



Ontario
Energy
Board

Commission
de l'énergie
de l'Ontario

DECISION AND ORDER

EB-2019-0019

ALGOMA POWER INC.

Application for electricity distribution rates and other charges
beginning January 1, 2020

BEFORE: Michael Janigan
Presiding Member

Cathy Spoel
Member

Robert Dodds
Vice Chair and Member

October 17, 2019

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1 INTRODUCTION AND SUMMARY

This is a decision of the Ontario Energy Board (OEB) on an application filed by Algoma Power Inc. (Algoma Power). Algoma Power filed an application with the OEB to change its electricity distribution rates effective January 1, 2020 (the Application). Under the *Ontario Energy Board Act, 1998*, distributors must apply to the OEB to change the rates they charge their customers.

Algoma Power serves approximately 12,110 customers over a 14,200 km² rural area. The area stretches approximately 93 km east and 255 km north of the City of Sault Ste. Marie and includes seven First Nation Reserves, 14 organized townships, and a large number of unorganized townships.

On April 4, 2019, the OEB approved Algoma Power's acquisition¹ of Dubreuil Lumber Inc.'s (Dubreuil) distribution assets (Acquisition Decision), following an OEB order authorizing Algoma Power to operate Dubreuil's distribution system as an interim operator in 2017.² Previously incurred costs, related to the operation of Dubreuil's distribution system, had been recorded in the Interim Licence Deferral Account (ILDA).³ The Acquisition Decision approved, on an interim basis, a partial disposition of balances in the ILDA that related to depreciation expense and the return on capital associated with the Dubreuil distribution system. Algoma Power proposed to add undepreciated capital cost for the Dubreuil distribution system to Algoma Power's 2020 rate base and to dispose of non-capital and one-time cost for the 2017-2018 period as part of its cost-of-service proceeding. Both matters are addressed in the settlement proposal (Settlement Proposal) filed in the current proceeding. The Acquisition Decision also established a new deferral account to record transaction and integration costs incurred by Algoma Power after September 24, 2018. The balances of these accounts are subject to this proceeding.

Algoma Power asked the OEB to approve its rates for five years using the Price Cap Incentive rate-setting option available with the *"Renewed Regulatory Framework for Electricity Distributors: a Performance Based Approach"*. With this option, rates are approved for 2020, and then rates are adjusted mechanistically for the next four years through a price cap adjustment based on inflation and the OEB's assessment of Algoma Power's efficiency.

¹ EB-2018-0271, April 4, 2019

² EB-2017-0152, April 4, 2017

³ EB-2017-0152, *op. cit.* The Deferral account was established in item 1c. of the OEB's Order appointing Algoma as the interim operator of Dubreuil's distribution system.

Algoma Power's residential and general service (R1) and industrial (R2) customers (deemed residential customers under Ontario Regulation [O. Reg] 442/01), pay rates below the cost of providing distribution service. Rates for these customers are financially subsidized through the Distribution Rate Protection under O. Reg 198/17; a First Nations Delivery Credit under O. Reg. 197/17; and/or the Rural and Remote Electricity Rate Protection (RRRP) fund under O. Reg 442/01.

Algoma Power and the intervenors participated in a settlement conference and filed a settlement proposal with the OEB on September 24, 2019 (Settlement Proposal), addressing all issues.

As discussed below, the OEB approves the Settlement Proposal as filed.

2 THE PROCESS

The OEB's policy for rate setting is set out in the Renewed Regulatory Framework⁴ (RRF). The RRF provides the distributor with performance-based rate application options that support the cost-effective planning and efficient operation of a distribution network. This framework provides an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price.

Algoma Power filed an application on May 31, 2019 for 2020 rates under the Price Cap Incentive rate-setting option of the RRF. The OEB issued a Notice of Application on June 7, 2019, inviting parties to apply for intervenor status. The School Energy Coalition (SEC) and the Vulnerable Energy Consumers Coalition (VECC) applied for, and were granted, intervenor status. OEB staff also participated in this proceeding.

The OEB issued Procedural Order No.1 on July 3, 2019. This order established, among other things, the timetable for a written interrogatory discovery process, the filing of a proposed issues list and a settlement conference. The OEB approved an issues list on August 23, 2019.

The settlement conference was held on August 27 and 28, 2019. Algoma Power, SEC and VECC (Parties) resolved all issues and filed the Settlement Proposal with the OEB on September 24, 2019 (attached as Schedule A). OEB staff observed the settlement conference and filed its submissions regarding the Settlement Proposal on October 1, 2019.

⁴ Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, October 18, 2012

3 DECISIONS ON THE ISSUES

The Settlement Proposal filed by the parties addressed all elements of the OEB's approved issues list for this proceeding, and represented a full settlement of all the issues.

Findings

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

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

4 IMPLEMENTATION

Algoma Power shall include the cost consequences of the approved settlement proposal in its calculation of its revenue requirement for recovery from customers. As per the settlement proposal, Algoma Power agreed to update the cost of capital parameters with 2020 values when they become available.

The OEB expects Algoma Power to file detailed supporting material showing the impact of this Decision and Order on the overall revenue requirement, the allocation of revenues between classes and the derivation of base rates and the amount to be recovered through the RRRP mechanism. The OEB expects an implementation date of January 1, 2020.

SEC and VECC are eligible for cost awards in this proceeding. The OEB has made provision in this Decision and Order for these intervenors to file their cost claims. The OEB will issue its cost awards decision after the following steps are completed.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Algoma Power Inc. shall file with the OEB and forward to intervenors a draft rate order with a proposed Tariff of Rates and Charges attached that reflects the OEB's findings in this Decision and Order, no later than **November 7, 2019**. Algoma Power Inc. shall also include customer rate impacts and detailed information in support of the calculation of final rates in the draft rate order.
2. Intervenors and OEB staff shall file any comments on the draft rate order with the OEB, and forward them to Algoma Power Inc., no later than **November 21, 2019**.
3. Algoma Power Inc. shall file with the OEB, and forward to intervenors, responses to any comments on its draft Rate Order no later than **November 28, 2019**.
4. Intervenors shall submit their cost claims no later than **November 28, 2019**.
5. Algoma Power Inc. shall file with the OEB and forward to intervenors any objections to the claimed costs by **December 3, 2019**.
6. Intervenors shall file with the OEB and forward to Algoma Power Inc. any responses to any objections for cost claims no later than **December 6, 2019**.
7. Algoma Power Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All materials filed with the OEB must quote the proceeding number, EB-2019-0019, be made in a searchable/unrestricted PDF format and sent electronically through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice>. 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 email address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <https://www.oeb.ca/industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB memory stick in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.

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

respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Birgit Armstrong at birgit.armstrong@oeb.ca and OEB Counsel, James Sidlofsky at james.sidlofsky@oeb.ca.

ADDRESS

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

DATED at Toronto October 17, 2019

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar and Board Secretary

SCHEDULE A: SETTLEMENT PROPOSAL

DECISION AND ORDER

ALGOMA POWER INC.

EB-2019-0019

OCTOBER 17, 2019