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March 22, 2017

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

Dear Ms. Walli:

**RE: EB-2016-0056 – Atikokan Hydro Inc. 2017 Rate Application
Board Staff Interrogatory Responses**

Pursuant to Procedural Order No. 1 dated February 17, 2017, in the above noted matter, please find enclosed the Atikokan Hydro Inc. ("Atikokan") interrogatory responses to Board Staff. Further Atikokan has updated and submitted in live excel format through the RESS filing system the following several excel models:

- Atikokan_2017_Test_year_Income_Tax_PILS_Workform_IR1_20170322
- Atikokan_2017_Cost_Allocation_Model_IR1_20170322
- Atikokan_2017_Rev_Reqt_Work_Form_IR1_20170322
- Atikokan_2017_DVA_Continuity_Schedule_IR1_20170322
- Atikokan_2017_Tariff_Schedule_and_Bill_Impact_Model_20170322
- Atikokan_2017_LRAMVA_Work_Form_20170322

An electronic copy of the interrogatory responses have been submitted to the Board through the RESS system and two hard copies will be delivered to the OEB office.

If you have any further questions, please do not hesitate to contact at (807)597-6600 or via email at jen.wiens@athydro.com.

Yours truly,

Original signed by

Ms. Jennifer Wiens
CEO, Secretary/Treasurer

cc: Chris Codd, Ontario Energy Board
Ian Richlier, Ontario Energy Board
Michael Janigan, VECC Counsel

Mark Garner, VECC
Bill Harper, VECC

Atikokan Hydro Inc

Board Staff Interrogatory Responses

EB-2016-0056

Rates Effective: May 1, 2017

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Exhibit 1 – Administration

1-Staff-1

Responses to Letters of Comment

Ref: Sections 2.4.2 and 2.4.5 of the Filing Requirements

Following publication of the Notice of Application, at this point, the OEB received 1 letter of comment. Section 2.1.6 of the Filing Requirements state that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letter, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letter of comment referenced above. Going forward, please ensure that responses are filed to any subsequent letters that may be submitted in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

Response:

Atikokan Hydro read the 1 letter of comment and feels the comment was not negative to Atikokan Hydro's specific rate application under review but negative towards the OEB policies. Atikokan comments that the author of the letter of comment has a great understanding of Atikokan Hydro's challenges and barriers.

1-Staff-2

Updated Revenue Requirement Work Form (RRWF)

Ref: RRWF workbook

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet.

Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 10 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

Response:

Atikokan confirms that it has updated the Revenue Requirement Work Form with adjustments to the previous version included in the middle column of sheet 3. Similarly to the last RRWF submission, Atikokan would like to point out that in Tab 8, row 25 of the Board's RRWF Model, it incorrectly displays the Revenue Deficiency as being \$121,175 as opposed to \$132,873 as shown and supported in the Cost Allocation Model v3.4a. Atikokan believes this incorrect revenue deficiency in the RRWF Model is the result of the treatment by the model of the taxable income loss at "current approved rates". The RRWF Model does not allow income tax on taxable income to be less than zero in the "At Current Approved Rates" column of Tab 8. This restriction needs to be removed in order to produce the correct revenue deficiency in Tab 8 of the RRWF.

The updated Revenue Requirement Work Form will be filed in a live excel model named Atikokan_2017_Rev_Reqt_Work_Form_IR1_20170322.

1-Staff-3

Updated Appendix 2-W, Bill Impacts

Ref: Appendix 2-W

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 141 kWh and 750 kWh for residential, 2,000 kWh for GS<50, etc.).

Response:

Atikokan has updated the bill impacts and are summarized as below:

RATE CLASS/CATEGORIES	Consumption (kWh)	Distribution \$	Distribution Change %	Total Bill Impact	Bill Impact %
RESIDENTIAL SERVICE CLASSIFICATION - RPP	750	\$ 7.09	15.5%	\$ 7.12	4.2%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	141	\$ 8.55	21.7%	\$ 9.50	14.1%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	547	\$ 7.58	17.3%	\$ 7.92	5.9%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	750	\$ 7.09	15.5%	\$ 4.60	2.6%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	2,000	\$ 8.57	8.9%	\$ 8.64	2.0%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	3,000	\$ 9.57	9.0%	\$ 9.24	1.5%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - Non-RPP (Retailer)	2,000	\$ 8.57	8.9%	-\$ 27.46	-5.7%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	55,750	\$ 37.11	4.6%	-\$ 569.47	-5.3%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Retailer)	63,090	\$ 42.03	4.6%	-\$ 947.85	-7.6%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	493,900	\$ 165.19	4.7%	-\$ 8,615.53	-9.1%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	43,319	-\$ 1,518.62	-16.1%	-\$ 2,220.04	-12.2%

The resulting revised Bill Impacts Model will be filed in a live excel model named Atikokan_2017_Tariff_Schedule_and_Bill_Impact_Model_IR1_20170322.

1-Staff-4

Customer Engagement

Ref: Exhibit 1, Section 2.1.6

Chapter 2 of the Filing Requirements states:

Distributors should specifically discuss in the application how they informed their customers of the proposals being considered for inclusion in the application, and the value of those proposals to customers (i.e. costs, benefits and the impact on rates that customers would face). The application should discuss any feedback provided by customers and how this feedback shaped the final application.

Distributors should also reference any other communications sent to customers about the application, such as bill inserts, town hall meetings held, or other forms of outreach undertaken to engage customers and explain to them how the application serves their needs and expectations, and the feedback heard from customers through these engagement activities.

Did Atikokan inform customers of large capital projects such as the purchase of the Digger Derrick truck? If so, please describe how customers were informed of the costs, benefits and impact on rates of the proposals.

Response:

Atikokan did not inform customers of large capital projects such as the purchase of the Digger Derrick truck through direct methods like surveys or communications sent such as a bill insert outlining the expenditures prior to the rate application submission; however, Atikokan's presentation for the Community Day teleconference (January 9th, 2017) explained the large capital projects. The local newspaper summarized the meeting articulating the planned expenditure. The rate application is available to the public via the Atikokan Hydro and OEB website. These were all opportunities for customers to provide letter of comments and engage with Atikokan Hydro in regards to the rate application request details and specifically the purchase of a Digger Derrick. Atikokan Hydro has received no feedback disapproving the expenditure nor towards the application in general.

1-Staff-5
Audited Financial Statements
Ref: Exhibit 1, Attachment A

In the 2014 audited financial statements, Atikokan received a qualified audit opinion and had a going concern note which referenced the 2014 deficit of \$156k. In the 2015 audited financial statements, Atikokan received an unqualified audit opinion. Please discuss the auditor's consideration in moving from a qualified to an unqualified audit opinion from 2014 to 2015.

Response:

Considerations at the time from removing the going concern note included:

- The current ratio hasn't been below 1 since 2006 and currently sits at 1.452.
- There have been positive earnings over the last 3 years and the internal income statement shows positive earnings for the first quarter of 2016 of \$13,500. Q1 appears a bit light on earnings; however, no capital work was recorded in the first quarter of 2016.
- Atikokan Hydro has recovered all of the carry forward deficit in the past 3 years and now sits with a surplus of over \$100,000.
- The surplus over the last 3 years mostly relates to actual rates and not rate riders. The rates will remain for most (or all) of 2016 until the rebasing is done. There is a smart meter rate rider that will fall off in 2016 and reduce revenue by approximately \$50,000.
- All financial covenants are onside (were also onside in 2014).
- Large User (GS customer) came online at the end of 2014. The large user has added to the distribution revenue by approximately \$65k per year. The user also has a large prepayment with AH to negate any credit risk.
- The OEB has eased its monitoring of Atikokan Hydro

Given the above consideration the going concern note was removed moving the statements from a qualified to unqualified audit opinion from 2014 to 2015.

Further, with the removal of the going concern note; a new note was added in the financial statements related to regulatory risk:

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

The note covers the risk that the OEB could negatively affect the entity and this risk relates to any LDC in the province.

It was with this analysis, the auditors agreed with Atikokan Hydro management and Board of Directors that the going concern note should be removed from the financial statements and as such moving the statements from a qualified to unqualified audit opinion.

Exhibit 2 – Rate Base

2-Staff-6

Inconsistency in disposals

Ref: Exhibit 2, Schedule 2.2.1.1, Page 15, Appendix 2-BA

Ref: Exhibit 3, Schedule 2.3.3 Page 35, Table 3-45

Ref: Exhibit 4, Schedule 2.4.5, Attachment D PILS Model

In the 2017 Appendix 2-BA, net disposals (cost – accumulated depreciation in disposals column) show a gain of \$11k. In the calculation of the 2017 taxable income in the PILS model, an addition of \$7k is included for loss on disposal of assets. Please reconcile the two amounts.

In Table 3-45, amounts for Account 4355 Gain on Disposition of Utility and Other Property; and Account 4360 Loss on Disposition of Utility and Other Property are not included in Other Revenues. Please explain these discrepancies and confirm the appropriate total net gain or loss amount for the test year and revise the evidence as needed.

Response:

Atikokan confirms there was no net gain for the 2017 test year. As such Appendix 2-BA should not have reflected a gain of \$11k. Appendix 2-BA has been revised to reflect the 7K loss for disposal of assets as the calculation of the 2017 taxable income in PILS model reflects. Appendix 2-BA should have reflected the same loss.

Fixed Asset Continuity Schedule ¹

Accounting Standard MFRS
Year 2017

CCA Class ²	OEB Account ³	Description ³	Cost				Accumulated Depreciation				Net Book Value
			Opening Balance	Additions ⁴	Disposals ⁵	Closing Balance	Opening Balance	Additions	Disposals ⁶	Closing Balance	
12	1611	Computer Software (Formally known as Account 1925)	\$ 42,959			\$ 42,959	-\$ 39,186	-\$ 3,439		-\$ 42,625	\$ 335
CEC	1612	Land Rights (Formally known as Account 1906)	\$ -			\$ -	\$ -			\$ -	\$ -
N/A	1805	Land	\$ -			\$ -	\$ -			\$ -	\$ -
47	1808	Buildings	\$ -			\$ -	\$ -			\$ -	\$ -
13	1810	Leasehold Improvements	\$ -			\$ -	\$ -			\$ -	\$ -
47	1815	Transformer Station Equipment >50 kV	\$ -			\$ -	\$ -			\$ -	\$ -
47	1820	Distribution Station Equipment <50 kV	\$ 523,985	\$ 21,200		\$ 545,185	-\$ 395,906	-\$ 12,716		-\$ 408,622	\$ 136,563
47	1825	Storage Battery Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
47	1830	Poles, Towers & Fixtures	\$ 3,113,750	\$ 232,540	-\$ 10,171	\$ 3,336,120	-\$ 1,456,587	-\$ 72,920	\$ 8,000	-\$ 1,521,507	\$ 1,814,612
47	1835	Overhead Conductors & Devices	\$ -			\$ -	\$ -			\$ -	\$ -
47	1840	Underground Conduit	\$ -			\$ -	\$ -			\$ -	\$ -
47	1845	Underground Conductors & Devices	\$ -			\$ -	\$ -			\$ -	\$ -
47	1850	Line Transformers	\$ 460,475	\$ 8,000		\$ 468,475	-\$ 342,352	-\$ 5,888		-\$ 348,241	\$ 120,234
47	1855	Services (Overhead & Underground)	\$ -			\$ -	\$ -			\$ -	\$ -
47	1860	Meters	\$ 170,049			\$ 170,049	-\$ 78,566	-\$ 5,994		-\$ 84,560	\$ 85,489
47	1860	Meters (Smart Meters)	\$ 476,884	\$ 10,000	-\$ 7,269	\$ 479,615	-\$ 187,971	-\$ 37,561	\$ 2,440	-\$ 223,092	\$ 256,523
N/A	1905	Land	\$ 15,588			\$ 15,588	\$ -			\$ -	\$ 15,588
47	1908	Buildings & Fixtures	\$ 683,677			\$ 683,677	-\$ 397,250	-\$ 11,197		-\$ 408,447	\$ 275,230
13	1910	Leasehold Improvements	\$ -			\$ -	\$ -			\$ -	\$ -
8	1915	Office Furniture & Equipment (10 years)	\$ 40,034			\$ 40,034	-\$ 35,956			-\$ 35,956	\$ 4,078
8	1915	Office Furniture & Equipment (5 years)	\$ 22,685			\$ 22,685	-\$ 22,933	-\$ 1,969		-\$ 24,902	\$ 2,217
10	1920	Computer Equipment - Hardware	\$ 1,905			\$ 1,905	\$ -			\$ -	\$ 1,905
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ 90			\$ 90	-\$ 90			-\$ 90	\$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ 28,436			\$ 28,436	-\$ 9,109	-\$ 4,773		-\$ 13,882	\$ 14,554
10	1930	Transportation Equipment	\$ 754,182	\$ 360,000	-\$ 129,668	\$ 984,514	-\$ 561,274	-\$ 35,198	\$ 129,688	-\$ 466,784	\$ 517,730
8	1935	Stores Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
8	1940	Tools, Shop & Garage Equipment	\$ 127,069	\$ 4,000		\$ 131,069	-\$ 92,891	-\$ 5,815		-\$ 98,706	\$ 32,363
8	1945	Measurement & Testing Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
8	1950	Power Operated Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
8	1955	Communications Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
8	1955	Communication Equipment (Smart Meters)	\$ -			\$ -	\$ -			\$ -	\$ -
8	1960	Miscellaneous Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
47	1970	Load Management Controls Customer Premises	\$ -			\$ -	\$ -			\$ -	\$ -
47	1975	Load Management Controls Utility Premises	\$ -			\$ -	\$ -			\$ -	\$ -
47	1980	System Supervisor Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
47	1985	Miscellaneous Fixed Assets	\$ -			\$ -	\$ -			\$ -	\$ -
47	1990	Other Tangible Property	\$ -			\$ -	\$ -			\$ -	\$ -
47	1995	Contributions & Grants	\$ -			\$ -	\$ -			\$ -	\$ -
47	2440	Deferred Revenue ⁵	-\$ 20,123			-\$ 20,123	\$ 914	\$ 457		\$ 1,371	\$ 18,752
		Sub-Total	\$ 6,441,645	\$ 635,740	-\$ 147,108	\$ 6,930,277	-\$ 3,619,157	-\$ 197,013	\$ 140,128	-\$ 3,676,042	\$ 3,254,235
		Less Socialized Renewable Energy Generation Investments (input as negative)				\$ -				\$ -	\$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)				\$ -				\$ -	\$ -
		Total PP&E	\$ 6,441,645	\$ 635,740	-\$ 147,108	\$ 6,930,277	-\$ 3,619,157	-\$ 197,013	\$ 140,128	-\$ 3,676,042	\$ 3,254,235
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable ⁶									
		Total					-\$ 197,013				

10	Transportation
8	Stores Equipment

Less: Fully Allocated Depreciation
Transportation
Stores Equipment
Net Depreciation -\$ 197,013

Atikokan mistakenly excluded 4355 and 4360 from other revenues,

Atikokan has revised the evidence in Table 3-45 to include 4360 for both the bridge year 2016 and the 2017 test year. See the below revision.

Table 3-45				
Other Distribution Revenue	2016 Bridge	2017 Test	Difference \$	Difference %
SSS Administration Revenue (4086)	\$4,875	\$4,875	\$0	0.0%
Rent from Electric Property (4210)	\$32,609	\$32,609	\$0	0.0%
Late Payment Charges (4225)	\$7,286	\$7,543	\$257	3.5%
Specific Service Charges (4235)	\$5,861	\$5,885	\$24	0.4%
Merchandise & Jobbing Revenue (4325)	\$59,171	\$70,000	\$10,829	18.3%
Merchandise & Jobbing Costs (4330)	-\$34,351	-\$34,351	\$0	0.0%
Other Distribution Rev. (4082, 4084, 4390)	\$8,800	\$8,420	-\$380	-4.3%
Gain on Disposition of Property (4355)	0	0	\$0	0.0%
Loss on Disposition of Property (4360)	-\$6,870	-\$7,000	-\$130	1.9%
Other Income & Exp. (4405)	\$8,872	\$7,789	-\$1,083	-12.2%
Total	\$86,253	\$95,770	\$9,517	11.0%

2-Staff-7

Inflation rate

Ref: Exhibit 2, Section 2.2.1.1, p. 3

At the reference, Atikokan Hydro states that it has assumed an inflation rate of 1.95% where expense increases were unknown or unpredicted.

What proportion of capital costs (as a % of total capital costs in the test year) were developed using the generic 1.95% inflation rate?

Response:

None of the capital costs in the test year were developed using the generic 1.95% inflation rate. Atikokan assumed an inflation rate of 1.95% where expense increases were unknown or unpredicted for OM&A.

2-Staff-8

2013 vs. 2014 Distribution Plant

Ref: Exhibit 2, p. 20, Table 2-11

At the reference, Atikokan Hydro presents its year-over-year changes in distribution plant from 2013 to 2014. The change in Computer Software (Account 1611) exceeded the materiality threshold but was not explained.

What was the cause of the \$166,230 reduction in the computer software account?

Response:

The reduction was a result of a disposal. The disposals was a 'housekeeping' of disposing of a listing of computer hardware/software disposed of in previous years but not recorded. An old Harris billing system was used prior to the new system put in place (HTE; 2009 to support billing smart meters). The old billing system was referred to from time to time until it could no longer be supported with computer versions. This is part of the reason the disposal did not occur in previous years.

2-Staff-9

New information on capital plans

Ref: Exhibit 2, Section 2.2.2.1, p. 31

Has any information come forward, since the application was submitted, to indicate that 2016 or 2017 capital expenditure forecasts require amendment? If so please provide an update with any rationale for changes.

Response:

The unaudited 2016 capital expenditures total additions is 361,642.

The 2017 capital expenditure requirement is still aggressive since the rate application was submitted. 2016 inspections showed further work is required on the sub transmission lines than originally planned at the time of submission. Atikokan is working on an estimate for the additional work required to the sub-transmission lines but given the historical expenditures including the 2016 actual costing on these lines; an additional \$100,000 would be reasonable to include as an additional capital need since the original rate application figures. \$12,830 has been updated to the proposed Digger Derrick expenditure (see 2-Staff-20). This would bring the total 2017 capital expenditure to \$748,570. Appendix 2-BA for the 2017 Test year has been updated to reflect this in the rate base proposal.

Original 2017 capital expenditures \$635,740

Revised Digger Derrick +12,830

Sub transmission poles (1830) +100,000

2-Staff-10

Service reliability

Ref: Exhibit 2, Section 2.2.2.8, p. 36, Table 2-18

At the reference, Atikokan Hydro provided reliability statistics for the years from 2011 to 2015. Atikokan Hydro did not provide any reliability statistics excluding major events because this is a new reporting statistic.

Are Atikokan Hydro's 2016 reliability statistics available at this time? If so, please provide those results in each of the three categories (all outages, excluding loss of supply and excluding major events).

Response:

Table 2-18 Service Reliability is updated to include 2016 results. Please note these are unverified results. The 2016 reliability statistics have not been finalized for OEB RRR Reporting.

Index	Including outages caused by loss of supply						Excluding outages caused by loss of supply					
	2011	2012	2013	2014	2015	2016	2011	2012	2013	2014	2015	2016
SAIDI	0.780	4.310	3.430	0.370	4.150	0.035	0.020	0.300	3.430	0.370	0.130	0.032
SAIFI	0.360	1.470	1.120	0.090	1.040	1.303	0.150	0.470	1.120	0.090	0.030	0.294

Excluding Major Event Days					
2011	2012	2013	2014	2015	2016
0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000

6 Year Historical Average									
SAIDI			2.608			0.850			0.000
SAIFI			0.816			0.372			0.000
Including outages caused by loss of supply				Excluding outages caused by loss of supply				Excluding Major Event Days	

2-Staff-9

Clarify typos and incomplete information in

Ref: Exhibit 2, Attachment A, p. 6

Ref: Exhibit 2, Attachment A, p. 18

Ref: Exhibit 2, Attachment A, p. 51

Ref: Exhibit 2, Attachment A, p. 104

The first reference states that Atikokan Hydro's customer base is "166d".

At the second reference, there are two instances of "XX".

At the third reference, there is a sentence that appears to be incomplete, "Atikokan only has 2 Km."

At the fourth reference, there is an instance of "X".

- a) Please provide a correction to the number at the first reference.
- b) Please provide a corrected sentence with the two instances of "XX" at the second reference replaced with numbers.
- c) Please complete the sentence at the third reference or confirm that it is already complete.
- d) Please provide a corrected sentence with the instance of "X" at the fourth reference replaced with numbers.

Response:

- a) The reference to Atikokan's customer base is 1660.
- b) The second reference the sentence should read. "Atikokan owns and operates two lines of 44KV lines mostly through rugged terrain and bush. This drives up the cost per customer. With a line crew of 4, and customer count of 1660, these lines are difficult to maintain."
- c) Atikokan confirms that this sentence is incomplete. The sentence should read "Atikokan only has 2km of underground cable."
- d) Approximate driving distance from Atikokan to Caland substation is approximately 25 KM.

2-Staff-11

Steep Rock Reclamation Project

Ref: Exhibit 2, Attachment A, p. 10-11

Atikokan Hydro explains that flooding from the Steep Rock Iron Mines could affect Atikokan Hydro's distribution substation within 5 to 7 years, and in the long-run (by 2070) the Hydro One-owned Moose Lake TS that supplies Atikokan Hydro's system could be flooded. Atikokan Hydro states that it intends to recover any costs through its distribution rates.

- a) Has Atikokan Hydro received any new information since the filing of its rate application from the Ministry of Natural Resources or other parties regarding the potential impacts and timing of the impacts to the systems that supply electricity to the Town of Atikokan? Please provide a summary of any new information received.
- b) Other than access to its distribution station, please describe any other impacts to Atikokan Hydro's system relating to the flooding from the mines.
- c) Has Atikokan Hydro sought any advice regarding the potential recovery of these costs from the mine owners, Ontario Power Generation, the Ministry of Natural Resources or other parties?

Response:

- a) Atikokan Hydro received a response letter from the Ministry of Natural Resources and Forestry (MNRF) October 27, 2016. Letter as follows:



Northwest Region
Ontario Government Building
435 South James Street, Suite 221A
Thunder Bay, Ontario P7E 6S7

Ministry of
Natural Resources and Forestry

Ministère des
Richesses naturelles et des Forêts

Tel: (807) 475-1272
Fax: (807) 473-3023

Atikokan Hydro
117 Gorrie Street
Box 1480
Atikokan Ontario
P0T 1C0

Attention: Jen Wiens

Thank you for your letter of June 8, 2016 requesting information regarding the anticipated timeframe for rising water levels at the Steep Rock mine site to impact Atikokan Hydro infrastructure and access to the distribution station located at the Caland Mine Site.

Further to our conversations, I can confirm that MNRF's current modelling shows that the final decant level will be 394m above sea level and, as a result, it is expected that there will be impacts to electrical infrastructure below this level. At this time the average fill rate for the Caland Pit Lake is approximately 2m per year.

Please find attached an image from a Digital Elevation Model (DEM) from October 2015 that shows the pit lake elevation at 328m. The elevation level after spring 2016 freshet is approximately 2m higher at 330m.

Presently the Atikokan Hydro distribution lines are approximately 11-12m above the current (2016) water level and the access road intersection that leads to the transformer/distribution station is at the elevation of 349m. We expect that within 5-7 years the distribution lines will be inundated and in approximately 8-10 years access to the distribution station, via the Caland Euclid Shop road, will be cut off.

I have included a digital section of our 2015 imagery that might assist as you consider options regarding a new location for the distribution station and lines.

As you are aware, the ministry has been sharing information related to the site with the Steep Rock Advisory Panel, of which Atikokan Hydro is a member, as well as directly with you and your predecessor. We will continue to share information as it becomes available.

If you have any questions please feel free to contact me at 807-475-1337 or email at
jeff.bonnema@ontario.ca

Yours truly,

A handwritten signature in black ink, appearing to read "Jeff Bonnema", with a stylized flourish at the end.

Jeff Bonnema
Regional Initiatives Coordinator
Northwest Region

- b) Any infrastructure below 400 M will be under water. The distribution station will be 50 M below water levels.
- c) No comment had been forthcoming from the MNRF. Atikokan recently sent a letter to MNRF as shown below.



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Jeff Bonnema
Regional Initiatives Coordinator
Ministry of Natural Resources
221a-435 James St. S
Thunder Bay, ON P7E 6S7

March 9, 2017

Dear Jeff:

Re: Steep Rock Reclamation

Thank you for your response October 27, 2016 to our original letter June 8, 2016 confirming water levels. In follow up, Atikokan Hydro has the following questions:

Is there a recommended safe area Atikokan Hydro may consider for a new location for our distribution station and lines? While some imagery has been shared by MNRF with Atikokan Hydro, it is difficult for Atikokan to depict a 'safe area'. Given the water levels will continue to rise, will this become a reoccurring concern requiring over time Atikokan Hydro to relocate its assets?

What is the acceptable condition to leave the site where the Caland substation exists as is now? For example – can the site foundations remain?

Are there any MNRF activities planned or being pursued to control the flow of the water levels; specifically will the MNRF be proceeding with a spillway at Fairweather?

What is the process for Atikokan Hydro to apply for funding to the MNRF to relocate the distribution station?

As previously indicated Atikokan Hydro recognizes the sensitivity of this issue and that the infrastructure will become compromised; however, given the scope of the project, Atikokan Hydro cannot alone bear the costs associated due to the rising water levels and this will leave a significant impact on directly impacted customers in the area. Atikokan Hydro is working on a plan to inform customers impacted; however, it is not known at this time the exact details.

Thank you in advance for your responses to come.

A handwritten signature in blue ink that reads "Jennifer Wiens".

Jennifer Wiens
CEO/Sec/Tres
Atikokan Hydro Inc.

2-Staff-12

Annual asset investment for renewal

Ref: Exhibit 2, Attachment A, p. 14

Atikokan Hydro estimates that it needs to invest about \$195k each year to maintain its assets over a 20 year replacement period.

How did Atikokan Hydro determine that its assets need to be replaced over a 20 year period?

Response:

For clarification, Atikokan has not determined that all of its assets had to be replaced in twenty years. Atikokan was conveying to the Board that in order to maintain a reliable utility, that significant money in upgrades would need to be invested. The asset management plan is still evolving and the example of 20 years did verify based on the insurance companies replacement cost, that investment should exceed the average of the last 5 years amortization. Investing \$195k does not mean all assets will be replaced but it is a good start.

2-Staff-13

Long-Term Load Transfer (LTLT) customers

Ref: Exhibit 2, Attachment A, p. 18

Atikokan Hydro has one LTLT agreement with Hydro One. Atikokan Hydro and Hydro One believe that this is a settlement issue that cannot be resolved through a transfer of customers and/or assets.

- a) How many customers and how much load (in kWh) are served by Atikokan Hydro through the LTLT agreement with Hydro One?
- b) Please explain the settlement issue and why it cannot be resolved.
- c) Please explain why the LTLT should be removed from the list of LTLTs?

Response:

- a) Atikokan has one customer served by Atikokan Hydro through the LTLT agreement with Hydro One. The 2016 load was 2,645 kWh and the prior year's similar.
- b) The customer is fed off of an Ontario Power Generation (OPG) supply. OPG cannot be a distributor. Atikokan Hydro and Hydro One already had an existing settlement agreement and for that reason it was agreed Atikokan would charge the customer and would pay Hydro One for the energy whom in turn pays OPG through a settlement with them.
- c) The LTLT should be removed from the list of LTLTs because it is not an actual LTLT. As per answer in 'b', LTLTs are defined as a customer fed by one Distributor but in another Distributors Geographical territory but we have a non-distributor involved.

2-Staff-14

Outages caused by human elements

Ref: Exhibit 2, Attachment A, p. 39-40

“Human Element” is the third most common outage cause between 2012 and 2015. Atikokan Hydro notes that greater public education and awareness could help reduce these types of outages and improve public safety.

Is Atikokan Hydro planning any activities to raise public awareness of electrical safety? Would these activities be a cost-effective way to reduce outages?

Response:

Atikokan completed the 2016 Public Awareness Electrical Survey required. Results of the survey indicate Atikokan Hydro has a Public Safety Awareness Index Score of 82%. However, Atikokan has included in the proposed OM&A budget to update its existing webpage. It is believed the webpage can be further utilized as a tool for promotional and educational materials for customers including but not limited to public electrical safety. This would be cost effective because the webpage materials would not be limited to public electrical safety.

2-Staff-15

Asset condition assessments

Ref: Exhibit 2, Attachment A, p. 43-48

Atikokan Hydro states that it adopted a mapping system to track several characteristics for each of its individual poles, including the pole condition.

Does Atikokan Hydro have asset condition information for any other asset types? Please provide a summary of asset conditions for those other asset types (e.g., a distribution of the asset conditions and a brief description of the asset condition levels).

Response:

Atikokan does not have an asset health index per se for all assets but has included the information it has in its Distribution System Plan. The list on page 44 of the DSP is a summary of the data collected where possible. This will continue to evolve. As noted in the DSP, substation inspections are inspected on a monthly basis. Substation oil samples are tested annually and will continue to be tested annually as per sample report recommendations.

2-Staff-16

Caland substation

Ref: Exhibit 2, Attachment A, p. 55

Ref: Exhibit 2, Attachment A, p. 63

Ref: Exhibit 2, Attachment A, p. 104

Atikokan Hydro describes the Caland substation as costly to operate and is used to serve 5 customers. Atikokan Hydro also notes that this substation could be affected by the Steep Rock Mines Reclamation as well.

At the second reference, Atikokan Hydro indicates that it may be more cost effective to take this substation out of service.

- a) What is the annual electricity consumption by the five customers served from the Caland substation?
- b) Is Atikokan Hydro planning any major capital expenditures (greater than \$50,000) on the Caland substation in the next 5 years?
- c) Has Atikokan Hydro assessed any alternatives to supplying the five customers from the Caland substation? If so, please provide Atikokan Hydro's assessment of those alternatives.

Response:

- a) The annual electricity consumption by these five customers served from the Caland substation using 2016 consumption is 1,028,688 kWh in total.
- b) Major capital expenditures on Caland substation in the next 5 years is dependent on inspections and immediate needs and future planning with the MNRF and affected parties with the rising water levels.
- c) Atikokan Hydro has not fully assessed alternatives to supplying the five customers from Caland substation. Atikokan Hydro has sent a short questionnaire to these customers to gain a greater understanding of their needs.

2-Staff-17

Transformer conditions

Ref: Exhibit 2, Attachment A, p. 56-57

A majority of Atikokan Hydro's transformers were installed in 1978 (219 out of 345). Atikokan Hydro indicates that these will need to be replaced as they reach the end of their useful life (45 years) in 2023.

- a) Does Atikokan Hydro replace transformers based on age, condition or other factors? Please explain.
- b) How many transformers is Atikokan Hydro planning to replace during the next five years (2017 to 2021)?
- c) Does Atikokan Hydro have condition assessments for these transformers? If so, please provide a summary of that information.

Response:

- a) Atikokan Hydro typically runs transformers to failure or alternatively may relocate and or replace transformers in poorly accessible areas (located at the back of properties). This done at the same time that poles are being replaced where the transformers are attached.
- b) The number of transformers Atikokan Hydro is planning to replace is dependent on failure and location of planned capital work. As noted in response to 'a)'. It is difficult to predict the number of transformer replacements. Atikokan will not replace the transformer solely on age.
- c) Atikokan Hydro does not have condition assessments for transformers.

2-Staff-18

Smart meters

Ref: Exhibit 2, Attachment A, p. 66

Atikokan Hydro's smart meters' seals will expire in 2019 and Atikokan Hydro intends to seek re-verification of the seals as a lowest cost option. If re-verification fails, it would require replacement of all smart meters at an estimated cost of over \$200,000. Atikokan Hydro has also observed that meters facing south and receiving more sunlight have higher failure rates.

- a) Does Atikokan Hydro have any new information about the re-verification process for smart meters? Does Atikokan Hydro have an approximate probability of successful re-verification?
- b) Atikokan Hydro indicates that it may need to borrow money to replace the meters if re-verification fails. Does Atikokan Hydro have any concerns about its ability to borrow money for this project?
- c) Assuming that re-verification is successful, will the smart meters all require replacement at the end of their useful life in 2024?
- d) Is Atikokan Hydro aware of any other utilities that have higher failure rates for south-facing smart meters?
- e) Has Atikokan Hydro considered constructing a shade for the smart meter to reduce failure rates?

Response:

- a) Atikokan does not have any new information about the re-verification process for smart meters. Atikokan does not have approximate probability of successful re-verification.
- b) At this time Atikokan does not have any concerns about its ability to borrow for this project.
- c) Assuming the re-verification is successful, the smart meters will not require replacement at the end of their useful life in 2014. The smart meters will be run to failure; Measurement Canada's seal expiry is the driver in smart meter expenditures unless they have alternatively failed.
- d) Atikokan Hydro is not aware of any other utilities that have higher failure rates for south-facing smart meters. Failure rates seem to be about the same as Atikokan Hydro's.
- e) Atikokan Hydro has not considered constructing a shade for the smart meter to reduce failure rates for a few reasons. There is no cost/benefit in doing so. Further the 'construction' would be on the customers premises [attached to house] and given the aesthetics many customers would likely not approve.

2-Staff-19

Pole replacements

Ref: Exhibit 2, Attachment A, p. 69-73

Atikokan Hydro is proposing to invest \$612,450 in its distribution poles with a focus on poles in a deteriorated condition and the poles of the main feeders to the town (3M2 and 3M3).

- a) Is Atikokan Hydro planning to replace all poles with a condition of “5-Immediate Concern” over the next 5 years? If not, please explain why not?
- b) What proportion of poles with a condition of “4-Concern” is Atikokan Hydro planning to replace over the next 5 years?
- c) How many poles on feeders 3M2 and 3M3 is Atikokan Hydro planning to replace over the next 5 years?

Response:

- a) Yes poles with a condition of “5 – Immediate Concern” need to be replaced to maintain safety and reliability.
- b) Condition 4 poles will be re-inspected in future inspections to re-evaluate the urgency or immediate repairs but it is reasonable to indicate the majority of condition 4 poles will be replaced over the period of this distribution system plan; 2017-2021.
- c) Atikokan Hydro will need to address all condition 5 poles (immediate concern). Atikokan is proposing to change 9 in 2017. Unless inspections indicate other condition assessments, Atikokan will have to continue to change a few structures for each of the proceeding years.

2-Staff-20

Replacement of 9082 Digger Derrick

Ref: Exhibit 2, Attachment A, p. 107-109

Atikokan Hydro is proposing to spend \$120,000 to replace two service trucks that are past their useful life.

- a) Please confirm whether Atikokan Hydro is on schedule to purchase these trucks in 2017. If not confirmed, please provide the planned purchase date.
- b) Did Atikokan Hydro conduct an economic analysis comparing the buy used and buy new alternatives? If so, please provide that analysis.

Response:

- a) Atikokan confirms Exhibit 2 Attachment A, p. 107-109, indicated a Capital Investment of \$300,000 for a Digger Derrick truck. Atikokan Hydro is on schedule to purchase this truck in 2017. Atikokan's next step is an opportunity to demo a digger derrick in April of 2017. Updated quoted price is \$312,830; however, this is subject to change after the demo.
- b) Atikokan Hydro has considered its options. Do nothing and continue as status quo is not an option; this has been reviewed in great length as discussed below.

The Radial Boom Derrick (RBD), unit # 9082, which Atikokan Hydro Inc. owns and operates has some serious structural concerns in regards to the steel utility box. When Unit # 9082 was first commissioned the unit served a dual purpose which was a man lift as well as digger derrick. The RBD was equipped with a steel utility box to accommodate the necessary line material utilized on a day to day basis by the utility. The bucket and upper hydraulic controls were removed from 9082 prior to 2010 and the RBD became strictly a digger derrick. Incorporated into the design of the utility box is the holding tank for the entire hydraulic system. This tank as well is suspect in terms of structural integrity and projected life span before a failure occurs resulting in an environmental spill of entire hydraulic fluid reservoir. In April of 2009, 9082's body was patched and repaired with additional steel and necessary supports welded on the unit. The application of salt and sand to the roadways throughout the 6 months of winter in a rural Northwestern Ontario have completely deteriorated the utility box over the RBD's 27 years of service.

The following are a few pictures to illustrate the physical deterioration of the body and hydraulic tank on 9082.



Rear Driver's side fender viewed from deck.



Image of rear inner fender well Passenger's side looking towards rear of truck.



Image of rear inner fender well Passenger's side looking towards cab of truck.



View from the deck Passenger's side fender well. The deck view of the picture located above.



The top center of this picture illustrates the rust on the hydraulic tank. It is also visible where the original deck is deteriorating, in the center of the picture, when compared to the metal that has been installed on the deck to reinforce and strengthen it.

When the truck is inspected for the annual safety the cab and chassis are scrutinized for items such as rust and deterioration however the body itself does not influence the inspection. With this being said, I believe the opinion of an MTO Field Officer would differ. At this point with the completely deteriorated body mounts and fenders in disarray the truck is not far from being deemed unsafe to operate in a daily circle check inspection performed by the drivers of the vehicle.

Either used or new options would be meeting the objective of replacing the Digger Derrick; however, a new purchase is preferred. The last major truck purchase was a new purchase and has been beneficial. Further, Atikokan believes purchasing new would allow scheduled maintenance and expenses to be likely scheduled and predicted and would alternatively have warranty for a period of time. Purchasing used would likely have greater risk of unbudgeted maintenance and repairs. Additionally, given the size of Atikokan, shops and garages are limited. Annually Atikokan takes trucks out of town for servicing; 209 KM away.

2-Staff-21

Replacement of 9093 and 9094 service trucks

Ref: Exhibit 2, Attachment A, p. 110-112

Atikokan Hydro is proposing to spend \$300,000 to replace its digger derrick truck that is past its useful life. Atikokan Hydro is planning to purchase a new truck but has not decided whether it will be a hydraulic or electric digger-derrick truck.

- a) Please confirm whether Atikokan Hydro is on schedule to purchase this truck in 2017. If not confirmed, please provide the planned purchase date.
- b) Is there any new information regarding the cost of the proposed new truck?
- c) Did Atikokan Hydro conduct an economic analysis comparing the do nothing, buy used and buy new alternatives? If so, please provide that analysis.

Response:

- a) Atikokan confirms Exhibit 2 Attachment A, p. 110-112, indicated a Capital Investment of \$120,000 for service trucks. Atikokan Hydro may not be on schedule in terms of purchase dates but the purchases are still a requirement in Atikokan's immediate future capital plans. Atikokan strategically was waiting for final board decision and order to ensure it was not putting the utility in a vulnerable position if rate increases were not met.
- b) There is no new information regarding the cost of the proposed new truck. Atikokan used costing based on the last purchase price of service trucks.
- c) Atikokan has historically purchased new service trucks. Do nothing is not an option. As per the last cost of service it was noted a service truck was required. This purchase did not occur due to reprioritizing. There was a need then based on useful life projections and physical deterioration of the trucks but the need is greater now; not only due to the age of the truck but both visual and physical inspections. Atikokan does not have good roads in town and this wears hard on the trucks in their daily use. Atikokan's service trucks body is becoming a concern as much as the digger derrick with rusting and deterioration of the trucks body and Atikokan needs to do something.



Visual showing some of the rust and deterioration of the body.

Exhibit 3 – Operating Revenue

3-Staff-22

Load Forecast

Ref: Exhibit 3, p.5

Atikokan Hydro indicates that it has updated its analysis for actual power consumed by each customer class up to December 2015.

Please provide consumption and the number of customers by class for 2016. Please describe how 2016 actuals vary from the 2016 forecast in the application and indicate how the load and customer forecast for 2017 may be affected.

Response:

The following table shows the variance from 2016 Actual to 2016 Weather Normal prediction.

Class	2016 Actual	2016 Weather Normal	Variance	Variance %
Residential				
Customers	1392	1397	-5	
kWh	8,885,318	9,625,755	-740,438	8.33%
GS<50 kW				
Customers	229	231	-2	
kWh	4,951,711	5,275,055	-323,344	6.53%
GS>50 kW				
Customers	17	17	0	
kWh	21,235,005	-11,869,754	9,365,251	-44.10%
kW	47,908	33,610	14,298	-29.84%
Street Lights				
Connections	625	625	0	
kWh	462,429	461,749	680	-0.15%
kW	1,432	1,430	2	

The greatest variance between the 2016 forecast and 2016 actual is in the GS>50 customer class which is Atikokan Hydro's burden. Atikokan Hydro has limited customers in this class that just one customer can create a vast difference creating volatility.

Atikokan Hydro has one production customer. If this same customer has a slow down or increase their production a large variance is created in kWh's and kW's. The economy is also a factor for their production or lack thereof.

Given the differences in the GS > customer class, the 2017 forecast may be somewhat conservative.

3-Staff-23

Load forecast Model

Ref: load Forecast Model, Worksheet “Summary”

Ref: Exhibit 3, p. 8-10

The Load Forecast Model presents actual kWh purchases against those predicted by the model in rows 4 to 6 of the Summary worksheet. The differences are relatively small from 2003 to 2012 (absolute average of 2.2%) but become quite large for 2013 to 2015 (absolute average of 14.4%).

At the second reference, the Load Forecast Model is described as including an “Intermediate class: flag variable have any impact on the forecast once it is set to zero?”

- a) Please provide the actual kWh purchase for 2016.
- b) Does the intermediate flag variable have any impact on the forecast once it is set to zero?
- c) Please explain why the model’s predicted kWh purchases for 2013 to 2015 differed significant from actuals.
- d) Please explain why the Board should be confident that this model has provided a reasonable forecast for the test year.

Response:

- a) The actual kWh purchased for 2016 are 37,949,177.
- b) The intermediate flag variable does not have any impact on the forecast once it is set to zero.
- c) The model’s predicted kWh purchases for 2013 to 2015 differed significantly from actuals due to the gain of a GS > 50 customer. It is this GS class’s volatility that creates the significant variances between modelled and actual purchases. This load did not exist during Atikokan Hydro’s last CoS Rate Application. The modelled purchases follows the model averaging and as a result it creates a lower than actual prediction.
- d) The Board should be confident that this model has provided a reasonable forecast for the test year for the following reasons:
 - The load forecast model is consistent with model approved by Board in Atikokan Hydro’s last cost of service application.
 - The model has an R Square and an Adjusted R Square of 92% which indicates the results of the regression analysis produces a prediction formula that fits quite well with actual data.
 - This same method has been used by numerous other LDCs in the past 10 years.
 - The results are consistent with recent total usage by Atikokan Hydro customers.

- The model takes a conservative view on the kWh usage in the GS > 50 kW class since Atikokan Hydro is concerned that the current usage for this class may not be sustainable.

3-Staff-24

Load Forecast Model

Ref: Exhibit 3.p9

Ref: Exhibit 3, p8, Table 3-4

At the first reference, it is explained that the load forecast is a top-down forecast that starts by forecasting overall consumption, weather normalizing that consumption and then dividing it amount customer classes based on customer counts.

At the second reference, the consumption per customer in the GS>50 kW customer class more than doubled from 2014 to 2015.

- a) What was the cause of the significant increase in the consumption per customer in the GS>50 kW class from 2014 to 2015?
- b) Is Atikokan Hydro concerned that the top-down approach may be inappropriate given the significant changes in consumption patterns for the GS>50 kW in recent years?

Response:

- a) The significant increase in consumption per customer in the GS > 50 class from 2014 to 2015 is the result of a GS > 50 customer ramping up operations; the same customer Atikokan did not have during its last Cost of Service; EB-2011-0293.
- b) Atikokan Hydro is not concerned that the top-down approach may be inappropriate given the significant changes in consumption patterns for the GS>50 kW in recent years for the reasons provided in response to 3-Staff-23 d)

3-Staff-25

Revenue volatility

Ref: Eb-2016-0052, December 17, 2015, letter from OEB

Ref: Exhibit 3, p. 4 Table 3-1

In EB-2016-0052, Atikokan Hydro received a letter from the OEB regarding its earnings being 1,921 basis points above the target return on equity (ROE). In response, Atikokan Hydro explained the circumstances that led to the over-earning and also showed that its ROE had significantly deviated above and below the target ROE between 2011 and 2015.

The table in the application at reference 2 above shows that Atikokan Hydro's revenue has varied significantly from 2011 to 2015, and Atikokan Hydro had stated this is one of the causes for the variance in ROE.

- Please provide actuals or an updated estimate of 2016 distribution and other revenues.
- What is the potential variance (expressed as a percentage) in distribution and other revenues for the test year?
- Please provide actual ROE for the period from 2012 to 2016.
- How has Atikokan Hydro managed the significant variations in its ROE in previous years?

Response:

- Table 3-1 Summary of Operating Revenue has been updated to 2016 unaudited Distribution Throughput Revenue and Other Distribution Revenue.

Table 3-1: Summary of Operating Revenue								
	2011 Actual	2012 Board Approved	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual (unaudited)	2017 Test at Current Rates
Distribution Throughput Revenue								
Residential	618,479	\$ 746,244	\$676,859	\$773,906	\$781,985	\$769,099	\$729,954	\$716,830
GS<50	235,090	\$ 287,448	\$249,046	\$276,074	\$275,250	\$271,053	\$264,082	\$257,902
GS>50	142,581	\$ 115,030	\$151,058	\$163,590	\$173,917	\$231,321	\$226,615	\$191,138
Street Lights	75,441	\$ 84,093	\$91,061	\$111,656	\$112,397	\$113,146	\$113,226	\$113,188
Total	1,071,590	\$ 1,232,815	1,168,023	1,325,226	1,343,549	1,384,619	1,333,877	1,279,058
Other Distribution Revenue								
SSS Administration Revenue (4086)	4,633	\$4,200	\$4,741	\$4,845	\$4,906	\$4,884	\$4,877	\$4,875
Rent from Electric Property (4210)	34,911	\$ 34,911	\$31,625	\$31,625	\$31,625	\$31,625	\$32,609	\$32,609
Late Payment Charges (4225)	4,809	\$ 6,024	\$6,424	\$6,376	\$8,072	\$9,300	\$10,898	\$7,543
Specific Service Charges (4235)	6,330	\$ 7,100	\$6,079	\$6,278	\$6,640	\$4,542	\$8,029	\$5,885
Merchandise & Jobbing Revenue (4325)	89,497	\$ 75,000	\$66,608	\$70,407	\$128,340	\$91,224	\$73,406	\$70,000
Merchandise & Jobbing Costs (4330)	(24,174)	-\$ 20,000	-\$29,758	-\$58,208	-\$87,015	-\$23,705	-\$42,589	-\$34,351
Other Distribution Rev. (4082, 4084, 4390)	9,922	\$ 9,000	\$11,660	\$10,754	\$13,204	\$13,079	\$5,608	\$8,420
Gain on Disposition of Property (4355)	0	\$ -	\$0	\$0	\$0	\$0	\$0	\$0
Loss on Disposition of Property (4360)	-2,942	\$ -	-\$17,512	-\$6,104	-\$7,788	-\$16,690	-\$22,432	\$0
Other Income & Exp. (4405)	11,012	\$ 9,000	\$12,876	\$5,332	\$7,789	\$9,491	\$8,396	\$7,789
Total	\$133,998	\$125,235	\$92,743	\$71,306	\$105,774	\$123,750	\$78,803	\$102,770
Grand Total	\$1,205,588	\$1,358,050	\$1,260,766	\$1,396,532	\$1,449,323	\$1,508,369	\$1,412,679	\$1,381,828

- The potential variance in distribution and other revenues for the test year between 2016 and the 2017 bridge year is difficult to determine. Given the size of the utility, the LDC is subjected to greater volatility from changes in

revenue whether it is due to changes in power sold and the customer base and other revenue that is variable. Reviewing historical revenues, the variance ranges between 5-10%; the ROE being impacted by 1% with only a \$10,000 change in revenues.

- c) The actual ROE for the period from 2012 to 2016 is 10.96%. The unaudited 2016 ROE is estimated to be 4.6%.

2012	2013	2014	2015	2016	2012vs 2016	Average
-2.52%	11.28%	28.33%	13.14%	4.6%	7.12%	10.96%

- d) Historically Atikokan's Return on Equity has been inconsistent and attributes this to volatility of expenditures and revenues but at the same time this volatility is due to the small size of the utility, the ROE is impacted by an expenditure or change in revenues of \$10,000; impacting Return on Equity by 1%.

Atikokan Hydro has managed the significant variations in its ROE by being aware of the reasons for the volatile variations. There often is an annual anomaly which swings our revenues and expenses. They are explainable and the reasons are never the same. The anomalies are out of the utilities immediate control.

Further, the over earning years enabled Atikokan to regain financial viability and recoup prior year deficits; strengthening the position of the LDC.

Exhibit 4 – Operating Expenses

4-Staff-26

OM&A Capitalization

Exhibit 4, Schedule 2.4.1, Page 5

Atikokan Hydro states that one of the main drivers for the OM&A variance is greater capitalization of OM&A, leading to an increase in OM&A of \$52k between 2012 and 2017.

- a) Please explain why OM&A that is capitalized to PP&E would increase OM&A and not decrease OM&A.
- b) Please confirm that capitalized OM&A amounts have been deducted from OM&A that is requested for recovery and included in rate base. If not, please revise OM&A and rate base.

Response:

- a) OM&A that is capitalized to PP&E would not increase OM&A. Line 23, Page 5; should have read
 - Greater capitalization of OM&A - \$52,295. Capitalized OM&A is not recorded in OM&A accounts but recorded in capital accounts, decreasing OM&A.
- b) Atikokan confirms that capitalized OM&A amounts have been deducted from OM&A that is requested for recovery and included in rate base.

4-Staff-27

OPEBs

Exhibit 4, Schedule 2.4.3.1, Page 20

The only Other Post-Employment Benefit (OPEB) is the death benefit to retirees.

- a) Please provide the OPEB amounts from 2012 to 2017.
- b) Please indicate if the OPEB amounts are recovered on a cash or accrual basis.
- c) If the amounts are material, please complete Appendix 2-KA from Chapter 2 of the 2017 Filing Requirements¹.

Response:

- a) Other Post-Employment Benefit (OPEB) amounts from 2012 to 2017 are \$27,031.85 averaging \$4,505 per annum.
 - 2012 - \$2,753.46
 - 2013 - \$4,715.96
 - 2014 - \$3,954.25
 - 2015 - \$3,711.32
 - 2016 - \$6,013.42
 - 2017 - \$5,883.44 (forecast)
 - b) OPEB amounts are being recovered on a cash basis. This amount is recovered through our OM&A expenses.
 - c) The Other Post-Employment Benefit amounts are immaterial; therefore, Atikokan Hydro is not completing Appendix 2-KA from Chapter 2 of the 2017 Filing Requirements.
-

4-Staff-28

Depreciation and useful lives

Exhibit 4, Schedule 2.4.4, Pages 31-38

Exhibit 2, Schedule 2.2.1.1, Pages 10-15 Appendix 2-BA

- a) Table 4-27 shows Account 1850 to have a useful life of 45 years. However, in Tables 4-29 to 4-32, Account 1850 is depreciated over 60 years.
 - i. Please confirm that the useful life should be 45 years and revise Tables 4-29 to 4-32 as appropriate.
 - ii. If the useful life is 60 years, please explain why it is 60 instead of 45.
- b) Tables 4-29 to 4-32 all show a variance between the depreciation calculated in these tables and the depreciation used in Appendix 2-BA that informs rate base. Please explain how the depreciation in Appendix 2-BA is calculated.
- c) In Tables 4-29 to 4-32, the Opening Accumulated Depreciation balances from Appendix 2-BA is used in the "Less Fully Depreciated" column. This means that depreciation is calculated on the net book value each year and not on the gross book value. Therefore, straight line depreciation is not used. "Less Fully Depreciated" is for assets that have been fully depreciated to \$0. If this is an oversight, please revise Tables 4-29 to 4-32 accordingly to calculate depreciation on a straight line basis. Otherwise, please provide an explanation for the approach proposed and why it is reasonable to deviate from the OEB established policy on this matter.

Response:

- a) Atikokan Hydro confirms the useful life for transformers (#1850) is 45 years and has revised Tables 4-29 to 4-32. See response to c) for revised tables.
- b) Atikokan mistakenly misunderstood these tables. See c) for revised tables correcting this mistake.
- c) By oversight Atikokan mistakenly included the Opening Accumulated Depreciation balances from Appendix 2-BA in the 'Less Fully Depreciated' column. Atikokan has made the applicable corrections. Atikokan notes the variances in the revised tables (Table 4-29 to 4-32) are smaller than originally shown. The variances are believed to be a result of one time adjustments such as IFRS but in proceeding years the variances should diminish as the assets become fully amortized. Specifically with the IFRS transition, adjustments based on assumptions were made to assets useful

life to extend the life and value; but in reality the assets were likely at or beyond their deemed useful life.

Accounting Standard MIFRS
Year 2012

Account	Description	Opening Regulatory Gross PP&E as at Jan. 1 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation ² (e) = (c) + ½ x (d)	Years (f)	Depreciation Rate (g) = 1 / (f)	Current Year Depreciation Expense (h) = (e) / (f)	Depreciation Expense per Appendix 2-BA Fixed Assets, Column J (l)	Variance ³ (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	\$ 178,186	\$ 178,187	\$ - 1	\$ 15,583	\$ 7,791	2.00	50.00%	\$ 3,896	\$ 3,896	\$ - 0
1612	Land Rights (Formally known as Account 1906)			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1805	Land			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1808	Buildings			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1810	Leasehold Improvements			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1815	Transformer Station Equipment >50 kV			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1820	Distribution Station Equipment <50 kV	\$ 497,031		\$ 497,031	\$ -	\$ 497,031	45.00	2.22%	\$ 11,045	\$ 14,465	\$ - 3,420
1825	Storage Battery Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1830	Poles, Towers & Fixtures	\$ 2,096,474		\$ 2,096,474	\$ 98,183	\$ 2,145,565	45.00	2.22%	\$ 47,679	\$ 66,313	\$ - 18,634
1835	Overhead Conductors & Devices			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1840	Underground Conduit			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1845	Underground Conductors & Devices			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1850	Line Transformers	\$ 494,798	\$ -	\$ 494,798	\$ 551	\$ 495,073	45.00	2.22%	\$ 11,002	\$ 12,074	\$ - 1,072
1855	Services (Overhead & Underground)			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1860	Meters	\$ 156,560	\$ -	\$ 156,560	\$ -	\$ 156,560	25.00	4.00%	\$ 6,262	\$ 6,262	\$ - 0
1860	Meters (Smart Meters)	\$ 143,448		\$ 143,448	\$ 253,960	\$ 270,428	15.00	6.67%	\$ 18,029	\$ 2,658	\$ 15,371
1905	Land	\$ 15,588	\$ -	\$ 15,588	\$ -	\$ 15,588			\$ -	\$ -	\$ -
1908	Buildings & Fixtures	\$ 681,042	\$ -	\$ 681,042	\$ 2,635	\$ 682,360	40.00	2.50%	\$ 17,059	\$ 24,438	\$ - 7,379
1910	Leasehold Improvements			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1915	Office Furniture & Equipment (10 years)	\$ 40,034	\$ 40,034	\$ -	\$ -	\$ -	10.00	10.00%	\$ -	\$ -	\$ -
1915	Office Furniture & Equipment (5 years)	\$ 22,685	\$ -	\$ 22,685	\$ -	\$ 22,685	10.00	10.00%	\$ 2,269	\$ 3,301	\$ - 1,032
1920	Computer Equipment - Hardware			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ 90	\$ 90	\$ -	\$ -	\$ -	5.00	20.00%	\$ -	\$ -	\$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ 47,500	\$ 47,500	\$ 0	\$ 5,153	\$ 2,577	5.00	20.00%	\$ 515	\$ 515	\$ - 0
1930	Transportation Equipment	\$ 762,757	\$ 420,377	\$ 342,380	\$ -	\$ 342,380	15.00	6.67%	\$ 22,825	\$ 22,822	\$ 3
1935	Stores Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1940	Tools, Shop & Garage Equipment	\$ 88,057	\$ 48,890	\$ 39,167	\$ 5,242	\$ 41,788	10.00	10.00%	\$ 4,179	\$ 4,178	\$ 1
1945	Measurement & Testing Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1950	Power Operated Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1955	Communications Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1955	Communication Equipment (Smart Meters)			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1960	Miscellaneous Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1970	Load Management Controls - Customer Premises			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1975	Load Management Controls Utility Premises			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1980	System Supervisor Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1985	Miscellaneous Fixed Assets			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1990	Other Tangible Property			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1995	Contributions & Grants			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
Total		\$ 5,224,251	\$ 735,077	\$ 4,489,173	\$ 381,306	\$ 4,679,826			\$ 144,759	\$ 160,922	\$ 16,163

Accounting Standard MIFRS
Year 2013

Account	Description	Opening Regulatory Gross PP&E as at Jan. 1 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation ² (e) = (c) + ½ x (d)	Years (f)	Depreciation Rate (g) = 1 / (f)	Current Year Depreciation Expense (h) = (e) / (f)	Depreciation Expense per Appendix 2-BA Fixed Assets, Column J (l)	Variance ³ (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	\$ 193,770	\$ 170,400	\$ 23,370	\$ 3,494	\$ 25,117	2.00	50.00%	\$ 12,558	\$ 12,561	\$ - 3
1612	Land Rights (Formally known as Account 1906)			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1805	Land			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1808	Buildings			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1810	Leasehold Improvements			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1815	Transformer Station Equipment >50 kV			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1820	Distribution Station Equipment <50 kV	\$ 497,031	\$ 25,200	\$ 471,831	\$ 2,672	\$ 473,167	45.00	2.22%	\$ 10,515	\$ 10,516	\$ - 1
1825	Storage Battery Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1830	Poles, Towers & Fixtures	\$ 2,177,143	\$ -	\$ 2,177,143	\$ 123,522	\$ 2,238,903	45.00	2.22%	\$ 49,753	\$ 82,304	\$ - 32,551
1835	Overhead Conductors & Devices			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1840	Underground Conduit			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1845	Underground Conductors & Devices			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1850	Line Transformers	\$ 495,349	\$ 239,000	\$ 256,349	\$ -	\$ 256,349	45.00	2.22%	\$ 5,697	\$ 5,696	\$ 1
1855	Services (Overhead & Underground)			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1860	Meters	\$ 156,560	\$ 52,391	\$ 104,168	\$ -	\$ 104,168	25.00	4.00%	\$ 4,167	\$ 6,262	\$ -
1860	Meters (Smart Meters)	\$ 292,619	\$ -	\$ 292,619	\$ 184,469	\$ 384,853	15.00	6.67%	\$ 25,657	\$ 37,779	\$ - 12,122
1905	Land	\$ 15,588	\$ -	\$ 15,588	\$ -	\$ 15,588			\$ -	\$ -	\$ -
1908	Buildings & Fixtures	\$ 683,677	\$ -	\$ 683,677	\$ -	\$ 683,677	40.00	2.50%	\$ 17,092	\$ 24,493	\$ - 7,401
1910	Leasehold Improvements			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1915	Office Furniture & Equipment (10 years)	\$ 40,034	\$ 40,034	\$ -	\$ -	\$ -	10.00	10.00%	\$ -	\$ -	\$ -
1915	Office Furniture & Equipment (5 years)	\$ 22,685	\$ -	\$ 22,685	\$ -	\$ 22,685	10.00	10.00%	\$ 2,269	\$ 3,294	\$ - 1,025
1920	Computer Equipment - Hardware			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ 90	\$ 90	\$ -	\$ -	\$ -	5.00	20.00%	\$ -	\$ -	\$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ 52,653	\$ 34,650	\$ 18,003	\$ 10,329	\$ 23,167	5.00	20.00%	\$ 4,633	\$ 4,633	\$ - 0
1930	Transportation Equipment	\$ 762,757	\$ 418,370	\$ 344,387	\$ 2,054	\$ 345,414	15.00	6.67%	\$ 23,028	\$ 23,027	\$ 1
1935	Stores Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1940	Tools, Shop & Garage Equipment	\$ 93,299	\$ 57,350	\$ 35,949	\$ 7,221	\$ 39,560	10.00	10.00%	\$ 3,956	\$ 3,956	\$ - 0
1945	Measurement & Testing Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1950	Power Operated Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1955	Communications Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1955	Communication Equipment (Smart Meters)			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1960	Miscellaneous Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1970	Load Management Controls - Customer Premises			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1975	Load Management Controls Utility Premises			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1980	System Supervisor Equipment			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1985	Miscellaneous Fixed Assets			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1990	Other Tangible Property			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
1995	Contributions & Grants			\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
Total		\$ 5,483,253	\$ 1,037,485	\$ 4,445,768	\$ 333,760	\$ 4,612,648			\$ 159,324	\$ 214,521	\$ 53,101

Accounting Standard MIFRS
Year 2014

Account	Description	Opening Regulatory Gross PP&E as at Jan. 1 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation ² (e) = (c) + 1/2 x (d)	Years (f)	Depreciation Rate (g) = 1 / (f)	Current Year Depreciation Expense (h) = (e) / (f)	Depreciation Expense per Appendix 2-BA Fixed Assets, Column J	Variance ³ (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	\$ 197,263	\$ 194,950	\$ 2,313	\$ 1,475	\$ 3,051	2.00	50.00%	\$ 1,525	\$ 1,526	\$ - 0
1612	Land Rights (Formally known as Account 1906)			\$ -	\$ -	\$ -					\$ -
1805	Land			\$ -	\$ -	\$ -					\$ -
1808	Buildings			\$ -	\$ -	\$ -					\$ -
1810	Leasehold Improvements			\$ -	\$ -	\$ -					\$ -
1815	Transformer Station Equipment >50 kV			\$ -	\$ -	\$ -					\$ -
1820	Distribution Station Equipment <50 kV	\$ 499,703	\$ -	\$ 499,703	\$ 3,082	\$ 501,244	45.00	2.22%	\$ 11,139	\$ 12,298	\$ 1,160
1825	Storage Battery Equipment			\$ -	\$ -	\$ -					\$ -
1830	Poles, Towers & Fixtures	\$ 2,280,711	\$ -	\$ 2,280,711	\$ 414,987	\$ 2,488,205	45.00	2.22%	\$ 55,293	\$ 63,435	\$ 8,141
1835	Overhead Conductors & Devices			\$ -	\$ -	\$ -					\$ -
1840	Underground Conduit			\$ -	\$ -	\$ -					\$ -
1845	Underground Conductors & Devices			\$ -	\$ -	\$ -					\$ -
1850	Line Transformers	\$ 489,546	\$ 258,200	\$ 231,346	\$ 21,175	\$ 241,933	45.00	2.22%	\$ 5,376	\$ 5,378	\$ 1
1855	Services (Overhead & Underground)			\$ -	\$ -	\$ -					\$ -
1860	Meters	\$ 156,560	\$ -	\$ 156,560	\$ 10,116	\$ 161,618	25.00	4.00%	\$ 6,465	\$ 7,285	\$ 820
1905	Meters (Smart Meters)	\$ 477,088	\$ -	\$ 477,088	\$ -	\$ 477,088	15.00	6.67%	\$ 31,806	\$ 37,104	\$ 5,299
1908	Buildings & Fixtures	\$ 15,588	\$ -	\$ 15,588	\$ -	\$ 15,588					\$ -
1908	Buildings & Fixtures	\$ 683,677	\$ -	\$ 683,677	\$ -	\$ 683,677	40.00	2.50%	\$ 17,092	\$ 36,232	\$ 19,140
1910	Leasehold Improvements			\$ -	\$ -	\$ -					\$ -
1915	Office Furniture & Equipment (10 years)	\$ 40,034	\$ 40,034	\$ -	\$ -	\$ -	10.00	10.00%	\$ -	\$ -	\$ -
1915	Office Furniture & Equipment (5 years)	\$ 22,685	\$ -	\$ 22,685	\$ -	\$ 22,685	10.00	10.00%	\$ 2,269	\$ 2,923	\$ 654
1920	Computer Equipment - Hardware			\$ -	\$ -	\$ -					\$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ 90	\$ 90	\$ -	\$ -	\$ -	5.00	20.00%	\$ -	\$ -	\$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ 62,982	\$ 47,870	\$ 15,112	\$ 1,369	\$ 15,796	5.00	20.00%	\$ 3,159	\$ 3,159	\$ 0
1930	Transportation Equipment	\$ 764,811	\$ 407,902	\$ 356,909	\$ -	\$ 356,909	15.00	6.67%	\$ 23,794	\$ 23,795	\$ 1
1935	Stores Equipment			\$ -	\$ -	\$ -					\$ -
1940	Tools, Shop & Garage Equipment	\$ 100,520	\$ 67,190	\$ 33,330	\$ 8,372	\$ 37,516	10.00	10.00%	\$ 3,752	\$ 3,751	\$ 0
1945	Measurement & Testing Equipment			\$ -	\$ -	\$ -					\$ -
1950	Power Operated Equipment			\$ -	\$ -	\$ -					\$ -
1955	Communications Equipment			\$ -	\$ -	\$ -					\$ -
1955	Communication Equipment (Smart Meters)			\$ -	\$ -	\$ -					\$ -
1960	Miscellaneous Equipment			\$ -	\$ -	\$ -					\$ -
1970	Load Management Controls - Customer Premises			\$ -	\$ -	\$ -					\$ -
1975	Load Management Controls Utility Premises			\$ -	\$ -	\$ -					\$ -
1980	System Supervisor Equipment			\$ -	\$ -	\$ -					\$ -
1985	Miscellaneous Fixed Assets			\$ -	\$ -	\$ -					\$ -
1990	Other Tangible Property			\$ -	\$ -	\$ -					\$ -
1995	Contributions & Grants			\$ -	\$ -	\$ -		0.00%	\$ -	\$ -	\$ -
	Total	\$ 5,791,257	\$ 1,016,235	\$ 4,775,021	\$ 460,575	\$ 5,005,309			\$ 161,670	\$ 196,885	\$ 35,216

Accounting Standard MIFRS
Year 2015

Account	Description	Opening Regulatory Gross PP&E as at Jan. 1 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation ² (e) = (c) + 1/2 x (d)	Years (f)	Depreciation Rate (g) = 1 / (f)	Current Year Depreciation Expense (h) = (e) / (f)	Depreciation Expense per Appendix 2-BA Fixed Assets, Column J	Variance ³ (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	\$ 31,033	\$ 29,250	\$ 1,783	\$ 11,927	\$ 7,746	2.00	50.00%	\$ 3,873	\$ 3,874	\$ 1
1612	Land Rights (Formally known as Account 1906)			\$ -	\$ -	\$ -					\$ -
1805	Land			\$ -	\$ -	\$ -					\$ -
1808	Buildings			\$ -	\$ -	\$ -					\$ -
1810	Leasehold Improvements			\$ -	\$ -	\$ -					\$ -
1815	Transformer Station Equipment >50 kV			\$ -	\$ -	\$ -					\$ -
1820	Distribution Station Equipment <50 kV	\$ 502,785	\$ -	\$ 502,785	\$ -	\$ 502,785	45.00	2.22%	\$ 11,173	\$ 12,478	\$ 1,305
1825	Storage Battery Equipment			\$ -	\$ -	\$ -					\$ -
1830	Poles, Towers & Fixtures	\$ 2,682,671	\$ -	\$ 2,682,671	\$ 194,215	\$ 2,779,779	45.00	2.22%	\$ 61,773	\$ 67,870	\$ 6,097
1835	Overhead Conductors & Devices			\$ -	\$ -	\$ -					\$ -
1840	Underground Conduit			\$ -	\$ -	\$ -					\$ -
1845	Underground Conductors & Devices			\$ -	\$ -	\$ -					\$ -
1850	Line Transformers	\$ 456,006	\$ 207,675	\$ 248,331	\$ 6,895	\$ 251,779	45.00	2.22%	\$ 5,595	\$ 5,595	\$ 0
1855	Services (Overhead & Underground)			\$ -	\$ -	\$ -					\$ -
1860	Meters	\$ 166,676	\$ -	\$ 166,676	\$ 19,875	\$ 176,613	25.00	4.00%	\$ 7,065	\$ 7,540	\$ 475
1860	Meters (Smart Meters)	\$ 476,975	\$ -	\$ 476,975	\$ 2,830	\$ 478,390	15.00	6.67%	\$ 31,893	\$ 36,951	\$ 5,058
1905	Land	\$ 15,588	\$ -	\$ 15,588	\$ -	\$ 15,588			\$ -	\$ -	\$ -
1908	Buildings & Fixtures	\$ 683,677	\$ 235,800	\$ 447,877	\$ -	\$ 447,877	40.00	2.50%	\$ 11,197	\$ 11,197	\$ 0
1910	Leasehold Improvements			\$ -	\$ -	\$ -					\$ -
1915	Office Furniture & Equipment (10 years)	\$ 40,034	\$ 40,034	\$ -	\$ -	\$ -	10.00	10.00%	\$ 0	\$ 0	\$ 0
1915	Office Furniture & Equipment (5 years)	\$ 22,685	\$ -	\$ 22,685	\$ -	\$ 22,685	10.00	10.00%	\$ 2,269	\$ 2,912	\$ 643
1920	Computer Equipment - Hardware			\$ -	\$ -	\$ -					\$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ 90	\$ 90	\$ -	\$ -	\$ -	5.00	20.00%	\$ 0	\$ 0	\$ 0
1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ 21,000	\$ 5,040	\$ 15,960	\$ 7,436	\$ 19,678	5.00	20.00%	\$ 3,936	\$ 3,935	\$ 1
1930	Transportation Equipment	\$ 764,811	\$ 414,900	\$ 349,911	\$ 11,314	\$ 355,568	15.00	6.67%	\$ 23,705	\$ 23,705	\$ 0
1935	Stores Equipment			\$ -	\$ -	\$ -					\$ -
1940	Tools, Shop & Garage Equipment	\$ 108,892	\$ 68,100	\$ 40,792	\$ 14,177	\$ 47,881	10.00	10.00%	\$ 4,788	\$ 4,787	\$ 1
1945	Measurement & Testing Equipment			\$ -	\$ -	\$ -					\$ -
1950	Power Operated Equipment			\$ -	\$ -	\$ -					\$ -
1955	Communications Equipment			\$ -	\$ -	\$ -					\$ -
1955	Communication Equipment (Smart Meters)			\$ -	\$ -	\$ -					\$ -
1960	Miscellaneous Equipment			\$ -	\$ -	\$ -					\$ -
1970	Load Management Controls - Customer Premises			\$ -	\$ -	\$ -					\$ -
1975	Load Management Controls Utility Premises			\$ -	\$ -	\$ -					\$ -
1980	System Supervisor Equipment			\$ -	\$ -	\$ -					\$ -
1985	Miscellaneous Fixed Assets			\$ -	\$ -	\$ -					\$ -
1990	Other Tangible Property			\$ -	\$ -	\$ -					\$ -
1995	Contributions & Grants			\$ -	\$ - 20,123	\$ 10,062	45.00		\$ 224	\$ 457	\$ 233
	Total	\$ 5,972,923	\$ 1,000,889	\$ 4,972,034	\$ 248,545	\$ 5,096,306			\$ 167,041	\$ 180,387	\$ 13,346

Accounting Standard MIFRS
Year 2016

Account	Description	Opening Regulatory Gross PP&E as at Jan. 1 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation ² (e) = (c) + ½ x (d)	Years (f)	Depreciation Rate (g) = 1 / (f)	Current Year Depreciation Expense (h) = (e) / (f)	Depreciation Expense per Appendix 2-BA Fixed Assets, Column J	Variance ³ (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	\$ 42,959	\$ 30,000	\$ 12,959		\$ 12,959	2.00	50.00%	\$ 6,480	\$ 6,480	\$ 0
1612	Land Rights (Formally known as Account 1906)			\$ -		\$ -			\$ -	\$ -	\$ -
1805	Land			\$ -		\$ -			\$ -	\$ -	\$ -
1808	Buildings			\$ -		\$ -			\$ -	\$ -	\$ -
1810	Leasehold Improvements			\$ -		\$ -			\$ -	\$ -	\$ -
1815	Transformer Station Equipment >50 kV			\$ -		\$ -			\$ -	\$ -	\$ -
1820	Distribution Station Equipment <50 kV	\$ 502,785	\$ -	\$ 502,785	\$ 21,200	\$ 513,385	45.00	2.22%	\$ 11,409	\$ 12,553	\$ 1,144
1825	Storage Battery Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1830	Poles, Towers & Fixtures	\$ 2,844,264	\$ -	\$ 2,844,264	\$ 279,495	\$ 2,984,011	45.00	2.22%	\$ 66,311	\$ 72,920	\$ 6,609
1835	Overhead Conductors & Devices			\$ -		\$ -			\$ -	\$ -	\$ -
1840	Underground Conduit			\$ -		\$ -			\$ -	\$ -	\$ -
1845	Underground Conductors & Devices			\$ -		\$ -			\$ -	\$ -	\$ -
1850	Line Transformers	\$ 460,475	\$ 192,000	\$ 268,475		\$ 268,475	45.00	2.22%	\$ 5,966	\$ 5,970	\$ 3
1855	Services (Overhead & Underground)			\$ -		\$ -			\$ -	\$ -	\$ -
1860	Meters	\$ 177,518	\$ 5,175	\$ 172,343		\$ 172,343	25.00	4.00%	\$ 6,894	\$ 6,893	\$ 0
1860	Meters (Smart Meters)	\$ 476,884	\$ -	\$ 476,884		\$ 476,884	15.00	6.67%	\$ 31,792	\$ 36,772	\$ 4,980
1905	Land	\$ 15,588	\$ -	\$ 15,588		\$ 15,588	-	0.00%	\$ -	\$ -	\$ -
1908	Buildings & Fixtures	\$ 683,677	\$ 235,800	\$ 447,877		\$ 447,877	40.00	2.50%	\$ 11,197	\$ 11,197	\$ 0
1910	Leasehold Improvements			\$ -		\$ -			\$ -	\$ -	\$ -
1915	Office Furniture & Equipment (10 years)	\$ 40,034	\$ 40,034	\$ -		\$ -	10.00	10.00%	\$ -	\$ -	\$ 0
1915	Office Furniture & Equipment (5 years)	\$ 22,685	\$ -	\$ 22,685		\$ 22,685	10.00	10.00%	\$ 2,269	\$ 2,269	\$ 0
1920	Computer Equipment - Hardware			\$ -	\$ 1,905	\$ 953			\$ -	\$ -	\$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ 90	\$ 90	\$ -		\$ -	5.00	20.00%	\$ -	\$ -	\$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ 28,436	\$ 3,805	\$ 24,631		\$ 24,631	5.00	20.00%	\$ 4,926	\$ 4,926	\$ 0
1930	Transportation Equipment	\$ 754,182	\$ 388,700	\$ 365,482		\$ 365,482	15.00	6.67%	\$ 24,365	\$ 24,365	\$ 1
1935	Stores Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1940	Tools, Shop & Garage Equipment	\$ 123,069	\$ 67,520	\$ 55,549	\$ 3,349	\$ 57,224	10.00	10.00%	\$ 5,722	\$ 5,722	\$ 0
1945	Measurement & Testing Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1950	Power Operated Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1955	Communications Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1955	Communication Equipment (Smart Meters)			\$ -		\$ -			\$ -	\$ -	\$ -
1960	Miscellaneous Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1970	Load Management Controls - Customer Premises			\$ -		\$ -			\$ -	\$ -	\$ -
1975	Load Management Controls Utility Premises			\$ -		\$ -			\$ -	\$ -	\$ -
1980	System Supervisor Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1985	Miscellaneous Fixed Assets			\$ -		\$ -			\$ -	\$ -	\$ -
1990	Other Tangible Property			\$ -		\$ -			\$ -	\$ -	\$ -
1995	Contributions & Grants	\$ 20,123	\$ -	\$ 20,123		\$ 20,123	45.00		\$ 447	\$ 457	\$ 10
Total		\$ 6,152,522	\$ 963,124	\$ 5,189,398	\$ 305,949	\$ 5,342,373			\$ 176,884	\$ 189,611	\$ 12,727

Accounting Standard MIFRS
Year 2017

Account	Description	Opening Regulatory Gross PP&E as at Jan. 1 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation ² (e) = (c) + ½ x (d)	Years (f)	Depreciation Rate (g) = 1 / (f)	Current Year Depreciation Expense (h) = (e) / (f)	Depreciation Expense per Appendix 2-BA Fixed Assets, Column J	Variance ³ (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	\$ 42,959	\$ 36,082	\$ 6,877		\$ 6,877	2.00	50.00%	\$ 3,439	\$ 3,439	\$ 1
1612	Land Rights (Formally known as Account 1906)			\$ -		\$ -			\$ -	\$ -	\$ -
1805	Land			\$ -		\$ -			\$ -	\$ -	\$ -
1808	Buildings			\$ -		\$ -			\$ -	\$ -	\$ -
1810	Leasehold Improvements			\$ -		\$ -			\$ -	\$ -	\$ -
1815	Transformer Station Equipment >50 kV			\$ -		\$ -			\$ -	\$ -	\$ -
1820	Distribution Station Equipment <50 kV	\$ 523,985	\$ -	\$ 523,985	\$ 21,200	\$ 534,585	45.00	2.22%	\$ 11,880	\$ 12,716	\$ 836
1825	Storage Battery Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1830	Poles, Towers & Fixtures	\$ 3,113,750	\$ -	\$ 3,113,750	\$ 232,540	\$ 3,230,020	45.00	2.22%	\$ 71,778	\$ 72,920	\$ 1,142
1835	Overhead Conductors & Devices			\$ -		\$ -			\$ -	\$ -	\$ -
1840	Underground Conduit			\$ -		\$ -			\$ -	\$ -	\$ -
1845	Underground Conductors & Devices			\$ -		\$ -			\$ -	\$ -	\$ -
1850	Line Transformers	\$ 460,475	\$ 199,500	\$ 260,975	\$ 8,000	\$ 264,975	45.00	2.22%	\$ 5,888	\$ 5,888	\$ 0
1855	Services (Overhead & Underground)			\$ -		\$ -			\$ -	\$ -	\$ -
1860	Meters	\$ 170,049	\$ 20,200	\$ 149,849		\$ 149,849	25.00	4.00%	\$ 5,994	\$ 5,994	\$ 0
1860	Meters (Smart Meters)	\$ 476,884	\$ -	\$ 476,884	\$ 10,000	\$ 481,884	15.00	6.67%	\$ 32,126	\$ 37,561	\$ 5,435
1905	Land	\$ 15,588	\$ -	\$ 15,588		\$ 15,588	-		\$ -	\$ -	\$ -
1908	Buildings & Fixtures	\$ 683,677	\$ 235,800	\$ 447,877		\$ 447,877	40.00	2.50%	\$ 11,197	\$ 11,197	\$ 0
1910	Leasehold Improvements			\$ -		\$ -			\$ -	\$ -	\$ -
1915	Office Furniture & Equipment (10 years)	\$ 40,034	\$ 40,034	\$ -		\$ -	10.00	10.00%	\$ -	\$ -	\$ -
1915	Office Furniture & Equipment (5 years)	\$ 22,685	\$ 2,999	\$ 19,686		\$ 19,686	10.00	10.00%	\$ 1,969	\$ 1,969	\$ 0
1920	Computer Equipment - Hardware	\$ 1,905	\$ -	\$ 1,905		\$ 1,905			\$ -	\$ -	\$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ 90	\$ 90	\$ -		\$ -	5.00	20.00%	\$ -	\$ -	\$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ 28,436	\$ 4,570	\$ 23,866		\$ 23,866	5.00	20.00%	\$ 4,773	\$ 4,773	\$ 0
1930	Transportation Equipment	\$ 754,182	\$ 406,210	\$ 347,972	\$ 360,000	\$ 527,972	15.00	6.67%	\$ 35,198	\$ 35,198	\$ 0
1935	Stores Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1940	Tools, Shop & Garage Equipment	\$ 127,069	\$ 70,920	\$ 56,149	\$ 4,000	\$ 58,149	10.00	10.00%	\$ 5,815	\$ 5,815	\$ 0
1945	Measurement & Testing Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1950	Power Operated Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1955	Communications Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1955	Communication Equipment (Smart Meters)			\$ -		\$ -			\$ -	\$ -	\$ -
1960	Miscellaneous Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1970	Load Management Controls - Customer Premises			\$ -		\$ -			\$ -	\$ -	\$ -
1975	Load Management Controls Utility Premises			\$ -		\$ -			\$ -	\$ -	\$ -
1980	System Supervisor Equipment			\$ -		\$ -			\$ -	\$ -	\$ -
1985	Miscellaneous Fixed Assets			\$ -		\$ -			\$ -	\$ -	\$ -
1990	Other Tangible Property			\$ -		\$ -			\$ -	\$ -	\$ -
1995	Contributions & Grants	\$ 20,123	\$ -	\$ 20,123		\$ 20,123	45.00	2.22%	\$ 447	\$ 457	\$ 10
Total		\$ 6,441,645	\$ 1,016,405	\$ 5,425,240	\$ 635,740	\$ 5,743,110			\$ 189,609	\$ 197,013	\$ 7,404

4-Staff-29

PILS

Exhibit 4, Schedule 2.4.5, Attachment D PILS Model

Please confirm that Atikokan is not forecasting any apprentice income tax credits in 2017. If not confirmed, please run a scenario with the PILS model that includes the tax credit. Otherwise, please provide an explanation for the approach proposed and why it is reasonable to deviate from the OEB established policy on this matter.

Response:

Atikokan confirms it is not forecasting any apprentice income tax credits in 2017.

4-Staff-30

Billing and collecting costs and smart meters

Ref: Exhibit 4, p. 5, Table 4-3

Ref: Exhibit 4, p. 6

Ref: Exhibit 4, p. 9, Table 4-6

Table 4-3 shows that billing and collecting O&M costs have increased by about 23% between 2012 and 2017 (about 4% per year). Atikokan Hydro explains at the second reference that this is due to an increase in metering service provider costs and increased maintenance costs. At the third reference, the increase appears to be due primarily to customer billing costs.

- a) Were any savings associated with the implementation of smart meters already achieved in 2012?
- b) Have there been any further savings since 2012 associated with the adoption of smart meters?
- c) What proportion of the increase in billing and collecting costs is due to the service provider, due to meter maintenance and due to other causes?
- d) Has Atikokan Hydro considered an alternative meter service provider?

Response:

- a) There were no direct savings associated with the implementation of smart meters already achieved in 2012.
- b) There have been no further savings since 2012 associated with the adoption of smart meters.
- c) Billing and Collecting have increased \$34,145 from the 2012 Board Approved to the 2017 Test Year. It is difficult to analyze and review these billing components because Atikokan confirms the total yearly amount payable to our Metering Service Provider has increased \$24,883.68 from the 2012 Board Approved to the 2017 Test Year. \$22,055.30 is recorded in billing, \$2,828.38 is recorded in Maintenance. Other Billing and Collecting increases are inflationary. However it should be noted; since the cost of service EB-2011-0293 Atikokan has reallocated some of these expenses from Administration or variance accounts as these are not one time in nature.
- d) Atikokan has not considered an alternative meter service provider. Currently, Atikokan Hydro works collaboratively with the Northwest Group (Sioux Lookout Hydro, Kenora Hydro, Fort Frances Power Corp. and Thunder Bay Hydro) sharing meter services hosted by Thunder Bay Hydro.

4-Staff-31

O&M costs for overhead distribution lines

Ref: Exhibit 4, p. 9, Table 4-6

Atikokan Hydro's O&M costs for overhead distribution lines have increased by \$89,465/yr. from 2012 to 2017 and this is equal to annualized rate of increase of 6.7%.

Please explain the drivers for the increase in overhead distribution line O&M costs.

Response:

The main driver for increase in overhead distribution line O&M costs is due to employee compensation. Payroll overheads such as benefits were not historically recorded in O&M but were recorded in Administration costs. Other inflationary increases in employee compensation contribute to the annualized increases.

4-Staff-32

Property tax cost

Ref: Exhibit 4, p. 41

Atikokan Hydro is forecasting its property tax cost for 2017 based on the 2016 amount plus an inflation rate of 1.95%.

- a) Is Atikokan Hydro expected to be assessed a higher property value for 2017?
- b) Is Atikokan Hydro expecting property tax rates to increase in 2017?

Response:

- a) Atikokan is expected to be assessed a higher property value for 2017 based on the MPAC assessments.
- b) The property tax rate increase is unknown but historically increases occur.

Exhibit 5 – Cost of Capital

5-Staff-33

Long-term debt rate

Ref: Exhibit 5, p. 3

Ref: Appendix 2-OB

At the first reference, Atikokan Hydro requests a long-term debt rate of 4.54%, which was equal to the cost of capital parameters published by the OEB at the time of filing.

At the second reference, Atikokan Hydro has used a long-term debt rate of 3.31% to calculate its return.

- a) Please clarify whether Atikokan Hydro is seeking a long-term debt rate based on the OEB's cost of capital parameters or the 3.31% derived from its actual loans.
- b) If Atikokan Hydro is seeking a debt rate higher than its actual loans, please explain the basis for doing so.

Response:

- a) At the first reference Atikokan Hydro was referring to the new loans for the 2017 test year. The long-term debt rate of 4.54% equal to the OEB cost of capital parameters at the time was used as there was no evidence of actual loan rates to be incurred with the new debt. Atikokan Hydro is seeking a long-term debt rate derived from its actual loans.
- b) Atikokan Hydro is not seeking a long-term debt rate higher than its actual loans.

5-Staff-34

Long-term debt rate

Ref: Exhibit 5, p. 4-5

Ref: Appendix 2-OB

At the first reference, Atikokan Hydro explains that the Town of Atikokan converted \$1,262,063 of debt into preferred shares in November 2013.

At the second reference, Atikokan Hydro is proposing to split it 40% of equity between common equity and preferred shares and both forms of equity will receive the OEB's target return on equity.

- a) Please confirm that Atikokan Hydro had \$889,617 of long-term debt at the end of December 2016.
- b) If Atikokan Hydro is seeking a debt rate higher than its actual loans, please explain the basis for doing so.
- c) How much short-term debt does Atikokan Hydro have?
- d) Please confirm that there is a total of \$2,539,963 equity in Atikokan Hydro and that all of the equity is owned by the Town of Atikokan.
- e) What is the impact of Atikokan Hydro's proposal to split its deemed equity structure between common equity and preferred shares?
- f) What is the impact to PILS due to the conversion of debt to equity additional equity?

Response:

- a) Atikokan Hydro's long-term debt at the end of December 2016 is \$647,340.
The long-term debt balance at the end of December 2017 is \$889,617.
This includes the addition for the International Cab (Digger Derrick) and a Service Vehicle.
- b) Atikokan Hydro is not seeking a debt rate higher than its actual loans.
- c) Atikokan Hydro's short-term debt is
 - Loan repayment \$117,723.12
 - Current Portion Deposits \$12,106.00
 - Other current payables \$810,768.25
- d) Atikokan Hydro confirms that there is a total of \$2,539,963 equity in Atikokan Hydro and that all of the equity is owned by the Town of Atikokan.
- e) Atikokan is not proposing to split its deemed equity structure between common equity and preferred shares. Atikokan was mistaken.

- f) The only impact to PILS due to the conversion of debt to equity is less interest expense paid on the long-term debt converted to equity.

Exhibit 7 – Cost Allocation

7-Staff-35

Load profiles

Ref: Exhibit 7, p. 5-6, Table 7.3

The load profiles used for cost allocation are those from the 2004 cost of service application scaled to align with the load forecast for 2017.

- a) Has Atikokan Hydro compared its load profiles against a sample of actual load profiles for each rate class? If not, could this be done for the residential rate class?
- b) Has Atikokan Hydro considered updating its load profiles using the most recent 5 years of consumption data?
- c) Does the removal of the Intermediate rate class during the period from 2004 to 2017 affect the reasonableness of scaling the load profiles since former intermediate class customers are now in the GS > 50 kW class?

Response:

- a) The original load profiles used in the cost allocation were produced by Hydro One and these profiles were weather normalized by Hydro One. In order to update the load profiles to reflect more recent actual load profiles, the load profiles would need to be weather normalized. Atikokan Hydro is currently not aware of a Board approved method to weather normalize the actual hourly data in the more recent load profiles.
- b) See response to 'a)' above
- c) Atikokan Hydro believes the method to scale the load profile for the GS > 50 kW class is a reasonable approach to estimate the load profile for this class for the purposes of cost allocation.

Exhibit 8 – Rate Design

8-Staff-226

Revenue-to-cost ratios

Ref: Exhibit 8, p. 5-6

Atikokan Hydro has shown that the revenue-to-cost ratios for the GS > 50 kW and street lighting classes exceed the policy range. Atikokan Hydro is proposing to reduce the ratios to the upper end of the policy range in a single year and increase only the residential ratio accordingly.

- a) Has Atikokan Hydro considered changing the revenue-to-cost ratios over more than one year?
- b) Has Atikokan Hydro considered increase the revenue-to-cost ratio of both the residential and GS > 50 kW classes?
- c) Would either of the options in a) or b) reduce the overall impact of the application to low-energy residential consumers to less than 10% of total bill?

Response:

- a) Atikokan has not considered changing the revenue-to-cost ratios over more than one year.
- b) Atikokan Hydro did increase the revenue-to-cost ratio for the residential class as a result of the GS > 50 and Street light class being decreased. Atikokan Hydro has not considered increasing the revenue-to-cost ratio for GS > 50 kW classes because this is not within board cost allocation policy.
- c) Options a) would potentially reduce the overall impact of the application to low energy residential consumers to less than 10% of the total bill. Option b) increasing the revenue to cost ratio for the residential class would negatively impact the bill impact for this class.

8-Staff-37

Transition to fixed residential rates

Ref: Exhibit 8, p. 2-3

Ref: Exhibit 8, p. 13-14

At the first reference, Atikokan Hydro describes the second year of its transition to fixed residential rates. At the second reference, the impact to low-energy residential consumers is shown to exceed 10% on a total bill impact. Atikokan Hydro is not proposing any mitigation.

Has Atikokan Hydro considered reducing the size of the transition to fixed residential rates in the test years to reduce the overall impact of the application to low-energy consumers? If so, please explain why this was rejected. If not, why not?

Response:

Atikokan has not considered reducing the size of the transition to fully fixed residential rates in the test year because Atikokan believed to be following board policy to transition to residential fully fixed rates by 2019.

8-Staff-38

Loss factors

Ref: Exhibit 8, p. 11-12

Ref: Exhibit 8, p. 32

At the first reference, Atikokan Hydro notes that a different loss factor is being proposed for incorporation into its rates than the loss factor used in developing its load forecast.

At the second reference, Atikokan Hydro is proposing to use a loss factor of 1.1003 for secondary metered customers and a loss factor of 1.0892 for primary metered customers.

- a) Please explain why a loss factor based on 10 years of data is reasonable for the load forecast and a loss factor based on 5 years of data is reasonable for setting rates.
- b) Do the significant changes in load served by Atikokan Hydro over this period affect the calculation of the loss factors for either the load forecast or rates?
- c) Would Atikokan Hydro prefer to use a loss factor based on 10 years of historical data for rates?
- d) Please explain how the primary metered loss factor was calculated.

Response:

- a) Atikokan believes both loss factors used are reasonable and the methods were the same methods board approved in Atikokan's last Cost of Service EB-2011-0293. The loss factor on the 5 years of data is reasonable for setting rates as it follows the Boards Chapter 2 Filing Requirements.
- b) Atikokan is not able to determine at this time if the significant changes in load served by Atikokan Hydro over this period affect the calculation of the loss factors for either the load forecast or rates. However, Atikokan notes the board raises an interesting point.
- c) Atikokan Hydro would prefer to use a loss factor based on 10 years of historical data for rates.
- d) The primary metered loss factor was calculated by taking the secondary loss factor divided by 1.01.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-39

IFRS Transition Costs

Ref: Exhibit 9, Section 2.9.1, Page 8

For Account 1508 sub-account Deferred IFRS Transition Costs, please confirm that no IFRS transition costs were included in OM&A in Atikokan's 2012 cost of service application. If not confirmed, please provide the amount that was included in rates.

Response:

Atikokan confirms there no IFRS Transition Costs were included in OM&A in Atikokan's 2012 cost of service application.

9-Staff-40

**Reconciliation between DVA Continuity Schedule and control account 1580
Ref: Exhibit 9, Schedule 2.9.5, Pages 14 and 18, DVA Continuity Schedule**

In the DVA Continuity Schedule, control 1580 WMS has a \$0 balance. Account 1580 Sub-account CBR Class B has a credit balance of 67K. It's also stated on page 18 that Atikokan has no proposal for disposition of 1580, sub-account CBR Class B at this time.

- a) Please reconcile the last sentence above with the credit balance of 67K requested for disposition in the DVA Continuity Schedule.
- b) There was no CBR component included in the WMS rate in 2015. As such, only debit balances are expected for Account 1580, sub-account CBR Class B in 2015. Please explain why Atikokan has a credit balance in the sub-account. Please revise the DVA Continuity Schedule as appropriate.
- c) Please explain why there is no balance in the control account 1580. Please revise the DVA Continuity Schedule as appropriate.

Response:

- a) Atikokan had not created a subaccount for CBR Class B in 2015. The amount of \$67K includes all WMS charges including line 1351 Class B for the IESO power bill. The total of both sub-account balances of 1508 remains the same. Atikokan has since updated the sub-account CBR to include the debits from 2015. The DVA Continuity Schedule Exhibit 9 now reflects this.
- b) WMS 1508 has a credit balance of (\$76,747) for disposition and CBR Class B sub-account balance is \$9,393.
- c) The wrong line was chosen for entering the record. The DVA Continuity Schedule is now corrected with a balance in control account 1580.

9-Staff-41

Reconciliation between DVA Continuity Schedule and control account 1580

Ref: Exhibit9, Schedule 2.9.5 Page 15

As per the EDDVAR Report dated July 31, 2009, all account balances should be disposed unless otherwise justified by the distributor at the time of rebasing. Atikokan is requesting not to dispose of Account 1551 as the balance in the account is not material. However, Atikokan is requesting to dispose of all other accounts.

- a) Is Atikokan suggesting the amount in Account 1551 to be rolled forward and disposed in a future application or for it to be written off?
- b) Would Atikokan agree to dispose of Account 1551 so as to be consistent with the requested disposition of the other Group 1 accounts? If yes, please revise the DVA Continuity Schedule.

Response:

- a) Atikokan was implying to roll forward the small balance for a future application. However Atikokan does agree to be consistent with the requested disposition of the other Group 1 accounts to include this small balance so all of the Group 1 for 2015 balances will be addressed.
- b) The continuity schedule and Rate Rider Calculations have been updated in the DVA worksheet.

9-Staff-42

Reconciliation between DVA Continuity Schedule and control account 1580

Ref: Exhibit 9, Schedule 2.9.5, Page 15

Atikokan indicates that it is not requesting the residual balance in Account 1592 for disposition as the sunset date of the associated rate riders was April 30, 2016. At that time, the balance will be transferred to Account 1595 (2012) upon its completion.

- a) Please confirm that Account 1592 being referred to is Account 1592, sub-account HST/OVAT/ITCs.
- b) If yes, please explain why the March 2015 APH Guidance #15 is not being followed, where the utility should have transferred 50% of the approved balance into 1595 (2012) when the OEB approved the balance.
- c) If No, please explain why the balance previously approved for disposition was not transferred to Account 1595 when the balance was approved for disposition in 2012.

Response:

- a) Atikokan confirms Account 1592 represents sub-account HST/OVAT/ITC
- b) Atikokan did not follow the March 2015 APH Guidance #15 as the recovery was not in a sunset position in 2015.
- c) The Account 1592 was used as information account for the recovery. Upon the completion of the Rate Rider (2012) on April 30, 2016 the balance of 1592 was transferred to 1595 2012 recovery account.