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March 12, 2013

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Audit Report - Audit Review of Smart Meter Costs –  
Atikokan Smart Meter Cost Rate Application Proceeding (EB-2013-0019)**

The Ontario Energy Board (the “Board” or “OEB”) authorized an audit review of Atikokan Hydro Inc.’s (“Atikokan”) smart meter costs in the Board Decision and Order EB-2011-0293 that was issued on June 18, 2012. This audit review (“Audit”) was conducted by the Board’s Regulatory Audit and Accounting Division (“Regulatory Audit”) commencing in August 2012.

In its Decision and Order EB-2011-0293, the Board was concerned about Atikokan’s high level of capital and operating and maintenance (OM&A) costs for smart meters and the significant increases in the smart meter costs identified in the rate application process. As a result, the Board allowed for recovery of 50% of the requested smart meter costs and directed the Regulatory Audit to conduct an audit of Atikokan’s smart meter costs. Regulatory Audit performed the Audit to determine if there are any misstatements associated with Atikokan’s capital and OM&A costs sought for disposition in EB-2011-0293 and advise the Board of the final amounts to be authorized for recovery.

Regulatory Audit concluded its Audit and prepared an audit review report (“the Report”), which is attached to this letter. The findings in the Report represent the views of Regulatory Audit and are not necessarily the views of the Board as a whole. Regulatory Audit provides no assurances that addressing the areas of non-conformity requiring actions alone will resolve the issues identified in the audit review.

Atikokan made the necessary Audit adjustments to both capital and OM&A smart meter costs per Regulatory Audit's Audit findings. After the Audit adjustments, Atikokan's smart meter capital cost has been reduced by an amount of \$64,660 or 13% from \$506,698 to \$442,038. Atikokan's smart meter OM&A cost has been reduced by an amount of \$50,742 or 23% from \$224,207 to \$173,465. Overall, Atikokan's smart meter costs have been reduced by an amount of \$115,402 or 16% from \$730,905 to \$615,503. After the Audit adjustments, Atikokan's per meter cost was decreased by \$69 per meter, from a cost of \$437 per meter to \$368 per meter.

Regulatory Audit notes that the revised balances for the Account 1555 and Account 1556 that Atikokan re-filed with the Board on February 21, 2013 are consistent with the audit adjusted smart meter costs.

In its Decision and Order EB-2011-0293, the Board stated that the results of the audit would be considered by the Board with respect to the final amounts to be authorized for recovery in a future application to be filed by Atikokan no later than 6 months from the completion of the audit. Atikokan filed a stand-alone smart meter application (EB-2013-0019) with the Board on March 8, 2013. Pursuant to the Board's direction, therefore, Regulatory Audit intends to file the Report in this proceeding. Although the Board has already directed that the Report be filed, Regulatory Audit recognizes that Section 110(3) of the *Ontario Energy Board Act, 1998* may apply in this situation. Section 110(3) states:

No document, record or copy thereof obtained by an inspector under section 107 or 108, and no information obtained by an inspector under section 107, shall be introduced in evidence in a Board proceeding unless,

(a) the Board gives the owner of the document or record or the person who provided the information notice that the inspector intends to introduce the evidence; and

(b) the Board gives the owner of the document or record or the person who provided the information an opportunity to make representations with respect to the intended introduction of that evidence.

Regulatory Audit therefore suggests that the Board invite submissions from Atikokan with respect to the introduction of the Report prior to placing it on the record of this proceeding.

Yours truly,

*Original Signed by*

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