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ONTARIO ENERGY BOARD

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Secretary
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November 29, 2004

Dear Sir,

Atikokan Hydro Inc. will work towards a conservation plan that will have some Demand Reduction components to it as attached.

While Atikokan Hydro Inc. applied for the full rate of return, we have sustained two years of significant losses, and are presently under a going forward comment from our auditor. We will be approaching the Minister for permission for a rate review. We did not unbundle our rates until the market opened, hence our rates do not reflect the first rate of return.

This will just create some different approaches as to how we deliver programs. We will obviously need to have the rates approved, and then build an account that will allow us to invest in our project.

We request that this plan be considered as a final order.

It is our intention to continue to gather data, and do minor preparatory work in anticipation of final approval.

Sincerely

A handwritten signature in cursive script, appearing to read "Wilf Thorburn".

Wilf Thorburn

CEO Atikokan Hydro Inc

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1 Atikokan Hydro Inc. Conservation and DSM Plans

1.1 Focus

- Atikokan Hydro Inc. recognizes and supports the government's initiatives in developing a conservation culture as well as influencing use and energy patterns in the immediate future.
- We are grateful that the Ontario Energy Board in cooperation with the EDA has decided that LDC input will add to the outcome of the programs.
- We recognize that some of our target areas, as well as the time frames may vary from the initial guidelines, but we are convinced that the end result will in fact enhance the government's position, and more importantly, create the cultures so necessary for the survival of our province.

1.2 Challenges

- Atikokan Hydro Inc. is in the unusual Ontario position of being a shrinking LDC both in energy sales and numbers of customers. This obviously drives some of our costs to be out of line with Provincial averages, and will result in different calculations as to the amount of the third section of the rate of return [which in our case may only be the second].
- The amount indicated in the RAM models would be \$48,000.00, but will probably be less than \$40,000.00. Given that we are under a "going forward" comment in our last audited statement, we obviously will not have the cash flow or ability to borrow money to allow expenditures to occur prior to collecting money from sales under the new rates. We see the establishments of the variance accounts as a means to track when we have the money available to invest, but obviously will not be able to do investments in the early stages of an approved program.

1.3 Conservation Initiatives

- In order to be successful in any social modification, the goals and ideals must be embraced by all as opposed to being lectured out or delivered from a top down structure. To this end, I see assisting and working with the educational systems in the grade three and lower classes for the most complete cultural adaptation. As a small LDC in a small community, there are only two schools to deal with. Obviously if these entities desired assistance in a different age group, we would work in any manner to entrench a culture of conservation. Outsourcing the educational material would probably be cost effective and area effective if common materials could be provided to many of our educational systems in Northwestern Ontario. We would look at any other

educational or promotional programs that may become available. The results from this exercise may not be quantifiable for decades.

- The next area to address would be the recreational and perhaps operational area from within the municipality.
- Employees of the facilities will do the fact finding or actual identification of load at the recreational, operational and library. It is hoped to identify areas of lighting, heating and operations that can achieve some savings. If the operators and junior employees gather the information and then take part in changes and gathering of the results, any synergy available will increase the results.
- It is hoped that most of the calculations and compiling of data can be done in house. The money that is collected and tallied in the variance account should be used for purchases of material and services that will actually do results rather than consultants and reports. The labour and responsibility of identification will rest with the participating entity, thus ensuring a buy in.

1.4 Initiatives to date

- Have accepted in principle the purchase of some educational and promotional material from a larger EDA member LDC. This will allow more money to be available for projects rather than reinventing the wheel.
- Have begun tentative discussions with one principal and have requested an appointment with the other principal to see if they are willing to discuss involvement.
- Have approached the CAO regarding conservation within the Municipality within recreational facilities.
- Have approached the CEO of the Library with requests to have certain data gathered, and studies completed in her sphere of influence.
- Have instructed the Line Forman to start identifying areas that are candidates for further study on reducing losses and system optimization.

1.5 Results to date

- There have not been responses from the school systems yet, so this will require more patience.
- The CAO of the Municipality is also Recreation director and will earmark 50% of any savings generated to programs that will be at no cost to participants.

This is how we will carry out the governments desire to see low income customers benefit from initiatives. This will help by allowing them to participate in different activities without cost, and will allow the municipality to lower taxes with the savings. This will be more effective than targeting a specific group as it will not label or stigmatize participants, and will have a snowball effect in terms of public interest and take up on conservation.

- Energy savings may be an item that will keep struggling curling clubs afloat until we can increase the size of our community.

1.6 Budget and Time Lines

- In order to be successful, approval must be sought and granted on a budget that must have a firm bottom line, but that can be flexible enough in delivery to allow modern technology or effectiveness to be the determining factor in final expenditures.
- In a small community with limited resources, studies by consultants will be avoided as much as possible.
- The amount as determined in the next filing [1999 data is not realistic] that will be allocated as the final increment in the shareholder realizing maximum return would be accumulated for the first 12 to 18 months, during which time data can be gathered and direction established. Purchases of identified projects would occur at this time, and continue into the third year.
- At this time I envision 30 to 40 percent being educational, and 60 to 70 percent being practical hard implementation. The practical implementation would include the most benefits in energy savings identified in the municipal buildings and line loss reductions.

1.7 Effectiveness

- The educational portions of the program will not be quantifiable in the immediate future.
- The practical requirements should produce a 25% reduction in the lighting and some thermal processes.
- Line loss mitigation will be immediate and could result in a $\frac{1}{4}$ to $\frac{1}{2}$ percent savings.

1.8 Conclusion

- In a shrinking community, fixed costs per resident will be higher than in a growing community. Most seniors and low-income individuals or families are the most efficient energy users in society. If we tailor our programs to benefit recreational and operational units within our community with the buy in that we already have with the CAO, then members of the community that may be excluded from recreational activities will benefit from our efforts

more so than by giving them a light bulb. This may allow our municipal leaders to either lower taxes, or go with lower increases in the future, thus benefiting all members of the community.

- There is a greater opportunity for synergy to develop when a community can get together on projects. This will be augmented by the educational benefits to allow members of the community to practice greater conservation in their daily lives.
- Lessons learned by our younger scholars will continue to benefit society into the future.
- The only way the modest amount of investment will benefit anyone is if there is some hands on participation. Handing out subsidies for appliance purchases or light bulbs will have a shorter-term effect, because the recipient did not have to do anything to receive the item. This is born out by the amounts invested in electronic ballasts as a give away, and a comparison with what has been used to replace the more efficient products.
- Benefits achieved by optimizing the efficiency of our system will benefit all of our customers, and the province, if we are able to reduce some of the line loss.