



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

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**DECISION AND RATE ORDER**

**EB-2017-0025**

**ALGOMA POWER INC.**

**Application for rates and other charges to be effective January 1, 2018**

**BEFORE: Lynne Anderson**  
Presiding Member

**Allison Duff**  
Member

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**December 20, 2017**

# 1 INTRODUCTION AND SUMMARY

Through this Decision and Order, the Ontario Energy Board (OEB) approves the incentive rate-setting mechanism (IRM) application filed by Algoma Power Inc. (Algoma Power) on August 14, 2017, as amended during the course of the proceeding.

Algoma Power serves about 12,000 mostly residential and commercial electricity customers in the Algoma District of Ontario. The company is seeking the OEB's approval for the rates it charges to distribute electricity to its customers, as is required of licenced and rate-regulated distributors in Ontario.

A distributor may choose one of three rate-setting methodologies approved by the OEB. Each of these is explained in the OEB's [Chapter 3 Filing Requirements for Incentive Rate-Setting Applications](#) (Filing Requirements).

Algoma Power's application is based on a Price Cap Incentive Rate-setting option (Price Cap IR) with a five-year term. The Price Cap IR option involves the setting of rates through a cost of service (COS or rebasing) application in the first year. Mechanistic price cap adjustments, based on inflation and the OEB's assessment of the distributor's efficiency, are then approved through IRM applications in each of the ensuing four (adjustment) years.

Algoma Power has also applied to change the composition of its distribution service rates. Residential distribution service rates currently include a fixed monthly charge and a variable usage charge. In 2015, the OEB issued a policy to transition these rates to a fully fixed structure.<sup>1</sup> Accordingly, the fixed monthly charge for 2018 has once again been adjusted upward in this Decision by more than the mechanistic price cap adjustment alone. The variable usage rate is commensurately lower. This policy change does not affect the total revenue that distributors collect from residential customers.

There is an additional adjustment to rates related to the funding provided to eligible customers of Algoma Power for rural or remote electricity rate protection (RRRP).<sup>2</sup> For 2018, RRRP funding of \$13,154,383 will be provided to Algoma Power so that the rates to Algoma Power's Residential - R1 (i), Residential –R1 (ii)<sup>3</sup> and Residential – R2 are set lower than they otherwise would have been.

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<sup>1</sup> OEB Policy – “A New Distribution Rate Design for Residential Electricity Customers”, EB-2012-0410, April 2, 2015

<sup>2</sup> The setting of rates for Algoma Power's Residential R-1 and R-2 classes is subject to section 4 subsections 3.1 and 3.2 of Ontario Regulation 442/01 (Rural Or Remote Electricity Rate Protection), and Ontario Regulation 445/07 (Reclassifying Certain Classes Of Consumers As Residential-Rate Class Customers: Section 78 of the Act), each made under the *Ontario Energy Board Act, 1998*

<sup>3</sup> Algoma Power's R1 class was segregated into residential (i) and non-residential (ii) sub-groups in the OEB's EB-2015-0051 proceeding.

As a result of the OEB's findings in this Decision, there will be a monthly bill increase of \$4.65 for a residential customer consuming 750 kWh, effective January 1, 2018.

## 2 THE PROCESS

The OEB follows a standardized and streamlined process for hearing IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term, the OEB prepares a Rate Generator Model that includes information from the distributor's past proceedings and annual reporting requirements. A distributor will then review and complete the Rate Generator Model and include it with its application. During the course of the proceeding, the Rate Generator Model will also be updated or corrected, as required.

The Rate Generator Model updates base rates, retail transmission service rates and, if applicable, shared tax saving adjustments. It also calculates rate riders for the disposition of deferral and variance account balances.

Algoma Power filed its application on August 11, 2017, under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act) and in accordance with the Filing Requirements. Notice of Algoma Power's application was issued on October 17, 2017. Algoma Coalition responded to the Notice and became a party to the proceeding. OEB staff also participated in the proceeding.

The application was supported by pre-filed written evidence and a completed Rate Generator Model. During the course of the proceeding, the applicant responded to interrogatories and, where required, updated and clarified the evidence. Final submissions on the application were filed by Algoma Power and OEB staff.

## 3 ORGANIZATION OF THE DECISION

In this Decision, the OEB addresses the following issues, and provides reasons for approving or denying Algoma Power's proposals relating to each of them:

- Price Cap Adjustment
- Rural or Remote Electricity Rate Protection
- Revenue-to-Cost Ratio Adjustments
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Residential Rate Design

In the final section, the OEB addresses the steps to implement the final rates that flow from this Decision.

## 4 PRICE CAP ADJUSTMENT

Algoma Power seeks to increase its rates, effective January 1, 2018, based on a mechanistic rate adjustment using the OEB-approved *inflation minus X-factor* formula applicable to Price Cap IR applications.

The components of the Price Cap IR formula applicable to Algoma Power are set out in Table 4.1, below. Inserting these components into the formula results in a 0.6% increase to Algoma Power' rates:  $0.60\% = 1.20\% - (0.00\% + 0.60\%)$ .

**Table 4.1: Price Cap IR Adjustment Formula**

Components		Amount
Inflation Factor <sup>4</sup>		1.20%
X-Factor	Productivity <sup>5</sup>	0.00%
	Stretch (0.00% – 0.60%) <sup>6</sup>	0.60%

The inflation factor of 1.20% applies to all Price Cap IR applications for the 2018 rate year.

The X-factor is the sum of the productivity factor and the stretch factor. It is a productivity offset that will vary among different groupings of distributors. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors with a tangible incentive to improve efficiency or else experience declining net income.

The productivity component of the X-factor is based on industry conditions over a historical study period and applies to all Price Cap IR applications for the 2018 rate year.

<sup>4</sup> Report of the OEB – “Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity Distributors”, EB-2010-0379, December 4, 2013

<sup>3</sup> Ibid.

<sup>4</sup> The stretch factor groupings are based on the Report to the Ontario Energy Board – “Empirical Research in Support of Incentive Rate-Setting: 2016 Benchmarking Update”, prepared by Pacific Economics Group LLC., July 15, 2017

The stretch factor component of the X-factor is distributor specific. The OEB has established five stretch factor groupings, each within a range from 0.00% to 0.60%. The stretch factor assigned to any particular distributor is based on the distributor's total cost performance as benchmarked against other distributors in Ontario. The most efficient distributor would be assigned the lowest stretch factor of 0.00%. Conversely, a higher stretch factor would be applied to a less efficient distributor (in accordance with its cost performance relative to expected levels) to reflect the incremental productivity gains that the distributor is expected to achieve. The stretch factor assigned to Algoma Power is 0.60%.

## Findings

The OEB finds that Algoma Power' request for a 0.60% Price Cap IR adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved.

The adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes.<sup>7</sup>

## 5 RURAL OR REMOTE ELECTRICITY RATE PROTECTION

Under Ontario regulations, the rates for eligible customers of Algoma Power have been decreased because of funding provided for rural or remote electricity rate protection (RRRP). The amount of the decrease was first determined in Algoma Power's last COS rate application.<sup>8</sup> During subsequent IRM rate applications, such as this proceeding, rates have then been adjusted to reflect the average annual change in distribution rates for Residential and GS<50 kW customer rate classes across all rate regulated distributors in Ontario.

To make this adjustment, OEB staff provided an updated RRRP adjustment factor of 2.52% based on calculating the simple average rate change for all distributors in 2016 for the Residential and GS<50kW customer rate classes.

In a prior decision, the OEB found that RRRP funding for Algoma Power's R-1 and R-2 rate classes during IRM years would be calculated using the difference between:

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<sup>7</sup> Price Cap IR and Annual IR Index adjustments do not apply to the following rates and charges: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges, microFIT charge, and retail service charges.

<sup>8</sup> Decision and Order, EB-2014-0055, January 8, 2015

- i. The total revenue requirement for the R-1 and R-2 rate classes adjusted by the price cap adjustment; and
- ii. The revenues generated by the base rates for the R-1 and R-2 rate classes adjusted by the RRRP Adjustment.<sup>9</sup>

Algoma Power has applied for rates in this proceeding using this same methodology. The RRRP funding for 2018 is calculated to be \$13,154,383, which is calculated by applying a price cap index adjustment of 0.60% and a RRRP adjustment of 2.52% to the method outlined above. The rates for all other customer classes not eligible for the RRRP are adjusted by the price cap adjustment of 0.6%.

## Findings

The OEB finds that Algoma Power has calculated the RRRP funding amount of \$13,154,383 and applied the RRRP adjustment factor to rates in accordance with the regulations and previous OEB Decisions. The RRRP funding and adjustment is approved. Algoma Power's new rates shall be effective January 1, 2018.

## 6 REVENUE-TO-COST RATIO ADJUSTMENTS

A revenue-to-cost ratio measures the relationship between the revenues that a distributor expects to receive from a class of customers and the level of costs allocated to that class. Generally, an increase to the revenue-to-cost ratio of one rate class will result in a decrease to the ratio of one or more of the other rate classes. A distributor may seek to adjust its revenue-to-cost ratios during an IRM term, in accordance with OEB-established target ranges, if the adjustment was approved by the OEB in a previous proceeding.<sup>10</sup>

In this application, Algoma Power proposes an increase to the revenue-to-cost ratios for the Streetlighting Class and Seasonal Service Class customers. The additional revenues from these adjustments would be used to reduce the revenue-to-cost ratios for the Residential R1 and R2 Class customers.

Table 6.1, below, outlines the revenue-to-cost ratios for which the applicant seeks approval for the 2018 rate year.

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<sup>9</sup> Decision and Order, EB-2011-0152, January 20, 2012

<sup>10</sup> Report of the OEB – "Application of Cost Allocation for Electricity Distributors", EB-2007-0667, November 28, 2007; and, Report of the OEB – "Review of Electricity Distribution Cost Allocation Policy", EB-2010-0219, March 31, 2011

**Table 6.1: Revenue-to-Cost Ratios**

<b>Rate Class</b>	<b>2017 Ratio (%)</b>	<b>Proposed 2018 Ratio (%)</b>
RESIDENTIAL R1 SERVICE CLASSIFICATION	108.03	106.54
RESIDENTIAL R2 SERVICE CLASSIFICATION	108.02	106.53
SEASONAL SERVICE CLASSIFICATION	72.00	78.00
STREET LIGHTING SERVICE CLASSIFICATION	32.03	40.39

## Findings

The OEB agrees that the proposed adjustments for the 2018 rate year are consistent with OEB's findings in its decision for Algoma Power's 2015 rates.<sup>11</sup> Algoma Power's revenue-to-cost ratios are approved, as set out in Table 6.1 above.

## 7 RETAIL TRANSMISSION SERVICE RATES

Distributors charge retail transmission service rates (RTSRs) to their customers to recover the amounts they pay to a transmitter, a host distributor or both for transmission services. All transmitters charge Uniform Transmission Rates (UTRs) approved by the OEB to distributors connected to the transmission system. Host distributors charge host-RTSRs to distributors embedded within the host's distribution system.

Algoma Power is transmission connected and is requesting approval to adjust the RTSRs that it charges its customers to reflect the rates that it pays for transmission services included in Table 7.1.

<sup>11</sup> Decision and Order, EB-2014-0055, January 8, 2015

Table 7.1: Hydro One Networks Inc. 2017 UTRs<sup>12</sup>

Current UTRs	per kWh
Network Service Rate	\$3.52
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.88
Transformation Connection Service Rate	\$2.13

## Findings

Algoma Power's proposed adjustment to its RTSRs is approved. Algoma Power' RTSRs were adjusted to reflect the OEB-approved 2017 UTRs.

Cost differences resulting from the approval of new 2018 UTRs will be captured in Accounts 1584 and 1586 for future disposition.

## 8 GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts in order to determine whether their total balance should be disposed.<sup>13</sup> OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of \$0.001 per kWh, unless a distributor justifies why balances should not be disposed.<sup>14</sup> If the balance does not exceed the threshold, a distributor may elect to request disposition.

The 2016 actual year-end total balance for Algoma Power' Group 1 accounts including interest projected to December 31, 2017 is a credit of \$477,100. This amount represents a total credit claim of \$0.0024 per kWh, which exceeds the disposition

<sup>12</sup> Decision and Rate Order, EB-2017-0280, November 23, 2017

<sup>13</sup> Group 1 accounts track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

<sup>14</sup> Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009

threshold. Algoma Power proposed the disposition of this credit amount over a one-year period in its IRM application, as originally filed on August 11, 2017.

In its submission, OEB staff noted that Algoma Power made adjustments in its GA Analysis Workform to Accounts 1588 and 1589, and made adjustments to Accounts 1588 and 1589 pertaining to a one-month time-lag in the Algoma Power's Independent Electricity System Operator (IESO) settlement process. OEB staff submitted that this settlement methodology was not consistent with the requirements set out by the IESO which stipulate that "[s]ettlement data must be submitted to [the IESO] monthly, as soon as possible after the last trading day of the month, and no later than the fourth business day after the last trading day of the month".<sup>15</sup> In the view of OEB staff, Algoma Power had been submitting settlements data to the IESO one month later than required. In its response to OEB staff interrogatories, Algoma Power argued that the IESO Market Rules do not quantify what monthly data must be submitted.

Up until the current IRM proceeding, Algoma Power had been disposing of its balances in Accounts 1588 and 1589 on a rolling 12-month basis rather than on a calendar year (due to the time lag noted above). This rolling 12-month balance would cover the period December of the previous year to November of the most recent year.

Algoma Power made an adjustment to its deferral and variance account continuity schedule to capture the 2016 settlement related amounts that were actually recorded in 2017. The impact of this is that the proposed disposition balance for 2016 includes 13-months of activity for both Accounts 1588 and 1589, covering the period from December 2015 to December 2016. OEB staff submitted that it had no issue with Algoma Power's request to dispose of its December 31, 2016 Group 1 account balances, including the adjustment made to the deferral and variance account continuity schedule for Accounts 1588 and 1589, as noted above. However, OEB staff submitted that Algoma Power should align its IESO settlement processes with the IESO requirements such that its future monthly RPP settlements with the IESO are based on the most recent calendar month's activity.

Included in the balance of the Group 1 accounts is the Global Adjustment (GA) credit account balance of \$1,122,665. A customer's costs for the commodity portion of its electricity service reflects the sum of two charges: the price of electricity established by the operation of the IESO administered wholesale market, and the GA.<sup>16</sup>

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<sup>15</sup> IESO Market Manual 5.5: Physical Markets Settlement Statements, MM5.5: section 1.6.7.7 Regulated Price Plan

<sup>16</sup> The GA is established monthly, by the IESO, and varies in accordance with market conditions. It is the difference between the market price and the sum of the rates paid to regulated and contracted generators and conservation and demand management (demand response) program costs.

The GA is paid by consumers in several different ways:

- For Regulated Price Plan (RPP) customers, the GA is incorporated into the standard commodity rates, therefore there is no variance account for the GA.
- Customers who participate in the Ontario Industrial Conservation Initiative program are referred to as “Class A” customers. These customers are assessed GA costs through a peak demand factor that is based on the percentage their demand contributes to the top five Ontario system peaks. This factor determines a Class A customer's allocation for a year-long billing period that starts in July every year. As distributors settle with Class A customers based on the actual GA costs there is no resulting variance.
- “Class B” non-RPP customers pay the GA charge based on the amount of electricity they consume in a month (kWh). Class B non-RPP customers are billed GA based on an IESO published GA price. For Class B non-RPP customers, distributors track any difference between the billed amounts and actual costs in the GA Variance Account for disposal, once audited.

Algoma Power proposes the refund of its GA variance account credit balance of \$1,122,665 as at December 31, 2016, including interest to December 31, 2017, in accordance with Table 7.1.

**Table 7.1: Proposed Recovery of GA Variance**

Proposed Amounts	Proposed Method for Recovery
\$1,122,665 refund to customers who were Class B for the entire period from January 2016 to December 2016	Per kWh rate rider

The balance of the Group 1 accounts includes a credit of \$10,604 for the refund of Capacity Based Recovery (CBR) charges for Class B customers related to the IESO's wholesale energy market Demand Response 3 program. Distributors paid CBR charges to the IESO in 2016 and recorded these to a dedicated sub-account. The disposition of this sub-account is impacted by whether or not a distributor had any customers who were part of Class A during the period from January 2016 to December 2016.

Algoma Power had one Class A customer during the period from January 2016 to December 2016 so it applied to have the balance of this account disposed through a separate kWh rate rider for Class B customers in order to ensure proper allocation between Class A and Class B customers.

The remaining Group 1 accounts being sought for disposition, through the general Deferral and Variance Account rate rider, include the following flow through variance accounts: Smart Meter Entity Charges, Wholesale Market Service Charges, Retail Transmission Service Charges and Commodity Power Charges, as well as the clearance of a residual amount in Account 1595 (2015). These Group 1 accounts have a total debit balance of \$656,169, which results in a charge to customers.

OEB staff confirmed that the balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*.<sup>17</sup> Algoma Power submitted that its proposal for a one-year disposition period is in accordance with the OEB's policy.<sup>18</sup>

## Findings

The OEB approves the disposition of a credit balance of \$477,100 as of December 31, 2016, including interest projected to December 31, 2017 for Group 1 accounts.

In its application, Algoma Power described its settlement process with the IESO. Market Rules require electricity distributors to file a claim with the IESO by the fourth business day of the month.<sup>19</sup> The claim relates to the difference between the wholesale cost of power for RPP customers, including the RPP portion of the GA, and the amount billed to customers for the RPP. The IESO then applies this claim amount to the distributor's invoice to be issued for the previous month.

Rather than forecasting the RPP amount for the month being invoiced, Algoma Power waits until its customers have been billed before filing a claim with the IESO. This results in settlements with the IESO being based on a 12-month rolling basis, rather than the calendar year. Algoma Power made an adjustment to its 2016 balances for Accounts 1588 and 1589 to include the amount for December 2016 that was settled with the IESO on the January 2017 invoice. Given this adjustment, OEB staff took no issue with the 2016 year-end balances in the Group 1 deferral and variance accounts. The OEB agrees with the proposal to dispose of Group 1 account balances, with the adjustment for December 2016.

OEB staff submitted that Algoma Power should change its settlement processes with the IESO on a go-forward basis. In its reply letter, Algoma Power agreed to adjust its IESO settlement process beginning with January 2018 consumption. It noted that this

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<sup>17</sup> Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016

<sup>18</sup> As outlined in the Report cited at footnote 14 above.

<sup>19</sup> As outlined in the Market Manual cited at footnote 15 above.

adjustment could not be applied retroactively to 2017 balances as it had already filed its monthly 2017 claims to the IESO.

The OEB agrees that Algoma Power should amend its settlement process to be consistent with that of other distributors. The OEB accepts that Algoma Power will change its settlement process commencing with January 2018 consumption.

The following table identifies the principal and interest amounts which the OEB approves for disposition.

**Table 7.2: Group 1 Deferral and Variance Account Balances  
with Interest Projected to December 31, 2017**

<b>Account Name</b>	<b>Account Number</b>	<b>Principal Balance (\$) A</b>	<b>Interest Balance (\$) B</b>	<b>Total Claim (\$) C=A+B</b>
Smart Meter Entity Variance Charge	1551	(3,171)	(29)	(3,199)
RSVA - Wholesale Market Service Charge	1580	(282,446)	(4,901)	(287,346)
Variance WMS - Sub-account CBR Class B	1580	(10,576)	(28)	(10,604)
RSVA - Retail Transmission Network Charge	1584	(99,114)	(1,706)	(100,819)
RSVA - Retail Transmission Connection Charge	1586	(8,309)	(101)	(8,410)
RSVA – Power	1588	1,029,471	17,527	1,046,998
RSVA - Global Adjustment	1589	(1,109,656)	(13,009)	(1,122,665)
Disposition and Recovery of Regulatory Balances (2015)	1595	8,841	106	8,947
<b>Totals for all Group 1 accounts</b>		<b>(474,959)</b>	<b>(2,140)</b>	<b>(477,100)</b>

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity*

*Distributors.*<sup>20</sup> The date of the transfer must be the same as the effective date for the associated rates, which is, generally, the start of the rate year. Algoma Power shall ensure these adjustments are included in the reporting period ending March 31, 2018 (Quarter 1).

The OEB approves these balances to be disposed through rate riders as calculated in the Rate Generator Model. The rate riders will be in effect over a one-year period from January 1, 2018 to December 31, 2018.<sup>21</sup>

## 9 RESIDENTIAL RATE DESIGN

All residential distribution rates currently include a fixed monthly charge and a variable usage charge. The OEB's residential rate design policy stipulates that distributors will transition residential customers to a fully fixed monthly distribution service charge over a four-year period, beginning in 2016.<sup>22</sup> The OEB requires that distributors filing IRM applications affecting 2018 rates continue with this transition by once again adjusting their distribution rates to increase the fixed monthly service charge and decrease the variable charge consistent with the policy.

The OEB expects an applicant to apply two tests to evaluate whether mitigation of bill impacts for customers is required during the transition period. Mitigation usually takes the form of a lengthening of the transition period. The first test is to calculate the change in the monthly fixed charge, and to consider mitigation if it exceeds \$4. The second is to calculate the total bill impact of the proposals in the application for low volume residential customers (defined as those residential RPP customers whose consumption is at the 10<sup>th</sup> percentile for the class). Mitigation may be required if the bill impact related to the application exceeds 10% for these customers.

In Algoma Power's 2016 rates proceeding, the OEB found that the impact of transitioning the utility's customers over four years was too great.<sup>23</sup> To mitigate the impact, the OEB determined that the transition would be over eight years for the traditional residential customers in Algoma Power's R1 customer class (non-residential customers in the class would not be transitioned to fixed rates, consistent with the OEB's policy). The OEB also determined that seasonal customers would transition to

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<sup>20</sup> Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012

<sup>21</sup> 2018 IRM Rate Generator Model Tab 6.1 GA, Tab 6.2 "CBR B" and Tab 7 "Calculation of Def-Var RR"

<sup>22</sup> As outlined in the Policy cited at footnote 1 above.

<sup>23</sup> Decision and Rate Order, EB-2015-0051, December 10, 2015

fixed rates over a nine-year period; eight years at \$4, and the residual increase over the ninth year.

In this application, Algoma Power proposed that the traditional residential customer continue to be transitioned over an eight-year period (with five years remaining in the transition). Algoma Power submitted that the bill impact to small volume seasonal customers using 50kWh per month is higher than 10%, and is seeking a change to the transition plan for these customers. Algoma Power proposed that the seasonal customers transition with a \$1 increase to the fixed charge for 2018, rather than the \$4 pace previously approved by the OEB.

## Findings

The OEB approves Algoma Power's proposal for transitioning the traditional residential customers in the R1 rate class to fixed rates over an eight-year period. This proposal is consistent with the OEB's decision for Algoma Power's 2016 rates.

The OEB does not approve Algoma Power's proposal for the seasonal rate class. The OEB has determined that the previously-approved transition for the seasonal customers will not be changed. This will continue the transition for seasonal customers over nine years; eight years at \$4, and the residual increase over the ninth year. The transition over nine years previously approved by the OEB is already the longest transition period approved for any distributor in the province. Deferring a portion of the transition in 2018 will make the transition even longer.

While the bill impact exceeds 10% for a seasonal customer using 50 kWh per month, the incremental amount on the bill using the current approved transition plan compared to Algoma Power's proposal is \$2.27. The OEB finds that this increase is reasonable and no further mitigation is required, particularly for services at secondary residences. Furthermore, the revenue-to-cost ratios indicated that the seasonal customers will be paying 78% of Algoma Power's allocated costs to serve these customers in 2018. As the revenue-to-cost ratio is less than 100%, bills for seasonal customers are already mitigated to some extent.

## 10 IMPLEMENTATION AND ORDER

This Decision is accompanied by a Rate Generator Model, applicable supporting models, and a Tariff of Rates and Charges (Schedule A).

Model entries were reviewed in order to ensure that they are in accordance with Algoma Power's last COS decision, and to ensure that the 2017 OEB-approved Tariff of Rates and Charges, as well as the cost, revenue and consumption results from 2016, are as

reported by Algoma Power to the OEB. The Rate Generator Model was adjusted, where applicable, to correct any discrepancies.

The Rate Generator Model incorporates the rates set out in the following table.

**Table 10.1: Regulatory Charges**

Rate	per kWh
Rural or Remote Electricity Rate Protection (RRRP)	\$0.0003
Wholesale Market Service (WMS) billed to Class A and B Customers	\$0.0032
Capacity Based Recovery (CBR) billed to Class B Customers	\$0.0004

Each of these rates is a component of the “Regulatory Charge” on a customer’s bill, established annually by the OEB through a separate generic order. The RRRP rate was set by the OEB on June 22, 2017.<sup>24</sup> The WMS and CBR rates were set by the OEB on December 15, 2016.<sup>25</sup>

#### **THE ONTARIO ENERGY BOARD ORDERS THAT:**

1. Algoma Power Inc.’s new distribution rates shall be effective January 1, 2018.
2. The Tariff of Rates and Charges set out in Schedule A shall be deemed *draft* until the parties have complied with the subsequent procedural steps.
3. Algoma Power Inc. shall review the Tariff of Rates and Charges set out in Schedule A and shall file with the OEB, as applicable, a written confirmation of its completeness and accuracy, or provide a detailed explanation of any inaccuracies or missing information, within **7 days** of the date of issuance of this Decision and Rate Order.
4. This Tariff of Rates and Charges will be considered final if Algoma Power Inc. does not provide a submission to the OEB that inaccuracies were found or information was missing pursuant to item 3. Algoma Power Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

<sup>24</sup> Decision and Order, EB-2017-0234, June 22, 2017

<sup>25</sup> Decision and Order, EB-2016-0362, December 15, 2016

5. If the OEB receives a submission from Algoma Power Inc. to the effect that inaccuracies were found or information was missing pursuant to item 3, the OEB will consider the submission prior to issuing a final Tariff of Rates and Charges.

All filings to the OEB must quote the file number, EB-2017-0025 and be made electronically through the OEB's web portal at <http://www.pes.ontarioenergyboard.ca/eservice/> in searchable/unrestricted PDF format. Two paper copies must also be filed at the OEB's address provided below. 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 [https://www.oeb.ca/oeb/Documents/e-Filing/RESS\\_Document\\_Guidelines\\_final.pdf](https://www.oeb.ca/oeb/Documents/e-Filing/RESS_Document_Guidelines_final.pdf). If the web portal is not available parties may email their documents to the address below.

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.

### **ADDRESS**

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4  
Attention: Board Secretary

E-mail: [boardsec@oeb.ca](mailto:boardsec@oeb.ca)  
Tel: 1-888-632-6273 (Toll free)  
Fax: 416-440-7656

**DATED** at Toronto, December 20, 2017

### **ONTARIO ENERGY BOARD**

Original Signed By

Kirsten Walli  
Board Secretary

**Schedule A**

**To Decision and Rate Order**

**Tariff of Rates and Charges**

**OEB File No: EB-2017-0025**

**DATED: December 20, 2017**

**Algoma Power Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date January 1, 2018**  
**This schedule supersedes and replaces all previously**  
**approved schedules of Rates, Charges and Loss Factors**

EB-2017-0025

## RESIDENTIAL R1 SERVICE CLASSIFICATION

For the purposes of rates and charges, a residential service is defined in two ways:

- i) a dwelling occupied as a residence continuously for at least eight months of the year and, where the residential premises is located on a farm, includes other farm premises associated with the residential electricity meter, and
- ii) consumers who are treated as residential-rate class customers under Ontario Regulation 445/07 (Reclassifying Certain Classes of Consumers as Residential-Rate Class Customers: Section 78 of the Ontario Energy Board Act, 1998) made under the Ontario Energy Board Act, 1998.

This application refers to a Residential service with a demand of less than, or is forecast to be less than, 50 kilowatts, and which is billed on an energy basis. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Condition of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge - Applicable only to customers that meet criteria (i) above	\$	37.40
Service Charge - Applicable only to customers that meet criteria (ii) above	\$	25.08
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	\$	0.79
Distribution Volumetric Rate - Applicable only to customers that meet criteria (i) above	\$/kWh	0.0212
Distribution Volumetric Rate - Applicable only to customers that meet criteria (ii) above	\$/kWh	0.0353
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	\$/kWh	(0.0305)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kWh	0.0033
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 Applicable only for Class B Customers	\$/kWh	(0.0001)
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0063
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0053

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Algoma Power Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date January 1, 2018**  
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EB-2017-0025

## RESIDENTIAL R2 SERVICE CLASSIFICATION

This classification refers to a Residential service with a demand equal to or greater than, or is forecast to be equal to or greater than, 50 kilowatts, and which is billed on a demand basis. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

The rate rider for the disposition of WMS – Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

The rate rider for the disposition of Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	645.61
Distribution Volumetric Rate	\$/kW	3.3451
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	\$/kWh	(0.0305)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kW	1.3980
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 Applicable only for Class B Customers	\$/kW	(0.0216)
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kW	(0.8010)
Retail Transmission Rate - Network Service Rate	\$/kW	2.4048
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.0074

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Algoma Power Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date January 1, 2018**  
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EB-2017-0025

## SEASONAL CUSTOMERS SERVICE CLASSIFICATION

This classification includes all services supplied to single-family dwelling units for domestic purposes, which are occupied on a seasonal/intermittent basis. A service is defined as Seasonal if occupancy is for a period of less than eight months of the year. Class B consumers are defined in accordance with O. Reg. 429. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	50.05
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	\$	0.79
Distribution Volumetric Rate	\$/kWh	0.1338
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	\$/kWh	(0.0305)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kWh	0.0032
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 Applicable only for Class B Customers	\$/kWh	(0.0001)
Rate Rider for Disposition of Account 1574 - effective until June 30, 2019	\$/kWh	0.0307
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0063
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0053

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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EB-2017-0025

## STREET LIGHTING SERVICE CLASSIFICATION

This classification refers to an account for roadway lighting. The consumption for these unmetered accounts will be based on the calculated connection load times the calculated hours of use established in the approved Ontario Energy Board street lighting load shape template. Class B consumers are defined in accordance with O. Reg. 429. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	1.91
Distribution Volumetric Rate	\$/kWh	0.3084
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	\$/kWh	(0.0305)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kWh	0.0034
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 Applicable only for Class B Customers	\$/kWh	(0.0001)
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate - Network Service Rate	\$/kW	1.7413
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.4481

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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EB-2017-0025

**microFIT SERVICE CLASSIFICATION**

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

**APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

**MONTHLY RATES AND CHARGES - Delivery Component**

Service Charge	\$	5.40
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EB-2017-0025

**ALLOWANCES**

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for Transformer Losses - applied to measured demand & energy	%	(1.00)

**SPECIFIC SERVICE CHARGES**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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**Customer Administration**

Arrears certificate (credit reference)	\$	15.00
Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Notification charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned cheque (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

**Non-Payment of Account**

Late payment - per month	%	1.50
Late payment - per annum	%	19.56
Collection of account charge - no disconnection - during regular business hours	\$	30.00
Collection of account charge - no disconnection - after regular hours	\$	165.00
Disconnect/reconnect at meter - during regular hours	\$	65.00
Disconnect/reconnect at meter - after regular hours	\$	185.00
Disconnect/reconnect at pole - during regular hours	\$	185.00
Disconnect/reconnect at pole - after regular hours	\$	415.00
Install/remove load control device - during regular hours	\$	65.00
Install/remove load control device - after regular hours	\$	185.00

**Other**

Specific charge for access to the power poles - per pole/year (with the exception of wireless attachments)	\$	22.35
Service call - customer owned equipment	\$	30.00
Service call - after regular hours	\$	165.00
Temporary service install & remove - overhead - no transformer	\$	500.00
Temporary service install & remove - underground - no transformer	\$	300.00
Temporary service install & remove - overhead - with transformer	\$	1,000.00

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EB-2017-0025

## RETAIL SERVICE CHARGES (if applicable)

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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Retail Service Charges refer to services provided by Algoma Power Inc. to retailers or customers related to the supply of competitive electricity and are defined in the 2006 Electricity Distribution Rate Handbook.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly fixed charge, per retailer	\$	20.00
Monthly variable charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing monthly charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing monthly credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	\$	no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

## LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor - Secondary Metered Customer	1.0917
Total Loss Factor - Primary Metered Customer	1.0808