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January 16, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge St.
Suite 2700, P.O. Box 2319
Toronto, Ontario
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Dear Ms. Long

RE: OEB File NO. EB-2019-0020
Atikokan Hydro Inc. (Atikokan) 2020 IRM
Electricity Distribution Rate Application OEB Staff Follow up Questions

Atikokan is resubmitting its responses to OEB Staff questions including both its Rate Generator Model and GA Workform. Atikokan has respectively highlighted the responses that have been updated.

Yours truly,

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

Jennifer Wiens
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Atikokan Hydro Inc. (Atikokan Hydro)
2020 IRM Application
EB-2019-0020
Applicant's Updated Responses to OEB Staff Interrogatories
January 16, 2020

Staff-1

Ref: Filing Requirements For Electricity Distribution Rate Applications – 2018 for 2019 Rate Applications, Chapter 3 and Addendum – 2020 Rate Applications (Filing Requirements)
RRR 2.1.5.6 ROE

The OEB's RRR data shows an achieved ROE of 11.86 vs. a deemed ROE of 8.78 for Atikokan Hydro, which results in overearning by 308 basis points.

Section 3.3.5 of the Filing Requirements state that “a distributor whose earnings are in excess of the deadband [+/- 300 basis points] is expected to refrain from seeking an adjustment to its base rates through a Price Cap IR.... If a distributor whose earnings are in excess of the deadband nevertheless applies for an increase to its base rates, the OEB expects it to substantiate its reasons for doing so.”

OEB staff notes that Atikokan did not provide an explanation as to why it should be eligible for the Price Cap index adjustment given its achieved ROE in 2018.

a) Please provide detailed reasons for overearning in 2018.

Atikokan Hydro Response:

The main contributor to Atikokan Hydro's 2018 overearnings was greater Distribution Revenue and Other Revenues than the total 2017 Board Approved revenue amounts.

The table below shows the actual 2018 Other Revenues exceeded the 2017 Board Approved 2017 COS total other revenues. This was mainly due to IESO Funds received for meeting the midterm CDM target. This quantified as \$10,507.43 of the variance.

| <u>Other Revenue</u> | 2017 Board Approved Decision | 2018 Actual per RRR 2.1.5.6 | Difference |
|------------------------------|-------------------------------------|------------------------------------|-------------------|
| Specific Service Charges: | \$5,885 | \$5,435 | (\$450) |
| Late Payment Charges: | \$7,543 | \$7,948 | \$405 |
| Other Distribution Revenues: | \$4,875 | \$4,871 | (\$4) |
| Other Income and Expenses: | \$77,467 | \$92,909 | \$15,442 |
| | \$ 95,770 | \$ 111,163 | \$ 15,393 |

Distribution revenues, specifically the volumetric revenues for the GS > 50 customer class was the driver for greater distribution revenues compared to the 2017 Board Approved Distribution Revenues. The table below shows the GS > 50 class was the driver to the overall increased Distribution Revenue variance of \$47,045.

| Distribution Revenue by Rate Class | | | | | |
|---|------------------------------|--------------------|------------------|------------------------------|---------------------|
| | Distribution Revenue | Residential | GS <50 | GS>50- Regular | Street Light |
| 2017 Board Approved Per 2017 CoS | \$1,402,256 | \$777,839 | \$232,626 | \$268,512 | \$122,913 |
| Per 2018 RRR 2.1.5.6 | \$1,449,301 | \$778,621 | \$236,801 | \$311,390 | \$122,489 |
| | \$47,045 Variance | \$782 | \$4,175 | \$42,878 | -\$424 |
| | | <i>Residential</i> | <i>GS <50</i> | <i>GS>50</i> | <i>Street Light</i> |
| Variance by Rate Class | | | | | |

The following table shows the consumption by rate class. While overall actual consumption was slightly down for 2018 compared to the Board Approved 2017 forecast, the actual demand exceeded the 2017 approved demands. The General Service > 50 demand values was the driver for the increased Volumetric Revenue driving up the total Distribution Revenue.

| | | Consumption by Rate Class | | | | | | |
|----------------------------------|-----|---------------------------|------------------------------------|-----------|---------------|--------|--------------|-------|
| | | | Residential | GS <50 | GS>50-Regular | | Street Light | |
| | | Total kWh / kW | kWh | kWh | kWh | kW | kWh | kW |
| 2017 Board Approved Per 2017 CoS | | 30,307,738 44,029 | 9,682,147 | 5,119,281 | 15,044,561 | 42,599 | 461,749 | 1,430 |
| Per 2018 RRR 2.1.5 | | 30,145,504 57,087 | 9,142,615 | 4,728,872 | 15,854,586 | 55,786 | 419,431 | 1,301 |
| | | | | | | | | |
| | kWh | -\$162,234 | -539,532 | -390,409 | 810,025 | 13,187 | -42,318 | -129 |
| | kW | \$13,058 Variance | Residential | GS <50 | GS>50 | | Street Light | |
| | | | Consumption Variance by Rate Class | | | | | |

- b) Please state why the OEB should consider a Price Cap index adjustment given the above stated filing requirement.

Atikokan Hydro Response:

Atikokan agrees the 2018 RRR 2.1.5.6 ROE shows Atikokan overearning by 308 basis points. Atikokan notes that the deemed earnings was 08 basis points over the +300 basis points. Section 3.3.5 indicates a regulatory review may be triggered if a distributors earnings are outside of a dead band of +/- 300 basis points from the OEB approved return on equity. Atikokan did not anticipate to be outside of the deadband. Given the size of the utility, Atikokan experiences volatility to unforeseen other revenue amounts such as the IESO midterm incentive target funds. Without this one time revenue as an example, Atikokan would have been within the deadband. Given Atikokan was slightly above the 300 basis points, the utility asks the OEB to grant consideration for the Price Cap Index adjustment.

Atikokan anticipates to be within the allowable deadband for 2019. Furthermore, total Distribution Revenues and Other revenues for 2019 shall be less than 2018. Atikokan lost one GS > 50 customer late 2018; this impacted the 2019 revenues in addition to other changes impacting overall revenues. None of which are individually material nor exceed 5 percent of Distribution revenue but overall have impacted the total revenues.

Staff-2

Ref: Atikokan Hydro_2020_Rate Generator Model_20191015, Tab 3 – Continuity Schedule
Decision and Order, EB-2017-0026

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Please refer to the footnotes for further instructions.

2018

| Account Descriptions | Account Number | Transactions Debit / (Credit) during 2018 | OEB-Approved Disposition during 2018 | Principal Adjustments ¹ during 2018 | Closing Principal Balance as of Dec 31, 2018 | Opening Interest Amounts as of Jan 1, 2018 | Interest Jan 1 to Dec 31, 2018 | OEB-Approved Disposition during 2018 | Interest Adjustments ¹ during 2018 | Closing Interest Amounts as of Dec 31, 2018 | Principal Disposition during 2019 instructed by OEB |
|--|----------------|---|--------------------------------------|--|--|--|--------------------------------|--------------------------------------|---|---|---|
| Group 1 Accounts | | | | | | | | | | | |
| LV Variance Account | 1550 | | | | 0 | 0 | | | | 0 | |
| Smart Metering Entity Charge Variance Account | 1551 | 966 | 2,117 | | (979) | | | | | 0 | |
| RSVA - Wholesale Market Service Charge ⁵ | 1580 | (8,673) | (39,086) | | (53,552) | (1,227) | (1,497) | (328) | | (2,395) | (44.87) |
| Variance WMS – Sub-account CBR Class A ⁶ | 1580 | | | | 0 | 0 | | | | 0 | |
| Variance WMS – Sub-account CBR Class B ⁷ | 1580 | (796) | (1,705) | | 8,397 | 199 | 185 | (60) | | 444 | 9.1 |
| RSVA - Retail Transmission Network Charge | 1584 | 23,380 | 38,701 | | 39,118 | 593 | 985 | 615 | | 963 | 15.7 |
| RSVA - Retail Transmission Connection Charge | 1586 | 27,313 | 12,605 | | 33,716 | 205 | 361 | 247 | | 319 | 6.4 |
| RSVA - Power ⁴ | 1588 | (34,653) | (51,471) | 230,103 | 44,987 | (1,050) | 560 | (730) | 181 | 421 | 79.6 |
| RSVA - Global Adjustment ⁴ | 1589 | (42,357) | (53,142) | (230,103) | 42,265 | 126 | 741 | (745) | (181) | 1,431 | 84.6 |
| Disposition and Recovery/Refund of Regulatory Balances (2013) ³ | 1595 | | | | 0 | 0 | | | | 0 | |
| Disposition and Recovery/Refund of Regulatory Balances (2014) ³ | 1595 | | | | 0 | 0 | | | | 0 | |
| Disposition and Recovery/Refund of Regulatory Balances (2015) ³ | 1595 | | | | (173,869) | (21,983) | (3,592) | | | (25,575) | (173.86) |
| Disposition and Recovery/Refund of Regulatory Balances (2016) ³ | 1595 | | | | (5,010) | (175) | (93) | | | (288) | (5.01) |
| Disposition and Recovery/Refund of Regulatory Balances (2017) ³ | 1595 | (2,030) | | | 20,862 | 218 | 423 | | | 641 | |
| Disposition and Recovery/Refund of Regulatory Balances (2018) ³ | 1595 | 58,103 | 107,169 | | (49,066) | 0 | (1,150) | | | (1,150) | |
| Disposition and Recovery/Refund of Regulatory Balances (2019) ³ | | | | | | | | | | | |
| <i>Not to be disposed of until a year after rate rider has expired and that balance has been audited</i> | | | | | | | | | | | |
| | 1595 | | | | 0 | 0 | | | | 0 | |
| RSVA - Global Adjustment | 1589 | (42,357) | (53,142) | (230,103) | 42,265 | 126 | 741 | (745) | (181) | 1,431 | 84.6 |
| Total Group 1 Balance excluding Account 1589 - Global Adjustment | | 63,610 | 68,330 | 230,103 | (135,396) | (23,221) | (3,817) | (256) | 181 | (26,602) | (112.70) |
| Total Group 1 Balance | | 21,253 | 15,188 | 0 | (93,131) | (23,095) | (3,076) | (1,001) | 0 | (25,170) | (28.06) |
| LRAM Variance Account (only input amounts if applying for disposition of this account) | | | | | | | | | | | |
| | 1568 | | 0 | | 0 | 0 | | | | 0 | |
| Total including Account 1568 | | 21,253 | 15,188 | 0 | (93,131) | (23,095) | (3,076) | (1,001) | 0 | (25,170) | (28.06) |

1. Information Sheet2. Current Tariff Schedule3. Continuity Schedule4. Billing Det. for Def-Var5. Allocating Def-Var Balances6.1 GA7. Calculation of Def-Var RR8. STS - Tax Change9. Shared Tax - Rate Rider...

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- a) OEB staff notes that the OEB approved disposition amount (EB-2017-0026) of \$96 for Account 1551 Smart Meter Entity Variance Charge does not reconcile with the input provided in cell BE22, which is \$2,117. Please reconcile.

Atikokan Hydro Response:

Cell BD and BE have been reconciled to read (1055) and 96. The closing principal balance, cell BG22, remains as (979) with these reconciliations.

- b) Please reconcile the amount of 107,169 in cell BE36 with the inputs provided in cells BE22-29.

Atikokan Hydro Updated Response:

Cell BE36 remains with input of 107,169. This agrees with what was booked to the account [1595 (2018)] per the OEB Approved Dispositions during 2018. However, principal of (52,029) and interest 39,863 as per EB-2017-0026 disposition should be inputted into the generator. These inputs belong to Disposition and Recovery of regulator Balances (2012) and bring the balances to zero. The rate generator does not include 2012 balances. The account comes to zero for closing December 31, 2018. Therefore, without these inputs per the approved dispositions cell BE 40 for Total Group 1 Balance excluding GA should read and BE41 for Total

Group 1 Balance are not accurate as it stands. Respectively, BJ41 should read 38,863 after interest of 39,863 for (2012) Disposition and Recovery of Regulatory Balances has been included in the rate generator. However, it should be noted the model accurately reflects the Dec 31, 2018 balances correctly.

c) Please provide the total interest amounts that have been transferred to Account 1595(2017).

Atikokan Hydro Updated Response:

Please see response to 2 b.

Staff-3

Ref: IRM Rate Generator Model – Continuity Schedule

The applicant has submitted a continuity schedule as part of the rate generator model in the current proceeding that doesn't tie to the balances that were approved for disposition in its 2019 IRM application.

- a) For transparency purposes, please update the DVA continuity schedule of the current proceeding such that it maintains continuity with what the OEB had approved in the 2019 IRM rate application. In particular, the 2017 closing balances should include the impact of the principal adjustments that were approved for accounts 1588 and 1589 respectively from the 2019 IRM application. Amounts for 1588 and 1589 in Column AV is the principal adjustments plus the balances since last disposed of as per the instructions this is the starting point.

Atikokan Hydro Response:

Per board direction, Atikokan has removed the principal adjustments for 1588 and 1589 from column BF (principal adjustments during 2018) to be included in cells AV28 and AV29, Principal Adjustments during 2017. The amounts in these cells now reflect the principal adjustments plus the balances since last disposed of as per the instructions for the starting point.

- b) Also, please update the 2018 principal adjustments such that they represent the reverse of what was recorded as a principal adjustment to each account in 2017.

Atikokan Hydro Response:

See response above, amounts have been reversed.

Staff-4

Ref: GA Analysis Workform

The application presents a reconciling adjustment in its GA Analysis Workform pertaining to the difference between its OEB approved and actual loss factors.

- a) Please provide the calculation used to quantify the \$28,012.

Atikokan Hydro Response:

Atikokan calculated the actual TLF on purchases for 2018 to be 7.83%. Therefore, actual GA paid was less than the deemed paid amount per the GA analysis workform model. The GA

Workform calculated GA purchases with the billed loss factor of 9.45% as per approved tariffs. Below shows how Atikokan quantified the \$28,012 difference.

| Columns from GA Model | | | | | |
|--|--|-----------------------------|------------------------|-------------------------------|--|
| actual losses were 7.83 | | | | | |
| testing loss factors on purchases | | | | | |
| kWh non loss adjusted purchases | kWh purchases @ 9.45% approved LF H | kWh purchases @ 7.83% LF | GA Actual Rate L | GA purchased with 7.83% LF | GA purchases with 9.45% LF M |
| 1,077,801 | 1,179,652.93 | 1,162,192.56 | 0.06736 | 78,285 | 79,461 |
| 1,363,797 | 1,492,675.38 | 1,466,490.48 | 0.08167 | 119,768 | 121,907 |
| 1,403,009 | 1,535,593.02 | 1,508,655.26 | 0.09481 | 143,036 | 145,590 |
| 1,651,026 | 1,807,047.96 | 1,775,348.26 | 0.09959 | 176,807 | 179,964 |
| 1,354,440 | 1,482,434.36 | 1,456,429.12 | 0.10793 | 157,192 | 159,999 |
| 1,254,081 | 1,372,591.65 | 1,348,513.30 | 0.11896 | 160,419 | 163,283 |
| 1,177,689 | 1,288,980.13 | 1,266,368.51 | 0.07737 | 97,979 | 99,728 |
| 1,242,362 | 1,359,764.74 | 1,335,911.40 | 0.0749 | 100,060 | 101,846 |
| 1,174,510 | 1,285,501.42 | 1,262,950.83 | 0.08584 | 108,412 | 110,347 |
| 1,470,778 | 1,609,766.95 | 1,581,528.00 | 0.12059 | 190,716 | 194,122 |
| 1,299,803 | 1,422,634.81 | 1,397,678.59 | 0.09855 | 137,741 | 140,201 |
| 1,391,812 | 1,523,338.56 | 1,496,615.77 | 0.07404 | 110,809 | 112,788 |
| | 17,359,982 | 17,058,682.06 | | 1,581,225 | 1,609,237 |
| | | | | A | B |
| | | | | (28,012) | Calculated Difference |
| | | | | (A-B) | -Paid less GA than expected on Spreadsheet |

Staff-5

Ref: GA Analysis Workform

The starting point in Note 5 of the GA Analysis Workform (i.e. cell C64) must agree to the actual transactions as recorded in the applicant's G/L during 2017. Currently the amount recorded does not agree to the transactions during 2018 as per the DVA continuity schedule.

- Please update cell C64 of the GA Analysis Workform such that it agrees to the transactions during 2018 per the DVA continuity schedule. Keep in mind that the amount in the transactions during 2018 column of the DVA continuity schedule must represent the actual transactions as recorded within the applicant's G/L for 2018.

Atikokan Hydro Updated Response:

Cell C64 of the GA Analysis Workform now reads (272,460) and matches cell BD29, Transactions during 2018, in the IRM Rate Generator Model. This is the actual transactions recorded with the G/L for 2018 including the principal adjustment booked during 2018.

Staff-6

Ref: Manager's Summary, p. 21

At the above reference, the applicant is confirming that it has yet to fully implement the OEB's February 21, 2019 guidance with respect to Accounts 1588 and 1589.

- a) In light of the above, please confirm that the applicant is only seeking the interim disposition of its Group 1 account balances in this proceeding.

Atikokan Hydro Response:

Atikokan is only seeking interim disposition of its Group 1 account balances.

- b) Please confirm that as part of its implementation of the OEB's February 21, 2019 guidance, the applicant intends to go back to each of its IESO settlements for 2018 and 2017 to determine the impact of the new OEB guidance on those settlements.

Atikokan Hydro Response:

Atikokan intends to go back to each of its IESO settlements for 2018 and 2017 to determine the impact of the OEB guidance on those settlements.

Staff-7

Ref: Manager's Summary, Appendix E

In the responses provided to Question 12 of this Appendix, the applicant has indicated that it performs its split of CT 148 based on actual consumption for the month once it is known. This occurs typically two months after the CT 148 charge has been received (i.e. the October CT 148 charge will not be split between RPP and Non-RPP within the applicant's G/L until December). Based on this methodology, the applicant indicates that no subsequent true-up of the split is required.

- a) Please confirm that OEB Staff's understanding of the process as outlined above is accurate. If not accurate, please explain why.

Atikokan Hydro Response:

Yes, this is accurate.

- b) Does that mean no CT 148 charge will get booked in the G/L until two-months after receiving it – so you will only record the October CT 148 charge in your G/L in December? Please explain.

Atikokan Hydro Response:

No. CT 148 charge gets booked into the G/L (Global purchases, account 4707) upon receiving the charge but does not get split to 1588/1589 respectively until two months after the CT148 charge has been received.

- c) Under the above methodology, it would mean the split for the November 2018 GA Charge was not done until January 2019, and the split for the December 2018 GA Charge was not done until February 2019:

- i. Please confirm the CT 148 charge and the resulting split for both the November and December 2018 has been properly reflected within the transactions during 2018 as presented in the DVA continuity schedule of this proceeding (and that the CT 148 charge for January to December 2018 and resulting split is picked up in the 2018 transactions).

Atikokan Hydro Response:

Atikokan confirms, the CT 148 charge and the resulting split for both the November and December 2018 has been reflected within the transactions during 2018 as presented in the DVA continuity schedule of this proceeding and that the CT 148 charge for January to December 2018 has been picked up in the 2018 transactions.

- ii. If the response to the above is yes, then please confirm that the applicant leaves its G/L open long enough after it's year-end in order to capture each of these charges and splits.

Atikokan Hydro Response:

Atikokan confirms the G/L remains open long enough after its year end in order to capture the November and December charges and splits.