ATIKOKAN HYDRO INC.

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May 12, 2008

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

Re: OEB File No. EB-2008-0014
Atikokan Hydro Inc.
2008 Electricity Distribution Rate Application

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

Atikokan Hydro Inc. Submission

2008 Electricity Distribution Rates

EB-2008-0014

May 12, 2008

Introduction

Atikokan Hydro Inc. ("Atikokan" or the "Applicant") is the electricity distributor licensed by the Ontario Energy Board to serve the Township of Atikokan. Atikokan was incorporated under the Business Corporations Act (Ontario) on June 23, 1999. The sole shareholder of Atikokan is the Township of Atikokan. The Applicant's long term debt is held entirely by the Township of Atikokan.

Atikokan operates an electrical distribution system with a total service area of 380 square kilometers within the Township of Atikokan. The Utility currently delivers electricity through a network of over 92 kilometers of overhead wires, specifically 47 km of 3-phase line and 45 km of single phase line through transformer stations, to approximately1,700 customers. Atikokan employs a full-time workforce of 7 skilled employees who are dedicated to delivering a safe and reliable supply of electricity to customers.

Atikokan submitted an application for 2008 electricity distribution rates on January 17, 2008. The application was based on a future test year cost of service methodology. On April 8, 2008, Atikokan submitted its response to interrogatories from Board staff and the Vulnerable Energy Consumers Coalition ("VECC").

Atikokan has requested a revenue requirement of $1,163,591, as shown in Table 1 below. Once the revenue offsets of $70,293 are applied the base revenue requirement to be recovered in new rates effective May 1, 2008 is $1,093,298. This revenue requirement reflects a revenue deficiency for 2008 of $286,670. The main contributors to this deficiency results from:

- including into the 2008 rate base $824,821 of assets associated with Atikokan's 44kV system. These assets were inadvertently excluded from the 2006 EDR which supports the current Board approved test year;
- the need to purchase a new bucket trunk and upgrade the garage facilities; and
- increased cost to properly support the various regulatory requirements.

Table 1

Calculation of Base Revenue Requirement

OM&A Expenses	$809,045
Amortization Expenses	$169,736
Total Distribution Expenses	$978,781
Regulated Return On Capital	$184,810
PILs (with gross-up)	0
Service Revenue Requirement	**$1,163,591**
Less: Revenue Offsets	($70,293)
Base Revenue Requirement	**$1,093,298**

Through this Application, Atikokan Hydro Inc. seeks:

- To recover Revenue Deficiency arising from changes in OM&A Expenses, Amortization Expenses and Rate of Return on Capital.
- To recover Deferral and Variance Account Balances as suggested by Board staff and VECC.
- To change Retail Transmission Rates.
- To continue current Specific Service Charges.
- Approval of just and reasonable distribution rates applied for in accordance with the Ontario Energy Board Filing Requirements for Distribution Rate Applications.

The following submission addresses the various components of Atikokan's application and responds to submissions from Board staff and VECC.

Interim Rates from Previous Decisions

Board Staff has invited parties to comment on the finalization of Atikokan's 2006 and 2007 interim distribution rates. In accordance with VECC interrogatory #6, it is Atikokan's understanding that the current 2007 rates are still interim but would be finalized when a full review of the 2008 rate application is completed and a Board Order is issued. If this is not the correct understanding, Atikokan seeks direction from the Board on the steps that need to be taken by Atikokan to finalize the rates.

Operation, Maintenance and Administration Expense

Outside Services Employed, Regulatory Expenses and Purchased Services

Atikokan is in complete agreement with Board staff and VECC that there are a number of inconsistencies in the application and in the interrogatory responses around the costs associated with Outside Services, Regulatory Expenses and Purchased Services. The inconsistencies have occurred as a result of different people working on preparing and supporting the different parts of the application over a 12 month period. As a result, not all the necessary connections between the various parts were made. It is unfortunate that this has occurred. As a result, Atikokan plans to put more checks and balances in place when the next cost of service application is completed. In any event, the following is Atikokan's attempt to reconcile the inconsistencies raised by Board staff and VECC as well as provide support for the $65,000 requested in account 5630 - Outside Services and the $14,000 requested in account 5655 – Regulatory Expenses for 2008 in the application.

As outlined in response to VECC 16d and Board Staff interrogatory 6 the breakdown of costs included in the application for account 5630 – Outside Services for 2007 and 2008 is as follows. These costs were developed in the summer of 2007 to support Atikokan's rate application.

Account 5630 Breakdown from Board Staff #6 and VECC #16 d		
Description	**2007**	**2008**
Harris	$24,514	$24,900
Erie Thames	$125	$125
Hardware consulting	$270	$270
Engineering	$1,500	$2,700
Regulatory and Rates Consulting	$19,339	$19,462
BDO audit fees	$12,000	$14,880
Legal	$1,923	$2,323
Alan Nelson tree stump removal	$400	$360
Total	$60,072	$65,020

The table shown below has been prepared to address Board staff concern in its submission with not being able to understand the total cost to prepare Atikokan's 2008 cost of service application. In 2007, $44,247 was spent on the preparation of the 2008 application and to date $52,340 has been spent in 2008 to support the review process of the application for a total of $96,586. It is expected another $10,000 will be incurred to complete this submission as well as prepare the draft rate order once the Board has provided its Decision in this matter. The table also shows changes in other components of 5630

Updated Breakdown of 5630		
Description	**2007 Actual**	**2008 Updated**
Harris	$24,514	$28,000
Eerie Thames	$125	$125
Hardware consulting	$270	$270
Engineering	$3,192	$4,200
Regulatory and Rates Consulting	$44,247	$52,340
BDO audit fees	$24,080	$14,000
Legal	$1,746	$1,500
Alan Nelson tree stump removal	$400	$6,500
Total	$98,574	$106,935

The above table also indicates that Atikokan has significantly understated the 2008 value of 5630 in the rate application and would appreciate if the Board could consider adjusting account 5630 upwards in its Decision.

Board staff raised concerns regarding the response to Board staff interrogatory # 1 that outlines all regulatory costs are ongoing in nature. Atikokan recognizes that the cost associated with the preparation of the 2008 cost of service is not ongoing but this cost is not separately itemized in the response. It is Atikokan view, that other regulatory costs will replace the cost of preparing the 2008 application such as the preparation of the long term business plan requested by the Board, the preparation of a smart meter application or the preparation of a 3rd generation rate application using the capital adder feature. As a result, all regulatory costs outlined in response to Board staff interrogatory # 1 are considered ongoing in nature.

Board staff interrogatory #9(iv) asked Atikokan to explain why its forecast of 2008 costs was identical to that of 2007 except for a decrease in the costs of Atikokan's regulatory consultant, Elenchus. Atikokan responded that "In 2008, Atikokan Hydro expects there will be additional OEB regulatory filings that will require assistance from a consultant." Board staff noted in their submission that this response, which appears to be discussing an increase, would appear to contradict the decrease in this item contained in the evidence. To clarify Atikokan's response to Board staff interrogatory #9(iv), Atikokan did not answer the interrogatory assuming there was need to explain the decline in cost but to explain the existence of the cost. Atikokan responded to this interrogatory assuming Board staff wanted to know why there was a need for any Elenchus costs after the 2008 rate application was completed.

Board staff and VECC raised concerns with reconciling the information in Board Staff interrogatory #6 and VECC interrogatory #16 d) with the information provided in Exhibit 4, Tab 2, Schedule 7. The information in Exhibit 4, Tab 2, Schedule 7 was preliminary information that was incorrectly included in the application. For example the $21,000 decline in purchased services from Elenchus for regulatory consulting shown in Exhibit 4, Tab 2, Schedule 7 is not correct. The regulatory and rates consulting amount assumed in the proposed revenue requirement was the amount shown in VECC IR # 16 d). However, if the purchased services information in Exhibit 4, Tab 2, Schedule 7 was correct it would not be equal to the amount included in 5630 – Outside Services. The meter services purchased from Thunder Bay Hydro would be assigned to account 5310 – Meter Reading Expense and the OEB costs would be assigned to account 5655 – Regulatory Expenses.

VECC also raised concerns that the break down of Regulatory Expenses provided in response to Board Staff interrogatory #1 does not reconcile with total Regulatory expenses reported for 2006-2008 for account 5655. The Regulatory Expenses provided in response to Board Staff interrogatory # 1 include the cost of regulatory and rates consulting which are included in account 5630. All other costs outlined in Board Staff interrogatory # 1 are the amounts to be included in account 5655. The costs provided in Board Staff interrogatory # 1 that are included in account 5655 do not add to $14,000 as outlined in the application for account 5655 as the response to Board Staff interrogatory #1 was inadvertently prepared using updated numbers to those used to prepare the application. The consultant costs for regulatory matters reported in response to Board Staff interrogatory #1 does not reconcile with the details regarding Outside Services provided in response to VECC #16 d) as the response to Board Staff IR#1 used updated numbers that were more reflective of the regulatory and rates consulting cost outlined above in table which provides an updated breakdown of 5630.

Employee Compensation and Benefits

In Board staff's submission the following tables were provided.

Table 4

	2006 Board Approved	2006 Actual	2007 Bridge	2008 Test
Compensation	$ 468,348	$ 468,348	$ 473,993	$ 475,417
Pension and Benefits	$ 81,725	$ 81,448	$ 81,854	$ 82,263
Incentive Pay	$ -	$ -	$ -	$ -
Total Compensation	$ 550,073	$ 549,796	$ 555,847	$ 557,680

Table 5

	2006 Board Approved	2006 Actual	2007 Bridge	2008 Test
Capitalized	$ 42,163	$ 39,695	$ 47,026	$ 48,026
OM&A	$ 287,960	$ 310,745	$ 328,476	$ 338,608
Total Compensation	$ 330,123	$ 350,440	$ 375,502	$ 386,634
Capitalized	13%	11%	13%	12%
OM&A	87%	89%	87%	88%

The total compensation amounts are sourced from two different systems. The total compensation in Table 4 came from the payroll recapture system and this represents the true “total compensation” included in the rate application. The total compensation shown in Table 5 comes from the payroll summary system but this amount excludes benefits, director costs and cost assigned to Atikokan Enercom.

Regarding the information provided in Board staff interrogatory #13, the 16% reference in the response is based on a per FTE basis and the FTE number reduced by one from 2006 to 2008. In 2006, the total compensation was $549,796; the total FTEs were 8 which means compensation per FTE was $68,725. In 2008, the forecasted total compensation is $557,680, the total FTEs are assumed to be 7 FTEs which means compensation per FTE is $77,669. The increase in compensation per FTE from 2006 to 2008 is 16%. The 16% represents a 6% cost in wages (i.e. 3% Union Rate Increase each year) plus a 10% cost in additional overtime from 2006 to 2008. The total cost of overtime outline in Board staff interrogatory #16 is included in the total compensation amounts used to determine the per FTE amount. This means the increase in total overtime cost in Board staff interrogatory #16 of 58% on a stand alone basis is not comparable with the 10% outlined in Board staff interrogatory #13 since it is on a per FTE basis.

Board staff also noted that the 16% increase in total salary wages is inconsistent with the 7.3% in employee compensation. Atikokan respectfully submits the comparison of these two numbers is not valid. The 16% is the growth in total compensation from 2006 to 2008 on a per FTE basis. The 7.3% is a comparison of the compensation amount outlined in Table 5 above assigned to OM&A between 2006 Board Approved and 2006 Actual.

Billing and Collecting

VECC requested Atikokan to clarify its plans regarding the current billing system and how the plan will impact on 2008 costs. While the existing billing system is working well Atikokan expects with the implementation of smart meters there may be a need to upgrade or replace the current billing system to handle the increased volume of data. In this regard, Atikokan expects there be some up front costs in 2008 in terms of staff time to analyze and investigate our processes and procedures to decide whether they will work in the new environment.

Rate Base

Increase in 2008 Capital Expenditures

With regards to the Atikokan's proposed 2008 capital budget, Atikokan plans to proceed through our forecasting and budgeting process and move as closely to the proposed budget as funds will allow. The timing of the rate decision will be critical in Atikokan's ability to complete the entire budget in 2008. The outcome of the Board's decision on our cost of service application could in fact force Atikokan to re-evaluate some of the capital and the capital sources. As discussed below under cost of capital, it is likely that debt will be needed for the new bucket truck and new garage facilities.

In regards to the Board staff interrogatory #20b, Atikokan was a uncertain how to answer this question and decided to show only the movement in cash from operations and not show the impact on cash from borrowings. This was incorrect and the total capital expenditures of $486,682 should have been included not just the amount to be funded from operating cash.

Evaluation of Asset Condition and Asset Management Plan

As stated in the Application, Atikokan maintains its distribution plant according to a thorough assessment that uses a combination of time based and condition based methodology. This assessment is completed each year by Atikokan staff walking the system and observing which assets will need attention in the upcoming year. In addition, any major rebuild and conversion projects are planned with in a three-year time to ensure project is completed within three years. However, it is Atikokan's understanding that this does not constitute a full Asset Management Plan which has been completed by other distributors.

As a relatively small distributor, it would not be prudent for Atikokan to implement an expensive asset management plan as might be employed by a larger distributor. Once the 2008 rate application process is complete Atikokan has committed to the Board to complete a long term business plan which will include a long term capital plan.

It is Atikokan's view, that for the long term business plan we should once again conduct a thorough assessment of the assets that uses a combination of time based and condition based methodology. Atikokan submits this methodology could constitute a Asset Management Plan that would be acceptable to the Board for a distributor the size of Atikokan. In addition the long term business plan will take into account the circumstances that Atikokan operates in, including size, environment, expected load growth or decline, and the nature and condution of its assets.

Service Reliability

Atikokan agrees that the service reliability indices ("SRI") appears to show that the SAIFI and SAIDI for 2007 do not fall within the bounds of the prior three years, and are in fact much higher than historical performance. However, in 2007 Atikokan initiated a process improvement to measure SRIs with and without supply outages. This showed how much was in the control of Atikokan and how much resulted from reliability issues from Hydro One the source of supply. It would be very difficult to go back to previous years and restate with SRIs with and without supply outages as the historical data is not readily available. It is Atikokan's view, there is no need for improvement targets at this time as the 2007 data, with supply outages removed, appear to be within guidelines. In addition, since 2007 is the first year of data which reflects the process improvement it is difficult to take steps to improve the targets until more years of data are collected under the new method.

Net Fixed Assets

In paragraph 2.10 of the VECC submission, VECC raised concerns regarding the appropriate value for depreciation and net fix assets. As a point of clarification the rate base value used in VECC 4j should be $2,754,332 not $2,754,532. Any number calculated in VECC 4j that uses the rate base in the calculation is using $2,754,332 as the rate base value. As outlined in Board Staff interrogatory 26, the rate base value of $2,754,332 was used to determine the revenue requirement and proposed rates but this amount is $211,640 lower than it should be. In Board Staff interrogatory 26 Atikokan requested the opportunity to correct the rate base amount when final rates are determined. The correct rate base amount is $2,965,972

In response to the VECC requests the appropriate value for 2008 depreciation is $169,736 as outlined in Exhibit 9/Tab 1/Schedule 1. The appropriate net fixed assets open and closing balances are $2,242,304 and $2,483,926, respectively, as outlined in Exhibit 2/Tab 1/Schedule 2.

Cost of Capital

In Exh 6/Tab 1/Sch 3 long-term debt and the associated interest cost is increasing from 2004 to 2008. The actual amount of long term debt in the 2007 audit statements is $1,348,283 which is consistent with the amount shown for 2006 in Exh 6/Tab 1/Sch 3. The difference between the amount in 2008 and 2006 represents the estimated amount of new funding required for a new bucket truck and new garage facilities that could not be financed from operating cash at the time the application was prepared. The difference between 2008 and 2006 is $54,882 (i.e. $1,403,165 - $1,348,283) is the amount Atikokan expected to finance from borrowing at the time the application as prepared. The interest rate on this amount was assumed to be 5% consistent with the interest rate on the long term debt of $1,348,283.

However, in preparing this reply submission Atikokan has determined that it will need to borrow up to $343,020 for a new bucket truck and new garage facilities from the local bank. In recent discussion with the bank it is expected the interest rate would be prime plus 1%. With a current prime rate of 4.75% the loan rate would 5.75%. This means the cost of long term debt should be revised from 5% to 5.15% which is the weighted average long term debt rate of 1,348,283 at 5% and $343,020 at 5.75%

Smart Meters

Atikokan recognizes that it is not a named distributor. However, in order to investigate various smart metering technologies, specifically with the London Hydro group, Atikokan has shown “capital expenditures” in the application of $540 in 2006 and $4,282 in each year for 2007 and 2008. These expenditures are not related to cost of installation but would be classified as pre-installation capital expenditures or cost incurred to ensure the best technology for Atikokan is used. As a result, Atikokan is seeking approval to record these capital expenditures in account 1555. Atikokan will only proceed with smart meter installations when authorized to do so.

In addition, Atikokan is seeking approval to continue charging a Smart Meter rate adder of $0.25 per month per metered customer which Board staff and VECC are in agreement with.

Load Forecasting

It appears to Atikokan that Board staff and VECC are in general agreement with the load forecasting methodology used by Atikokan. Atikokan understand that the process used was simplistic and did not take into account such items as the impact of CDM. However, with regards to CDM, it would be difficult for Atikokan at this time to reflect this in the forecast as there is little evidence available to show what the impact has been to date Atikokan recognizes that a more sophisticated method should be used in future rebasing applications.

Board staff suggested in their submission that Atikokan should clarify the methodology used by Hydro One for weather normalization. It is Atikokan’s understanding that Hydro One used the weather normalization method approved by the Board in the Distribution Cost Allocation Review (EB-2005-0317). Atikokan does not know if this weather normalization method was used by Hydro One in it’s own 2006 Distribution Rate case (RP-2005-0020/EB-2005-0378). However, it is Atikokan understanding that Hydro One has used the same weather normalization method for a number of years. As a result, Atikokan expects Hydro One used the same weather normalization method in both cases.

In the VECC submission, it is suggested by VECC that the number of 2008 residential customer should be 1,445 instead of 1,421 as outlined in the forecast provided in the application. VECC has correctly pointed out that for actual 2007 there has been little change in the customer numbers since 2006 and has based its submission to use 1,445 residential customers on the 2007 actual value. However, with the collapse of the wood industry surrounding the Atikokan area, the recent bankruptcy of a major employer as well as the general downturn in the economy for 2008, Atikokan believes 1,421 is a reasonable forecast of residential customers for 2008.

Line Losses

In it is submission, Board staff invited Atikokan to clarify the value of the supply facilities loss factor (“SFLF”) used in the calculation of the total loss factor (“TLF”). In response to Board Interrogatory #50, Atikokan indicated its Distribution Loss Factor (“DLF”) is the same as its TLF since its sub transmission assets are considered part of the distribution system. As a result, the SFLF is 1.0 and the SFLF of 1.0045 provided in the application is incorrect.

Atikokan’s proposed DLF and TLF for secondary metered customer is 1.0753. This is the average of the following actual DLF which was provided in the application.

Year	2002	2003	2004	2005	2006	Average
Actual DLF	1.0669	1.0811	1.0799	1.0655	1.0821	1.0753

There are no steps contemplated by Atikokan to reduce the loss factor. The distribution system is loaded to less than 50% of its capacity, it is not possible to make a business case to rebuild the system to a higher voltage that would provide less losses. Atikokan’s losses result from its unique distribution system. Its distribution system consists of 23 km of 44kV lines and 79 km of 8.3 / 4.8 kV lines. Atikokan is supplied power at the Moose Lake Hydro One TS. Atikokan moves the power from the Moose Lake Hydro One TS through the Atikokan 44 kV system to the town of Atikokan and distributes power within the town using the 8.3 / 4.8 kV systems. This means the losses on the 23 km of 44 kV lines are included in the TLF which is not typically the case in other distributors across the province that are directly connected to the transmission grid.

Revenue to Cost Ratios

Atikokan agrees with the position of Board staff and VECC that, except for GS < 50 kW customer, all other revenue to cost ratios are outside the acceptable range as provided in the Board Report *Application of Cost Allocation for Electricity Distributors*, EB- 2007-0667, November 28, 2007. As outlined in the Board staff submission, Atikokan proposes to maintain the current revenue to cost ratios and to uniformly increase all distribution rates by 35%. Atikokan has adopted this position based on the current unfavorable economic conditions in Atikokan. Atikokan understands that from a pure "cost allocation" perspective the Residential rates should be relatively adjusted downwards and the General Service > 50 kW, Street Lights, Sentinel Lights and USL rates should be increased. From a practical perspective the customers in the General Service > 50 kW class are generally the larger businesses in town. To increase their rates at a higher rate than the Residential and the General Service < 50 kW classes could promote additional economic pressures for the larger businesses and it turn could produce more layoffs. However, if the Board believes it is more just and reasonable to make adjustment in the revenue to cost ratios then Atikokan will certainly adhere to the Board's direction.

Rate Design

Board staff and VECC suggest that the current monthly fixed charge should be fixed based on the ceiling established the Board Report *Application of Cost Allocation for Electricity Distributors*, EB- 2007-0667, November 28, 2007. The following is the full section from the Board Report that discusses the upper bound for the Monthly Service Charge ("MSC")

> *"The Methodology set a ceiling for the MSC based on the avoided costs plus the allocated customer costs. The Discussion Paper proposed that the ceiling for the MSC be 120% of this level. Some participants believed that the results of the sensitivity analysis were not an appropriate basis for setting an upper bound.*

The Board considers it to be inappropriate to make significant changes to the ceiling for the MSC at this time, given the number of issues that remain to be examined. The appropriateness of the methodologies cited above, used to set the MSC is an issue that will be examined within the scope of the Rate Review. The Rate Review will also examine the role of rate design in achieving various objectives, including conservation of energy. Both of these undertakings will have determinative impacts on the fixed/variable ratio policy.

In the interim, the Board does not expect distributors to make changes to the MSC that result in a charge that is greater than the ceiling as defined in the Methodology for the MSC. Distributors that are currently above this value are not required to make changes to their current MSC to bring it to or below this level at this time."

From the above it is unclear to Atikokan whether a ceiling has been established or not. It appears to Atikokan the MCS is an issue that will be examined within the scope of the current OEB Distribution Rate Review Project - EB-2007-0031. In addition, in the recent Decision and Rate Order for Barrie Hydro on its 2008 cost of service rate application, it appears to Atikokan a ceiling was not used. The approved 2008 MSC for Barrie Hydro was set above the 2007 MSC level and the 2008 MSC was far above the MSC from Barrie Hydro's cost allocation study. As result, Atikokan Hydro proposes to maintain the current fixed/variable split assumed in its current rates and Atikokan's 2008 MSC should increase accordingly.

<u>Retail Transmission Service Rates</u>

Borad staff and VECC provided comments in regards to retail transmission rates and referenced Board staff interrogatory #48 (a) in both their submissions. The response to Board staff interrogatory #48 (a) provides the change in Atikokan's wholesale connection cost due the change in wholesale transmission rates in November 2007. However in Exhibit 4/Tab 2/Schedule 12 of the application an analysis of costs and revenues associated with retail transmission service from January 2006 to July 2007 is provided. The analysis shows, specifically for connection charges, that transmission connection costs were 10.1% higher than revenue for the time period reviewed. It is Atikokan's view this suggests transmission connection costs were 10.1% higher than revenues prior to

November 2007. When the 7.33% increase in cost provided in Board staff interrogatory #48 is further adjusted by 10.1% the result is a total increase of 18.2% (i.e. 1.0733 x 1.101 = 1.182). As a result, the proposed retail transmission connection rates are 18.2% higher than the current rates and should provide retail transmission connection rates that are more aligned with costs.

With regards to the retail transmission network charges, the analysis provided in Exhibit 4/Tab 2/Schedule 12 shows that transmission network costs were 2.1% lower than revenue for the time period reviewed. The wholesale network cost due to the change in wholesale transmission rates in November meant network costs should decline a further 18.4%. As a result, the proposed retail transmission network rates are about 20.5% lower than the current rates

Payment In Lieu of Taxes

As outlined by Board staff, Atikokan has provided evidence that shows that a loss carry-forward and is sufficient to eliminate any taxable income in the 2008 test year. Consequently, Atikokan has not applied to recover PILs in 2008 rates.

Deferral and Variance Accounts

In accordance with response to Board staff interrogatory 56, Atikokan is not seeking recovery of any deferral and variance account balances. However, Board staff and VECC submits that for account 1508 it may be prudent at this time for Atikokan to seek recovery of this amount as there may be intergenerational issues about clearing this amount at a later date. Atikokan agrees with Board staff and VECC on this issue and will include the recovery of account in 1508 in 2008 rates if so directed by the Board in its Decision.

All of which is respectfully submitted,

Wilf Thorburn

Wilf Thorburn
CEO/Secretary-Treasurer