78, the use of the Board's updated Cost of Capital parameters for applications for rates effective May 1, 2012 (and the corresponding reduction in Atikokan's regulated rate of return from 6.49% (as used in the Application) to 6.09% resulted in a reduction of $12,006 in Atikokan's regulated return on capital. In the area of distribution expenses, it also resulted in an (immaterial) increase of $117 in PP&E return adjustments; and a reduction of $1,027 in PILs expense. The overall effect of this update was a reduction of $12,915 in Atikokan's 2012 Test Year revenue requirement. Atikokan acknowledges that the Cost of Capital parameters also pertain to Exhibit 5 of the Application (Cost of Capital and Capital Structure), but since the update to the parameters also affects operating costs, it is appropriate to address it here.

27. The five adjustments set out above have had the following impacts on Atikokan's distribution expenses:

- Amortization expense has been reduced from $197,456 in the Application to $168,793, which includes a PP&E amortization adjustment of $8,500;
- The PP&E Return Adjustment has gone from $0 in the Application to a reduction of $1,813 from the 2012 Test Year revenue requirement;
- PILs expense has been reduced from $17,914 in the Application to $14,087; and
- OM&A has been increased (due entirely to the OMERS adjustment) from $1,175,151 in the Application to $1,220,380.

28. Atikokan submits that these distribution expense-related adjustments to the 2012 Test Year revenue requirement are reasonable and appropriate, and are supported by the evidence as modified through the interrogatory process. Atikokan respectfully requests that the Board approve them.

Exhibit 8 - Rate Design

29. As noted in the introductory comments above, Atikokan has made three revisions to rate design-related elements of its Application as a result of the interrogatory process:

- Atikokan has revised its proposed Transformation Allowance Credit to be 10% of the proposed volumetric rate of the GS > 50 kW customer class (please see Atikokan's response to Board Staff Interrogatory #21). In fact, Atikokan had proposed this approach in its Application (see Exhibit 8, Tab 1, Schedule 1), which is consistent with the approach approved by the Board in Atikokan's 2006 Distribution Rate Application. However, as noted by Board Staff in Interrogatory #21, Atikokan had not increased its proposed allowance to reflect 10% of the higher proposed volumetric rate for the GS > 50 kW customer class. Atikokan corrected this calculation in its response to part (a) of Interrogatory #21, so that the proposed Transformation Allowance Credit is now $0.24/kW rather than $0.17/kW as shown in the Application. Atikokan notes that in part (c) of that interrogatory, Board Staff sought Atikokan's views on the appropriateness of adopting a Transformer Allowance Credit of $0.31/kW based on the cost allocation model results and the fact that the class volumetric rate is significantly higher than any Transformation Allowance Credit. In its response, Atikokan indicated that in its view, "…it would be appropriate to adopt a Transformer Allowance Credit of $0.31/kW based on the cost allocation model results and the fact that the class volumetric rate is significantly higher than any TAC" and that "Atikokan Hydro would seek direction from the Board in this regard." Atikokan has since considered this matter further, and submits that it is prepared to adjust its Transformation Allowance Credit to $0.31/kW and, subject the Board's approval of that change in its Decision, will do so in the Draft Rate Order that will be prepared following the issuance of the Board's Decision on this Application.

- Atikokan has updated the typical Residential consumption amount from 800 kWh to 581 kWh per month for the purposes of determining the rate mitigation amount for Residential customers (please see Atikokan's response to Board Staff Interrogatory #24). In the Application, Atikokan had proposed mitigation measures for Residential customers in order to keep bill impacts for Residential customers consuming 800 kWh of electricity per month at less than 10%. Specifically, as Board Staff described them, Atikokan proposed deferring disposition of Group 1 and 2 Deferral and Variance account balances to 2013 and the inclusion of a rate rider of a credit of $0.0034/kWh to reduce the bill impact on a Residential customer to under 10%.

  In this interrogatory, Board Staff observed that Atikokan's average monthly Residential consumption for the 2012 Test Year was forecast to be 581 kWh rather than the 800 kWh that is considered to be "typical". Staff suggested that with the mitigation measures proposed by Atikokan in its Application to assist Residential customers, bill impacts for the typical Atikokan customer (at 581 kWh/month rather than 800 kWh/month) would still be above 10%. Board Staff asked whether Atikokan had considered "whether further mitigation may be warranted to address significant bill impacts over 10% if necessary." If Atikokan Hydro did believe that further mitigation efforts may be necessary, Board Staff asked Atikokan to provide its proposal. In response, Atikokan proposed the following revised mitigation measures:

Step 1: Provide a rate mitigation rate rider for Residential customer of ($0.0086) per kWh to limit the bill impacts to just under 10% for a Residential customer using 581 kWh per month. This rider will defer about $98,000 in distribution revenue for one year and Atikokan Hydro is proposing to book this amount in account 1574 Deferred Rate Impact Amounts for future recovery; and

Step 2: Defer the disposition of the 2010 Group 1 and 2 deferral and variance account balances until the 2013 IRM application. By the time Atikokan Hydro is preparing its 2013 IRM application, the audited 2011 balances for deferral and variances account should be known. In order to support the rate mitigation plan Atikokan is seeking approval from the Board to bring forward its audited 2011 Group 1 and 2 deferral and variance accounts balance for disposition in its 2013 IRM application.

Atikokan respectfully submits that these revised mitigation measures are appropriate and should be approved by the Board.

- Atikokan has updated its RTSRs using the Board's model and the Board's recently approved 2012 Uniform Transmission Rates (please see Atikokan's response to VECC Interrogatory #22). In its Application (see Exhibit 8, Tab 1, Schedule 2), Atikokan had used the then-current (2011) Uniform Transmission Rates ("UTRs"). Those UTRs were superseded by UTRs issued by the Board on December 20, 2011 that would take effect January 1, 2012. In its Interrogatory #22, VECC asked Atikokan to "re-calculate the RTSRs for 2012 using the Board's model and the recently approved 2012 UTRs". Atikokan provided its updated RTSR calculation in response to that interrogatory, and Atikokan respectfully requests that the Board approve Atikokan's updated RTSR calculation.

30. Atikokan submits that the three adjustments to matters related to Rate Design addressed above are reasonable and appropriate, and respectfully requests that they be approved by the Board.

Exhibit 9 – Deferral and Variance Accounts

31. Finally, as noted in the introductory comments above, Atikokan has made three revisions to Deferral and Variance Account-related elements of its Application as a result of the interrogatory process:

- Atikokan has updated its Deferral/Variance Account Work Form to reflect the Board's Decision in Atikokan's 2011 IRM rate adjustment application (Board File No. EB-2010-0064) regarding the treatment of 2008 and 2009 account balances. Please see Atikokan's response to Board Staff Interrogatory #31. In that interrogatory, Board Staff explained the approach to the recovery of 2008 and 2009 Group 1 Deferral and Variance Account balances that had been proposed by Atikokan and accepted by the Board in EB-2010-0064.

  Put simply, the 2008 Group 1 balance of approximately $247,000 was payable to customers, while the 2009 Group 1 balance of approximately $138,000 was payable to Atikokan. In its Decision on Atikokan's 2011 rate adjustment application, the Board approved an approach whereby a portion of the 2008 Group 1 balances would be recovered through April 30, 2012, and the recovery of the 2009 Group 1 balances would not take place until after April 30, 2012. The remainder of the amount payable to customers on account of the 2008 balances as at April 30, 2012 (approximately $126,000) would be used to offset the amount payable to Atikokan on account of the 2009 balances. Because the net amount would be below the Board's materiality threshold in 2011, no new riders would be needed in 2011 to recover the 2009 Group 1 balances. In its Decision, the Board directed Atikokan "to track the residual balance (i.e. the difference between the 2008 interim balances versus the 2008 final balances, and the 2009 account balances) at the account level such that the future disposition of the residual amounts by account will reflect the allocation methodology prescribed in the EDDVAR Report, and the disposition of the global adjustment sub-account balance will apply to non-RPP customers only."

  In Interrogatory #31, Board Staff observed that Atikokan Hydro had instead transferred the Group 1 account balances to the Account 1595 Disposition and Recovery of Regulatory balance sub-account (2009), notwithstanding the Board's directions that no new rate riders would be needed to recover the 2009 Group 1 account balances and Atikokan Hydro should track the 2009 account balances at the account level. Board Staff also requested that Atikokan confirm that it had tracked the residual balance (i.e. the difference between the 2008 interim balances versus the 2008 final balances, and the 2009 account balances) at the account level.

  In response, Atikokan updated the Deferral/Variance Account Work Form "to reflect the

Board's Decision EB-2010-0064 as outlined above [see Appendix C to Atikokan's responses to Board Staff Interrogatories]…. In particular, Atikokan Hydro has updated the work form to track the residual balance (i.e. the difference between the 2008 interim balances versus the 2008 final balances, and the 2009 account balances) at the account level such that the future disposition of the residual amounts by account will reflect the allocation methodology prescribed in the EDDVAR Report." Atikokan submits that this update now correctly reflects the Board's Decision in EB-2010-0064.

- Atikokan has updated the calculation of its proposed Smart Meter Disposition Rider (SMDR) and its allocation of smart meter costs so as to provide for class-specific SMDRs (please see Atikokan's response to Board Staff Interrogatory #38). In its Application, Atikokan had proposed a uniform SMDR of $3.54/metered customer/month for 36 months. As part of its response to Board Staff Interrogatory #38, Atikokan filed a revised version of the Board's Smart Meter Model that indicated the uniform SMDR should be $3.78/metered customer/month for 36 months.

  In their Interrogatory #42, Board Staff discussed the Board's Guidelines with respect to smart meter cost recovery (G-2008-0002 and G-2011-0001) and referred (in part) to the following comment from the Board in G-2011-0001:

  > "The Board views that, where practical and where the data is available, class specific SMDRs should be calculated based on full cost causality. The methodology approved by the Board in EB-2011-0128 [PowerStream's 2011 smart meter disposition application] should serve as a suitable guide. A uniform SMDR would be suitable only where adequate data is not available."

  Board Staff sought Atikokan's views as to whether there are differences in the costs of smart meters deployed between the Residential and GS < 50 kW customer classes and, if there were material differences, Board Staff requested that Atikokan provide a proposal for allocating the costs between classes based on cost causality and calculating class-specific SMDRs.

  In its response, Atikokan confirmed that there are differences, and provided a calculation of the following class-specific SMDRs:

  Residential: $3.66/metered customer/month
  GS < 50 kW: $4.17/metered customer/month
  GS > 50 kW: $7.29/metered customer/month

Having considered this matter, Atikokan submits that the class-specific approach to SMDRs illustrated in its response to Board Staff Interrogatory #42 is more appropriate than a uniform SMDR, and requests that the Board approve the class-specific SMDRs set out above.

- Finally, Atikokan has revised its Account 1562 PILs Continuity Schedule to reflect the collection of Board-approved PILs beginning May 1, 2002. This results in a balance for account 1562 of $29,597. Please see Atikokan's response to Board Staff Interrogatory #54. In that Interrogatory, Board Staff noted that in its PILs 1562 continuity schedule, Atikokan recorded its entitlement to the 2001 PILs proxy starting on October 1, 2001 and the 2002 PILs proxy on January 1, 2002. However, Board Staff went on to state that Atikokan had submitted a revised 2002 rate application dated March 28 and April 3, 2002, and that due to its amended application for rate adjustment, the effective date of the 2002 rates including the 2001 and 2002 proxies was delayed to May 1, 2002 at the request of Atikokan. Board Staff asked Atikokan for regulatory references to support starting the PILs entitlements earlier than May 1, 2002, and asked whether Atikokan had considered that its entitlement to the 2001 and 2002 PILs proxy should not begin before May 1, 2002 given the delay caused by filing a revised 2002 application.

  In its response, Atikokan confirmed that the PILs continuity schedule filed in the current Application did not reflect the fact that its 2002 rates (which included certain 2001 and 2001 PILs amounts) did not become effective until May 1, 2002. In order to correct this oversight, Atikokan provided a revised Account 1562 PILs Continuity Schedule, which assumed that collection of the approved PILs began May 1, 2002. In its response to Board Staff Supplementary Interrogatory #76, Atikokan explained why its proposed approach to Account 1562 was appropriate and consistent with the Board's approach in its combined proceeding in this regard (EB-2008-0381). Atikokan submits that the disposition of its Account 1562 balance should be based on its updated Account 1562 PILs Continuity Schedule provided in response to Board Staff Interrogatory #54.

D. CONCLUSION:

32. On April 9, 2012, Atikokan delivered a revised Revenue Requirement Work Form reflecting the changes discussed above, including the Board's March 2, 2012 update to its cost of capital parameters.

33. For all of the foregoing reasons, Atikokan respectfully submits that the revenue requirement and rates and charges (including the proposed riders) set out in the Application, as modified by Atikokan's responses to the interrogatories discussed above, are just and reasonable, and requests that they be approved by the Board.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 20TH DAY OF APRIL, 2012.

ATIKOKAN HYDRO INC.

Wilf Thorburn

Wilf Thorburn, CEO and Secretary-Treasurer