



**Ontario Energy Board
Commission de l'énergie de l'Ontario**

DECISION AND RATE ORDER

EB-2016-0056

ATIKOKAN HYDRO INC.

**Application for electricity distribution rates and other charges
beginning May 1, 2017**

BEFORE: Allison Duff
Presiding Member

April 13, 2017

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1 INTRODUCTION AND SUMMARY

Atikokan Hydro Inc. (Atikokan Hydro) filed an application with the Ontario Energy Board (OEB) to change its electricity distribution rates effective May 1, 2017 (the Application). Under the *Ontario Energy Board Act, 1998* (OEB Act), distributors must apply to the OEB to change the rates they charge their customers.

Atikokan Hydro provides electricity distribution services to approximately 1,600 customers in the Town of Atikokan.

The OEB's policy for rate setting is set out in a report of the OEB entitled "*Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*" (RRFE)¹. The RRFE provides the distributor with performance-based rate application options that support the cost-effective planning and efficient operation of a distribution network. This framework provides an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price.

Atikokan Hydro asked the OEB to approve its rates for five years using the RRFE Price-Cap Incentive rate-setting option. With this option, rates are set through a cost of service rebasing application for the first year and are adjusted mechanistically through an Incentive Regulation Mechanism application for each of the ensuing four years. The price cap adjustment is based on inflation and the OEB's assessment of a distributor's efficiency. Atikokan Hydro and parties resolved all issues associated with the Application at a March settlement conference and filed a Settlement Proposal with the OEB on April 13, 2017.

The Settlement Proposal reduces the applied for 2017 base revenue requirement of \$1,415,718 by \$13,462 to \$1,402,256. It also reduces the grossed up revenue deficiency from \$142,952 to \$110,755 (approximately 23%). In the Settlement Proposal, Atikokan Hydro acknowledges that the level of planned capital expenditures and the rationale for planning and pacing choices are appropriate to maintain system reliability, service quality objectives and the reliable and safe operations of the distribution system.

For a typical residential customer with monthly consumption of 750 kWh, the total bill impacts under the Settlement Proposal would increase by about \$4.20 per month - a percentage increase of about 2.5%.

¹ Report of the Board: *Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach*, October 18, 2012

The OEB finds that the outcomes of the Settlement Proposal benefit consumers and are compatible with the operational effectiveness and other performance objectives of the RRFE.

The OEB approves the rates that arise from the Settlement Proposal.

2 THE PROCESS

Atikokan Hydro filed an application on October 4, 2016 for 2017 rates. The OEB issued a Notice of Application on December 29, 2016, inviting parties to apply for intervenor status. The Vulnerable Energy Consumers Coalition (VECC) applied for, and was granted, intervenor status. OEB staff was also a party in this proceeding.

The OEB issued Procedural Order No.1 on February 16, 2017. This order established, among other things, the timetable for a written interrogatory discovery process. Atikokan Hydro responded to interrogatories and follow-up questions submitted by OEB staff and VECC.

The OEB issued Procedural Order No. 2 on March 24, 2017, which approved the issues list and established a process for a settlement conference by way of teleconference.

The settlement conference was held on March 29 and 30, 2017. Atikokan Hydro, VECC and OEB staff resolved all issues and filed a Settlement Proposal with the OEB on April 13, 2017 (see Schedule A attached).

3 DECISION ON THE ISSUES

The Settlement Proposal filed by the parties addressed all elements of the OEB's approved issues list for this proceeding, and represented a full settlement of all the issues. Through the settlement process, the parties agreed to certain reductions to Atikokan Hydro's proposed capital expenditures, a net increase in the forecast demand and adjustments to the cost allocation model inputs. These adjustments resulted in an overall reduction in the costs that are being recovered through the current rates paid by Atikokan Hydro's customers and also affected how costs were recovered from each customer class.

Findings

The OEB finds that the Settlement Proposal benefits consumers and produces outcomes that are consistent with the operational effectiveness and other performance objectives of the RRFE.

The OEB approves the Settlement Proposal (see Schedule A attached).

4 IMPLEMENTATION

The new rates are to be effective and implemented May 1, 2017. As indicated in the Settlement Proposal, Atikokan Hydro is able to implement rates for May 1, 2017 if approved by the OEB prior May 19, 2017. With the Settlement Proposal, Atikokan Hydro included tariff sheets and detailed supporting material, including all relevant calculations showing the impact of the implementation of the settlement on its approved revenue requirement, the allocation of the revenue requirement to its rate classes and the determination of the final rates and rate riders, including bill impacts.

The OEB made some changes to the wording of the tariff sheets attached to the Settlement Proposal to ensure consistency with the tariff sheets of other Ontario electricity distributors. The final, approved Tariffs of Rates and Charges is attached as Schedule B to this Decision and Rate Order.

VECC is eligible for cost awards in this proceeding and the OEB has made provision for VECC to file its cost claims. The OEB will issue its cost award decision after the following steps are completed.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Schedule B of this Decision and Rate Order is final effective May 1, 2017, and will apply to electricity consumed, or estimated to have been consumed, on and after May 1, 2017. Atikokan Hydro Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.
2. VECC shall submit its cost claim no later than 7 days from the date of issuance of this Decision and Rate Order.
3. Atikokan Hydro Inc. shall file with the OEB and forward to VECC any objections to the claimed costs within 14 days from the date of issuance of this Decision and Rate Order.
4. VECC shall file with the OEB and forward to Atikokan Hydro Inc. any responses to any objections for cost claims within 21 days from the date of issuance of this Decision and Rate Order.
5. Atikokan Hydro Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, EB-2016-0056, filed through the Board's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Chris Codd at chris.codd@oeb.ca and OEB Counsel, Ian Richler at ian.richler@oeb.ca.

DATED at Toronto April 13, 2017

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

SCHEDULE A – SETTLEMENT PROPOSAL

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