



PUBLIC INTEREST ADVOCACY CENTRE  
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February 1, 2016

VIA E-MAIL

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

Dear Ms. Walli:

**Re: EB-2015-0052 Atikokan Hydro Inc. 2016 IRM Rate Application  
Submissions of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the final submissions of VECC in the above-noted proceeding.

Thank you.

Yours truly,

A handwritten signature in black ink, appearing to be 'Michael Janigan', written in a cursive style.

Michael Janigan  
Counsel for VECC

Cc: Atikokan Hydro Inc.

## **EB-2015-0052**

### **Atikokan Hydro Inc.**

#### **Application for electricity distribution rates and other charges effective May 1, 2016.**

#### **Final Submissions of the Vulnerable Energy Consumers Coalition**

##### Overearnings Performance 2014

- Atikokan Hydro Inc. (Atikokan) filed an application on September 23, 2015 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule 15), (Schedule B) for electricity distribution rates effective May 1, 2016.
- Atikokan is applying for an annual adjustment to its rates for 2016 under an Annual Incentive Rate-setting (IR) Index plan. Atikokan last rebased for 2012 rates. The 2016 application is the first application filed by Atikokan under the OEB's Annual IR Index method.
- The OEB's Filing requirements indicate that a regulatory review may be triggered if a distributor's earnings are outside of a dead band of +/- 300 basis points from the OEB approved return on equity. The OEB monitors results filed by distributors as part of their reporting and record-keeping requirements and determines if a regulatory review is warranted. Any such review will be prospective, and could result in modifications, termination or the continuation of the respective Price Cap IR or Annual IR Index plan for that distributor.<sup>1</sup>
- On December 17, 2015, the OEB sent a letter to Atikokan regarding its 2014 ROE of 28.33% which is 1,921 basis points (+19.21%) above the target ROE (9.12%) that was the basis upon which its rates were established; or 1,621 points above the dead

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<sup>1</sup> Filing Requirements For Electricity Distribution Rate Applications - 2015 Edition for 2016 Rate Applications - Chapter 3 Incentive Rate-Setting Applications July 16, 2015, Section 3.3.5 Off-ramps  
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band.

- In 2011, 2012 and 2013, Atikokan's ROE was -5.30%, -24.7% and 11.5%, respectively.<sup>2</sup>
- Atikokan is forecasted to be an over-earner for 2015 at 14.7%.<sup>3</sup>
- In response to interrogatories, Atikokan indicates that it believes the level of over earnings for 2014 to be a one-time occurrence and that many of the drivers are no longer applicable and not expected to continue in 2015 and 2016.<sup>4</sup>
- In a letter from Atikokan to the OEB dated January 26, 2016, Atikokan indicates it agrees with the findings of the OEB regulatory review: Atikokan's 2014 ROE exceeded the 3% bandwidth threshold and in 2015, and based on unaudited financials, Atikokan will be an over-earner again. For this reason Atikokan's asks in its letter that it be permitted to forgo recovery on its price escalator of 1.65% increase to its fixed and variable charges. Given ROE and financial reporting to the OEB, Atikokan states this is most reasonable for rate payers.
- VECC supports Atikokan's updated request to forgo the annual adjustment to base rates. VECC submits this approach appropriately responds to the interests of consumers.

### **Recovery of Reasonably Incurred Costs**

- VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements. All of which is respectfully submitted this 1<sup>st</sup> day of February 2016.

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<sup>2</sup> VECC IR#1 (a)

<sup>3</sup> VECC IR#1 (e)

<sup>4</sup> VECC IR#1 (d)