

Preamble

API notes that its responses to OEB staff interrogatories required updates to portions of API's 2018 Rate Design Model and the OEB's 2018 IRM Rate Generator model, as described in more detail herein.

Live Excel versions of both models have been filed in conjunction with these interrogatory responses. In addition to revisions associated with interrogatory responses, updates have been made to reflect the OEB's approval of 2017 Uniform Transmission Rates, and the OEB's confirmation of the final inflation factor to be used in 2018 incentive rate setting applications.

API notes that confirmation of a 2018 RRRP adjustment factor remains outstanding as of the filing of these responses. As a result, the rate models will require further updates once the final 2018 RRRP adjustment factor is confirmed.

An updated GA Analysis Workform has also been filed in conjunction with these interrogatory responses.

Staff IR-1
Ref: Rate-Setting Method

A portion of Sheet "1. Information Sheet" from the Rate Generator Model is reproduced below.

| | | |
|--|-------------------------------------|-----|
| | Version | 1.0 |
| Utility Name | Algoma Power Inc. | |
| Assigned EB Number | EB-2017-0024 | |
| Name of Contact and Title | Brian Vander Vloet, Manager Finance | |
| Phone Number | 905-871-0330 | |
| Email Address | brian.vandervloet@cnpower.com | |
| We are applying for rates effective | January-01-18 + | |
| Rate-Setting Method | Annual IR Index | |
| Please indicate in which Rate Year the Group 1 accounts were last cleared ¹ | 2017 | |
| Please indicate the last Cost of Service Re-Basing Year | 2015 | |

Page 1

- a) OEB staff notes that the box in Sheet 1 of the Rate Generator Model pertaining to "Assigned EB Number" indicates "EB-2017-0024" instead of EB-2017-0025.

If Algoma Power is in agreement, OEB Staff will make the correction.

- b) OEB staff notes that the box in Sheet 1 of the Rate Generator Model pertaining to "Rate-Setting Method" indicates "Annual IR Index", whereas the Manager's summary states "Price Cap Adjustment" (page 10 of 28).

OEB staff requests Algoma Power to confirm that Algoma Power has elected Annual IR Index as the basis for its IRM rate application.

API Response:

- a) API is in agreement. In the process of updating the Rate Generator Model in response to other interrogatories, API has already made the required correction.

- b) API clarifies that its application for 2018 rates includes a Price Cap IR adjustment as indicated in the Manager's summary. API notes that the drop-down selection at Sheet 1 of the Rate Generator Model inadvertently reverted to Annual IR Index as indicated above. The drop-down selection has been corrected in the Rate Generator Model that has been filed in conjunction with these interrogatory responses.

Staff IR-2

Ref: Manager's Summary, pages 15 & 16 of 28

On page 16, Algoma Power stated that the 2018 revenue requirement allocated to these two classes is \$20,552,717; the sum of \$16,940,538 and \$4,062,180 from Table 10c.

However, Table 10c on page 15 shows these two numbers as \$16,491,218 and \$4,062,347, totalling \$20,553,565.

- a) Please state which set of number is correct and make any other necessary corrections to the evidence.

Table 10c

| IRM Indexed Revenue Requirement for 2018 Using the Estimated 2018 Price Cap Excluding Transformer Ownership Allowance | | | |
|--|------------------|-------------------|----------------------|
| Customer Class | Revenues | | |
| | Fixed | Variable | Total Revenue |
| Residential - R1 | 2,250,511 | 14,240,707 | 16,491,218 |
| Residential - R2 | 487,875 | 3,574,472 | 4,062,347 |
| Seasonal | 1,286,169 | 1,653,219 | 2,939,388 |
| Street Lighting | - | 271,503 | 271,503 |
| | 4,024,555 | 19,739,901 | 23,764,456 |

API Response:

The values shown in Table 10c above are correct and the values on page 16 of the Manager's Summary should have reflected the values in Table 10c. No further corrections are required.

Staff IR-3

Ref: Rate Design – Seasonal Class

Ref: Application, pages 9, 68 and 71

With respect to doing any further adjustment to the fixed/variable split for the Seasonal customer class pursuant to the OEB's policy for Residential Rate design, Algoma Power states:

On April 2, 2015, the Board issued the Board Policy, "A New Residential Rate Design for Residential Electricity Customers"; EB-2012-0410. Under this policy, electricity distributors are to structure residential rates so that all the costs for distribution service are collected through a fixed monthly charge. Due to the manner in which the Residential customer class is structured at Algoma Power specific measures have been taken in this Application in order to comply with this policy; this is addressed in detail in this Application. Algoma Power has previously applied this policy to its Seasonal rate class, in accordance with the Board's findings in Algoma Power's 2016 IRM application.[footnote omitted] In the current Application however, Algoma Power proposes to forego any adjustment to the fixed/variable split for 2018 Seasonal rates in consideration of the total bill impact arising from all other adjustments.

On page 68 of the pdf version of the Application, Algoma Power shows the bill impact for a Seasonal class customer consuming 750 kWh in a month. The total bill impact is shown as an increase of \$21.09 or 8.07%. On page 71, a similar bill impact for a seasonal customer with 50 kWh of monthly consumption is provided, with an overall bill increase of \$5.51 or 9.22%. Both of these are still below the 10% threshold at which consideration of rate mitigation is necessary.

- a) What would be the rate and bill impacts if Algoma Power was to do the rate design impact for the seasonal customer class along with other rate adjustments as applied for? Please provide the bill impact analysis for both 750 kWh and 50 kWh consumption levels.
 - b) Please provide a similar analysis to a), but assuming that the Price Cap IR adjustment was 1%, and with other rate adjustments (e.g., DVAs) as applied for.
-

API Response:

- a) At the time of submitting the application, API calculated the total bill impact of applying a \$4 adjustment to the seasonal fixed charge as follows:
- i. 750 kWh: 3.8%
 - ii. 50 kWh: 14.5%
- b) Using a 1% Price Cap IR adjustment and other elements as originally applied for, API has calculated the total bill impact of applying a \$4 adjustment to the seasonal fixed charge as follows:
- i. 750 kWh: 3.6%
 - ii. 50 kWh: 14.3%

Updates to Models

API notes that since OEB staff submitted its interrogatories, the OEB has confirmed the inflation factor to be used for 2018 incentive rate setting is 1.2%. The resulting Price Cap IR adjustment for API is therefore 0.6% (1.2% inflation factor less 0.6% stretch factor). In addition, the OEB has also approved final 2017 UTR's.

In consideration of the updated Price Cap IR adjustment factor, updated 2017 UTR's and changes to rate riders resulting from responses to IR-4 herein, API has updated its 2018 Rate Design Model and the OEB's 2018 IRM Rate Generator Model. After all updates, API confirms that a \$1 increment to the monthly fixed charge for its Seasonal class can now be implemented in order to maintain movement toward a fully fixed distribution rate, while also maintaining 10th percentile total bill impacts within the OEB's 10% threshold. The resulting total bill impacts for Seasonal customers are as follows:

- i. 750 kWh: 6.4%
- ii. 50 kWh: 9.9%

These changes are reflected in the live Excel versions of API's 2018 Rate Design Model and the OEB's 2018 IRM Rate Generator Model filed in conjunction with these interrogatory responses.

Staff IR-4

Ref: Account 1588 and Account 1589

- 1) Per pages 25 and 26 of the application, please confirm that Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equalling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equalling GA RPP is credited into Account 1589. If not confirmed, please explain the approach used in recording Charge Types 148 and 1142.

- 2) With regards to the Dec. 31 balance in Account 1589, all components that flow into Account 1589 (i to iv in table below) should all be based on actuals at year end.
 - a) Please confirm the information based on the information provided in the application in the following table to i) indicate whether the component is based on estimates or actuals at year end and ii) quantify the adjustment pertaining to each component that is trued up from estimate to actual.

| | Component | a) Estimate or Actual | b) Quantify True Up Adjustment | Comments |
|-----|--|------------------------------|---------------------------------------|-----------------|
| i | Revenues (i.e. is unbilled revenues trued up by year end) | Estimate | \$61,000 | |
| ii | Expenses - GA non-RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end) | Estimate | \$140,000 | |
| iii | Expenses - GA non-RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages | N/A | N/A | |
| iv | Credit of GA RPP: Charge Type 1142 if the approach under previous is used | Actual but trued up | (\$30,525) | |

- b) The DVA Continuity Schedule includes an adjustment to Account 1589 for charge types 148 (components ii) and 1142 (component iv) but not unbilled revenues (component i). Please include the true up of unbilled revenues as an adjustment in the DVA Continuity Schedule as well.

- 3) Per Table 16 on page 23 of the application, there is a true up of (\$30,525) relating to the true ups described for Account 1588 submitted in August 2017,

- a) Please explain whether this true up pertains to both the Fixed Price Adjustment and microFIT/FIT true up.
- b) If yes, please explain how Account 1589 is impacted from the microFIT/FIT true up.

4) With regards to the Dec. 31 balance in Account 1588, all components that flow into Account 1588 (i to iv in table below) should be all based on actuals at year end.

- a) Please complete the following table to i) indicate whether the component is based on estimates or actuals at year end and ii) quantify the adjustment pertaining to each component that is trued up from estimate to actual.

| | Component | a) Estimate or Actual | b) Quantify True Up Adjustment | Comments |
|-----|--|---|--------------------------------|----------|
| i | Revenues (i.e. is unbilled revenues trued up by year end) | | | |
| ii | Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end) | | | |
| iii | Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end) | N/A if charge type booked fully in Account 1589 | N/A | |
| iv | Expenses - GA RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages | N/A if charge type booked fully in Account 1589 | N/A | |
| v | RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type | Actual but trued up | \$31,601+(\$413,097) | |

- b) The DVA Continuity Schedule includes an adjustment to Account 1588 for RPP settlement (component v). Please include adjustments for unbilled revenues, charge type 101 in the DVA Continuity Schedule as well if the amounts recorded at year end were based on estimates.

- 5) Per Table 16 of page 22 of the application, true ups for Account 1588 include a true up of the Former Form 1598 Fixed Price Adjustment for \$31,601 and microFIT and FIT true up for (\$413,097).
 - a) Per page 25 of the application, the Fixed Price Adjustment is calculated as the difference between the weighted average energy price and RPP prices multiplied by consumption values. It is indicated that actual consumption data is used in the IESO submissions but true ups are still completed on an annual basis for any changes made after the original IESO settlement submissions were submitted. Please provide further details on what the true up for the Fixed Price Adjustment pertains to.
 - b) Please confirm that the microFit and FIT true up is to true up the difference between wholesale price and contract price. If not, please explain.
- 6) There is a true up in Accounts 1588 and 1589 for December 2016 consumption billed in January 2017 due to a one month IESO submission lag.
 - a) Please confirm that there was no IESO settlement done in the first month that Algoma Power was required to settle with the IESO.
 - b) Please explain whether the IESO is aware of the perpetual one month lag and explain whether they are in agreement with this submission process.
 - c) Please confirm whether the one month lag is in accordance with the IESO Market Rules, if applicable.
- 7) Algoma Power's approved loss factor is 1.0917 and the calculated loss factor from the GA Analysis Workform is 1.1173 (cell F59/D26), a difference of 2.56%. Please explain the difference and revise the GA Analysis Workform as needed.
- 8) The account balance of Account 1595 Sub-Account (2015) or a debit \$8,947 is being requested for disposition. No further dispositions of this vintage account is expected unless justified by the distributor. Please explain why this immaterial amount has not been written off, otherwise please update the DVA continuity to remove this requested amount for disposition.
- 9) On page 23 of the application, it states that "Occasionally, immaterial adjustments to a previously approved 1595 recovery account may be made in the event that there is a billing correction posted subsequent to the request and approval received for the

disposition of that account. That adjustment is then moved to another 1595 account and is requested for disposition in a subsequent proceeding”. Per Appendix A of the *Chapter 3 Filing Requirements for Electricity Distribution Rate Applications for 2018 Rate Applications*, “Any vintage Account 1595 Sub-Account is to be disposed only once, on a final basis. No further dispositions of these accounts are expected thereafter unless justified by the distributor”. Please explain why these immaterial amounts are not written off.

API Response:

- 1) Confirmed.
- 2)
 - a. See table completed below.

| | Component | a) Estimate or Actual | b) Quantify True Up Adjustment | Comments |
|-----|--|------------------------------|---------------------------------------|--|
| i | Revenues (i.e. is unbilled revenues trued up by year end) | Estimate | \$61,000 | i. Estimate confirmed. ii. In reviewing actual January 2017 billings, the actual adjustment amount should have been \$132,962 (i.e. actual billings less than accrued unbilled revenues, adjustment is a debit to DVA). |
| ii | Expenses - GA non-RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end) | Estimate | \$140,000 | i. Estimate confirmed. ii. In reviewing actual January 2017 invoices, the actual adjustment amount should have been (\$40,488) (i.e. actual invoice amount less than accrued expense, adjustment is a credit to DVA). |
| lii | Expenses - GA non-RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages | N/A | N/A | N/A |
| iv | Credit of GA RPP: Charge Type 1142 if the approach under previous is used | Actual but trued up | (\$30,525) | i. Trued up actual confirmed. ii. Balance correctly stated as submitted. |

- b. The continuity has been adjusted to include the actual adjustment amounts reported in the Comments column in the table above, including the i. adjustment. See table below for reconciliation of 1589 Total Claim amount between continuity schedule provided in original Application and

updated continuity schedule provided as part of these interrogatory responses.

| 1589 Total Claim Amt | |
|-----------------------------|-------------|
| Original DVA Submission | (1,074,616) |
| IRR 2. a) i. | 132,962 |
| IRR 2. a) ii. | (140,000) |
| IRR 2. a) ii. | (40,488) |
| Interest impact of above | (523) |
| IRR DVA Submission | (1,122,665) |

- 3)
- a. The true-up amount pertains to the Global Adjustment true-up only. The amount does not relate to the microFIT/FIT true-up as this amount is included in Note B of Table 16 on page 22 of the Application.
 - b. N/A as per response to a. above.
- 4)
- a. See table completed below.

| | Component | a) Estimate or Actual | b) Quantify True Up Adjustment | Comments |
|-----|--|---|---------------------------------------|--|
| i | Revenues (i.e. is unbilled revenues trued up by year end) | | | i. Estimate confirmed. ii. In reviewing actual January 2017 billings, the actual adjustment amount should have been \$78,885 (i.e. actual billings more than accrued unbilled revenues, adjustment is a credit to DVA). |
| ii | Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end) | | | i. Estimate confirmed. ii. In reviewing actual January 2017 invoices, the actual adjustment amount should have been (\$64) (i.e. actual invoice amount less than accrued expense, adjustment is a credit to DVA). |
| iii | Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end) | N/A if charge type booked fully in Account 1589 | N/A | N/A |

| | | | | |
|----|---|---|----------------------|---|
| iv | Expenses - GA RPP: Charge Type 148 with respect and RPP/non-RPP pro-ratio percentages | N/A if charge type booked fully in Account 1589 | N/A | N/A |
| v | RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type | Actual but trued up | \$31,601+(\$413,097) | i. Trued up actual confirmed. ii. Balance correctly stated as submitted. |

- b. The continuity has been adjusted to include the actual adjustment amounts reported in the Comments column in the table above, including the i. and ii. adjustments. See table below for reconciliation of 1588 Total Claim amount between continuity schedule provided in original Application and updated continuity schedule provided as part of these interrogatory responses.

| 1588 Total Claim Amt | |
|-----------------------------|-----------|
| Original DVA Submission | 1,126,815 |
| IRR 3. a) i. | (78,885) |
| IRR 3. a) ii. | (64) |
| Interest impact of above | (868) |
| IRR DVA Submission | 1,046,998 |

- 5)
- a. As noted on page 26 of the Application, “any differences that arise as a result of the true-ups are typically due to billing corrections (i.e. consumption value changes) that have occurred after the original IESO settlement submissions were submitted.” API notes that this is the case with respect to the true-up amount included in Note B of Table 16 on page 22 of the Application. API expects that in a typical year, these true-up amounts should not be material.
- b. Confirmed.
- 6)
- a. API can confirm that, since the purchase from Great Lakes Power in 2009, a one month lag has been utilized. Based on accounting records accessed, API believes that this one month lag approach had been used prior to the 2009 purchase.

- b. The IESO has been made aware of the perpetual lag and they have indicated that they do not have a process to review and validate LDC data submission. The responsibility of the verification and validation of the data (i.e. what monthly data the LDC is submitting and for what month) relies with the distributor.
 - c. The market rules do not quantify what monthly data must be submitted.
- 7) API noted two items in its review of the Workform. A revised Workform has been provided as part of these IRRs.

The first item is a correction has been made to the monthly kWhs reported in the "Non-RPP Class B Including Loss Factor Billed Consumption (kWh)" column of the analysis to account for side factor on certain bills. The result is a cumulative decrease in total kWhs of approximately 530,000, with a revised total "Non-RPP Class B Including Loss Factor Billed Consumption (kWh)" of 40,045,000 kWhs for 2016.

The second item is that actual Non-RPP Class B billings in January 2017 were approximately 326,000 kWhs lower than the accrual amount that had been reported for December 2016 in the "Current Month Unbilled Loss Adjusted Consumption (kWh)." A revised amount of 3,704,000 kWhs has been reported for December 2016 Unbilled Loss Adjusted Consumption (kWh).

Both of the above changes result in a revised calculated loss factor of 1.0941, which is a difference of 0.24% from API's approved loss factor of 1.0917.

- 8) API noted that Appendix A of the 2018 Chapter 3 Filing Requirements states that "Distributors are expected to seek disposition of the audited account balance a year after a rate rider's sunset date has expired" and that "No further transactions are expected to flow through the account."

API also noted that this specific verbiage did not exist in Appendix A of the 2017 Chapter 3 Filing Requirements.

In EB-2016-0055, API submitted (and subsequently received approval) a request to dispose of its 1595 (2015) balance. The rate riders expired at the end of 2015 and the residual at the time was based on the December 31, 2015 audited, accrual basis accounting, balance in this account.

The balance being requested for disposition within this proceeding relates to the difference between amounts accrued (and approved within EB-2016-0055) at the end of 2015, and actual billings that occurred in the first couple of months in 2016

that related to 2015 consumption. API is requesting disposition of this residual balance because the 2017 filing requirements did not require distributors to wait a full year after the rate rider's sunset date to seek disposition.

In consideration of the above, API has not removed the amount being requested for disposition.

- 9) As noted on page 23 of the Application, "API is not aware of any adjustments that have been made to previously approved 1595 recovery accounts, in DVA balances sought for disposition within this proceeding." API will endeavour to ensure that, in any instance where there may be a billing correction posted to a vintage 1595 Sub-account, that those amounts are written off in accordance with Chapter 3 Filing Requirements.

Algoma Coalition IR-1

We understand that Algoma Power Inc. has new mining connections. Please explain the stream of revenue that will come in from these connections and what effect, if any, this will have on the current rate application.

API Response:

API does not expect revenue from new mining connections in the 2018 rate year. API notes that changes to revenue streams from the gain or loss of customers has would have no impact on the current application due to the incentive rate setting nature of the application, which uses previously approved customer counts and load forecasts from 2015 as the basis for rate calculations.

Algoma Coalition IR-2

We understand that the Ontario Energy Board has recently appointed API as licensee for the operation of the electricity distribution system in the Town of Dubreuilville. Please explain what effect, if any, this will have on the current rate application.

API Response:

The OEB order requiring API to operate the electricity system in the Town of Dubreuilville also requires API to separately track the costs and revenues associated with the operation of this system in a deferral account. This has no effect on the current rate application.