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January 14, 2016

Kirsten Walli
Board Secretary
Ontario Energy Board,
2300 Yonge St.
Suite 2700, P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: Atikokan Hydro Inc.
2016 IRM Distribution Rate Application
OEB Staff Interrogatories
OEB File No. EB-2015-0052**

Please find attached Atikokan's responses to OEB Staff interrogatories.

The responses have been filed electronically using the Board's e-filing system and emailed.

Two paper copies of Atikokan Hydro's responses are being mailed.

Should there be any questions, please contact me.

Thank you,

A handwritten signature in cursive script that reads "Jennifer Wiens".

Jen Wiens
CEO/Sec/Tres
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Atikokan Hydro Inc.
EB-2015-0052
OEB Staff Interrogatories

Interrogatory #1

**Ref: Chapter 3 Filing Requirements for Electricity Distribution Rate Applications
3.2.5.2 Global Adjustment**

Chapter 3 section 3.2.5.2 of the filing requirements states “As a new addition for 2016 applications, a distributor must now provide a description of its settlement process with the IESO or host distributor. It must specify the GA rate it uses when billing its customers (1st estimate, 2nd estimate or actual) for each rate class, itemize its process for providing consumption estimates to the IESO, and describe the true-up process to reconcile estimates of RPP and non-RPP consumption once actuals are known. The description should detail the distributor’s method for estimating RPP and non-RPP consumption, as well as its treatment of embedded generation or any embedded distribution customers. Distributors are reminded that they are expected to use accrual accounting.”

Please provide the description as indicated above for settling the GA with the IESO.

Response:

Atikokan files ‘Regulated Price Plan vs. Market Price – Variance for Smart Meters’ (formerly Form 1598) settlement monthly. The settlement is submitted via IESO portal within the first four working days of the month.

This settlement process involves submitting consumption sold and pricing cost estimates to the IESO. A true-up reconciles estimates of both RPP and non-RPP consumption once actuals are known, generally the following month. Atikokan uses the IESO current estimates for GA (Class B) and Average Weighted Price. Our monthly billing of all classes is beneficial to this report.

For our Global (1589) and Power (1588) deferral and variance accounts an adjustment is made calculating the difference between consumption and dollars Atikokan has charged customers for GA (Class B) against the charges on the monthly IESO Power Bill Atikokan pays.

All Atikokan rate classes are billed with the 1st estimate GA (Class B) rate. The rate is added into the billing system as available on the IESO website. Consumption estimates

are based on the previous year's consumption history until actuals are known and updated.

Atikokan does not have any embedded generation does not have GA (Class A) customers.

Interrogatory #2

Ref: Regulated Return on Equity (ROE) Letter December 17, 2015

On December 17, 2015 a letter was sent to Atikokan Hydro regarding Atikokan Hydro's ROE measuring 28.33% in 2014 – 1,921 basis points above the target ROE that was the basis upon which Rates were established. Attached to the letter was Appendix A which explained most of the main drivers for Atikokan's over-earning in 2014.

- A) Given Atikokan Hydro's over-earning in 2014 has Atikokan considered filing to not increase its base rates for the 2016 rate year?

- B) Please explain if any of the over earner drivers are expected to continue in 2015 and 2016.

- B) Please explain what the increases in other revenues are.

Response:

- A) Atikokan did not consider filing to not increase its base rates for the 2016 rate year. At the time, Atikokan was not aware of this option.

- B) Atikokan believes the over-earnings of 2014 to be an anomaly. Many of the drivers were one time in nature. Therefore, the over earner drivers are not expected to continue in 2015 and 2016. For example, Atikokan's staffing compliment's, a main driver of the over earnings, has changed. Further, Atikokan required to improve its cash position. Atikokan is now in the position to fulfil budgetary requirements and put emphasis on its aging distribution system.

- C) Other revenue is mainly variable and dependant on recoverable jobs requested to Atikokan Hydro; often one time in nature. The table below summarizes 'Other Revenue', a main driver for Over-Earnings in 2014.

	Per 2013 AFSs & RRR 2.1.5.6	Per 2014 AFSs & RRR 2.1.5.6 (B)	Variance
Other Revenue			
Retailer Service Revenue 4082	5,036	4,649	-387
Str Processing Revenue 4084	1,950	1,800	-150
Rent from Elect Prop 4210	31,625	31,625	0
Late Pay/Interest 4225	6,376	8,072	1,696
Misc Service Revenues 4235	6,278	6,640	363
Revenue of Merchandising 4325	70,407	128,340	57,933
Cost & Exp of merchandising 4330	-58,208	-29,597	28,611
Miscellaneous Revenue 4390	3,768	6,755	2,987
Interest Revenue/Dvdnd Income 4405	5,332	7,789	2,457
Total Other Revenue	\$ 72,564.87	\$ 166,074.20	\$ 93,509.33

For 2014, Atikokan believes Cost & Exp of merchandising in other revenue to be understated (\$57,418.35). This misclassified entry contributes to portraying other revenue to have increased from the previous year. Another main driver in the revenue of merchandising was a onetime request from Atikokan's new industrial customer for installation and upgrade of power line to accommodate the new customer.