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July 30, 2010

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition
Interrogatories: EB-2009-0278
Algoma Power Inc. – 2010 & 2011 Electricity Distribution Rate Application

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition in the above-noted proceeding. We have also directed a copy of the same to the Applicant. Please note that we forwarded a copy of our draft interrogatories to the Garden River First Nation for their review in advance of the filing date.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

ALGOMA POWER HYDRO INC. – 2010 & 2011 RATE APPLICATION

(EB-2009-0278)

VECC'S INTERROGATORIES (ROUND #1)

GENERAL

Question #1

Reference: Exhibit 1, Tab 1, Schedule 2
Exhibit 1, Tab 1, Schedule 5
EB-2009-0423, OEB's Letter of April 15, 2010, page 2 and Appendix B

a) Why does Algoma consider July 1, 2010 to be an appropriate effective date for its proposed 2010 rates?

b) Would it be appropriate, as part of Algoma's proposed Phase 2, to:
- update the ROE and other cost capital elements for 2011 based on the values that will be established by the Board for 2011, and
- Update the RTSR rates to reflect HON's 2011 rates?

c) Please indicate where in the Application Algoma has specifically addressed and provided an analysis of the benefits and ratemaking implications of aligning its proposed rate year with January 1st as of 2011.

d) If not done so as part of the Application, please provide the required analysis as per the Board's April 2010 Letter.

Question #2

Reference: Exhibit 1, Tab 1, Schedule 13, page 1
Exhibit 1, Tab 3, Schedule 3

a) Please explain the relationship between Algoma Power Inc. and 1228158 Ontario Limited. Please confirm that that there are no affiliate transactions anticipated between these two entities in 2010 and 2011.

Question #3

Reference: Exhibit 1, Tab 2, Schedule 1, page 3

a) Please confirm what year the 6.3 customers per kilometre of line is based on and provide the associated customer count and line kilometres.

b) Please provide the forecasted customer count and distribution line kilometres for 2010 and 2011.

Question #4

Reference: Exhibit 1, Tab 2, Schedule 1, page 10

a) Please provide schedules that set out the calculation (by class) for the 2010 and 2011 Total Operating Revenues. Please show the volumes and rates used for each class.

Question #5

Reference: Exhibit 1, Tab 2, Schedule 3

a) Is it Algoma's expectation that the update to the amortization rates proposed for 2011 will be considered as part of Phase 2 of the current proceeding for incorporation into the approved 2011 rates? If not, what is Algoma's expectation as to when the revised amortization rates will be reviewed and the 2011 rates adjusted accordingly.

b) Please explain why it is not feasible to consider the changes in amortization rates in Phase 1 of the current proceeding.

c) What is Algoma's capitalization rate for 2009 based on current practice? What would the rate be for 2010 and 2011?

d) Does the proposed overhead capitalization policy adhere to the current expectation regarding IFRS requirements? If yes, what is the basis for this conclusion?

e) Please provide the page reference for Board Decision EB-2008-0222 where the methodology is specifically addressed and approved by the Board.

RATE BASE

Question #6

Reference: Exhibit 2, Tab 1, Schedule 1, Appendix A, page 1

a) Reference is made to a GLPT-owned 44 kV circuit which supplies Algoma.
   - Please confirm that, despite the voltage, this line is considered part of GLPL's transmission facilities.
   - Please explain why this line was not included in the distribution facilities purchased by CNPI.

Question #7

Reference: Exhibit 2, Tab 2, Schedule 1
Exhibit 2, Tab 4, Schedule 3

a) Why is there no contributed capital recorded?
   - Have there been no instances in the past (or projected for 2010 & 2011) where a capital contribution was required for a new customer connection?
   - Have there been no Roadway Relocations undertaken at the behest of municipalities or road authorities?

Question #8

Reference: Exhibit 2, Tab 3, Schedule 1

a) Please provide a schedule that sets out Algoma's actual 2009 billing determinants for Hydro One Networks' Transmission Network charges. Using Hydro One Networks' approved 2010 rate for Network charges, please include in the same schedule the charges from Hydro One Networks based on 2009 billings determinants and 2010 rates.

b) Please provide a schedule that sets out Algoma's actual 2009 billing determinants for Hydro One Networks' Connection charges. Using Hydro One Networks' approved 2010 rate for Connection charges, please include in the same schedule the charges from Hydro One Networks based on 2009 billings determinants and 2010 rates.

c) Please provide the source of the 2010 and 2011 cost of power rates (e.g., $0.06697/kWh for 2010).

d) What proportion of Algoma's sales for 2009 were to RPP vs. non-RPP customers?

<u>Question #9</u>

Reference: Exhibit 2, Tab 4, Schedule 2, pages 7, 10, 14 and 17

a) Please provide a schedule that for 2008-2011 shows the number of transformers required annually for new services versus replacement/load growth.

b) Please indicate where in the Application the offsetting reduction in 2011 OM&A expense for reduced Nodwell rental costs is addressed.

<u>Question #10</u>

Reference: Exhibit 2, Tab 4, Schedule 5
Exhibit 2, Tab 4, Schedule 5, Appendix A

a) Please provide a schedule that sets out all of Algoma's spending on IT (OM&A and Capital) for 2010 and 2011. Please identify in the schedule the cost of the IT Services Agreement (Appendix A, page 1).

b) What is annualized revenue requirement impact of the capital spending required in 2010 and 2011 to migrate from Algoma's legacy system to CNPI's CIS and ERP SAP system?

<u>Question #11</u>

Reference: Exhibit 2, Tab 5, Schedule 1

a) Please extend the table on page 6 to include 2008 and 2009.

b) Please discuss the implications of "stretching out" the right of way expansion project into 2012 so as to levelize capital spending over the 2010-2012 period.

c) What other capital programs could be re-scheduled over the 2010-2012 period so as to levelize annual spending?

d) How has the introduction of HST been factored into the capital spending projections for 2010-2011?

e) What was the amount of PST included in the 2008 and 2009 capital spending?

LOAD FORECAST AND OPERATING REVENUE

Question #12

Reference: Exhibit 3, Tab 1, Schedule 1, pages 3-4

a) Tables 1 and 2 do not include any actual revenues or throughput values for Seasonal customers for 2007 or 2008. Please provide or fully explain why the information is not available.

Question #13

Reference: Exhibit 3, Tab 2, Schedule 1

a) Please outline the information a Seasonal customer must provide in order to be re-classified as Residential-R1.

Question #14

Reference: Exhibit 3, Tab 2, Schedule 2

a) Please provide the current status with respect to the potential new customer discussed on page 3.

b) Please confirm the rates (and resulting revenues) shown in Tables 1 and 2:
    - Do not include a smart meter rate adder
    - Have not been reduced to account for customers owning their own transformers.

c) The discussion regarding Tables 1 and 2 states that the volumetric rates have been uplifted to simulate recovery of the RRRP.
    - Please explain why/how this adjustment was made and why it was applied to the variable rates.
    - Please also explain to which customer classes the adjustment was applied and why.

d) Please reconcile the 2010 and 2011 Distribution Revenues at current rates reported in Tables 1 and 2 with the Distribution Revenues at current rates reported in Exhibit 1, Tab 2, Exhibit 5 (Revenue Requirement Work Form) – pages 4 and 7.

Question #15

Reference: Exhibit 3, Tab 2, Schedule 2, Appendix A

a) Please explain why the class shares for 2009 were used to apportion the WSL kWh to customer classes when Table 4 shows a definite trend in the class shares for R-1 (decreasing annually) and R-2 (increasing annually).

b) Does the customer count forecast include any allowance for a continuing migration of Seasonal customers to R1 (as discussed at page 4 of 3/2/1)? If yes, what degree of migration is assumed? If not, why not?

Question #16

Reference: Exhibit 3, Tab 3, Schedule 1

a) Why is there no forecast interest income for 2010 and 2011?

b) Why is it appropriate to introduce a specific service charge for pulling post-dated cheques? In the alternative, wouldn't Algoma have to process the receipt of individual payments received by mail or over-the-counter?

OPERATING COSTS

Question #17

Reference: Exhibit 4, Tab 1, Schedule 1

a) Does the forecast OM&A cost for either 2010 and/or 2011 take into account the impact of the introduction of HST as of July 1, 2010? If yes, where in the Application is this addressed?

b) If no, how does Algoma proposed to address the impact on costs and what was the level of PST included in Algoma's OM&A costs for 2008 and 2009?

Question #18

Reference: Exhibit 4, Tab 1, Schedule 1, Appendix B

a) Please provide the page reference for the Board's EB-2007-0744 Decision where the 6-year cycle was specifically addressed and approved.

b) Is it necessary to continue with the 6-year cycle once the ROW capital program is completed?

c) Page 3 suggests that the current level of spending (e.g. 2010) does not provide for a 6-year cycle. Please explain more fully why this is the case. Please also indicate what level of spending (in 2010 $) would be consistent with a six-year cycle once the ROW expansion program is completed in 2011

Question #19

Reference: Exhibit 4, Tab 2, Schedule 3

a) Please describe what the increased maintenance activities for 2010 are that contribute to the $174,513 increase in OM&A and why they are considered ongoing activities in subsequent years.

b) What is the basis for the increase in forecasted costs for 2010 and 2011 associated with Outage and System Events (see also Exhibit 4, Tab 3, Schedule 1, page 6)?

Question #20

Reference: Exhibit 4, Tab 3, Schedule 1

a) With respect to page 5, please provide an explanation of the increase in Management Salaries and Expenses from 2009 to 2010.

b) With respect to page 5, please provide an explanation of the increase in General Admin Salaries and Expenses from 2009 to 2010.

c) With respect to page 5, please re-do the table including a separate column for 2011. Please provide an explanation of the 2010 to 2011 changes for any line item where the variance is more than 3%.

Question #21

Reference: Exhibit 4, Tab 4, Schedule 1

a) With respect to page 3, please explain how cost reductions benefit ratepayers through lower rates when rates are already set based on forecast costs. In reality won't cost reductions lead to higher net income for the year concerned as opposed to lower rates?

Question #22

Reference: Exhibit 4, Tab 4, Schedule 2

a) Please indicate how much of the Compensation Capitalized for 2010 and 2011 is due to the change in overhead capitalization policy.

b) Please confirm that the FTEs and Salary & Wages reported do not include any of the FTE's or allocated costs associated with services provided by affiliates (of either GLPD or Algoma).

c) Does Algoma forecast that it will be employing any apprentices in 2010 or 2011? If yes, how many and for what positions?

Question #23

Reference: Exhibit 4, Tab 5, Schedule 1

a) Please provide copies of the Service Agreements between Algoma and the various affiliates that provide/purchase services.

b) Please provide a schedule that indicates how, prior to the acquisition by CNPI, GLPD obtained each of the "shared services" set out on page 6 of the BDR Study. In particular, were any of the services provided directly by GLPD staff and, if so, which ones?

c) If any of the services were previously provided internally, please indicate where in the Application the reduction in required internal resources is reflected.

d) Please provide a breakdown of the $373 k in allocated costs from FortisOntario as between the various categories set out in the BDR study – page 6.

e) Please confirm that the $56 k in costs from Fortis Inc. for 2010 relates to the various services discussed on pages 2, lines 22-30. Do any of these services relate to the management of Algoma's debt, either that held by Fortis or that to be issued separately by Algoma?

f) What specific services does CNPI provide for the $134 k charge in 2010? Please also describe how the $134 k charge was established.

g) Is the rental allocation of $19 k for the facilities described in section 6.8 of the BDR report? If not, please describe the facilities involved and why Algoma is responsible for (a portion of) the costs.

COST OF CAPITAL

Question #24

Reference: Exhibit 5, Tab 1, Schedule 1, page 2

a) Please provide an update regarding the status of the planned 2010 debt issue. Please include Algoma's current expectation as to the interest rate that will be associated with the new debt.

REVENUE REQUIREMENT DEFICIENCY/SUFFICIENCY

Question #25

Reference: Exhibit 6, Tab 1, Schedule 1

a) Please provide a schedule that sets out (by customer class) the derivation of the Distribution Revenues shown for 2010 and 2011 (e.g., $17,619,307 for 2010).

b) Please reconcile the Distribution Revenues reported here for 2010 and 2011 with those reported in Tables 1 and 2 of Exhibit 3, Tab 2, Schedule 2.

COST ALLOCATION

Question #26

Reference: Exhibit 7, Tab 1, Schedule 1

a) Please explain the basis for the "Percentage of Revenue" values set out in Table 1 (page 1).

b) Please provide details as to how the Distribution Revenues by customer class used in the cost allocation model were determined (Table 4 – page 4). The ERA Report – page 10 suggests they are based on the proposed 2010 rates but the ratios do not match the proposed ratios for 2010. Please also explain how the revenue associate with the RRRP was allocated to customer classes for purposes of the cost allocation.

c) What is the basis for the Service Revenue Requirement of $17,689,706 used in the 2010 Cost Allocation?

d) Please explain why the total costs included in the 2010 Cost Allocation model ($17,689,706) do not equal the proposed 2010 Service Revenue Requirement ($18,928,065). This appears to be inconsistent with the ERA Report which states that the 2010 cost data was used.

e) Please provide a 2010 Cost Allocation based on the proposed 2010 Service Revenue Requirement in accordance with the Board's Filing Guidelines.

f) With respect to the second Table on page 6, please provide schedules setting out how the values in each column were determined.

g) With respect to the proposed revenue to cost ratios (page 6 – first Table), please explain why the ratio for Seasonal is reduced to 100% in 2011 while the ratio for R1 is only reduced to 113.9%. What would be the resulting revenue to cost ratio, if the same ratio was adopted for both classes in 2011 with objective of collecting the equivalent overall revenue from the two classes?

RATE DESIGN

Question #27

Reference: Exhibit 8, Tab 1, Schedule 2

a) Please file any working papers/analysis provided by Board Staff to support the 5.5% increase for 2010.

b) With respect to page 3, why is the RRRP assumed to only impact the volumetric rates?

c) With respect to the RateDesignModdule – 2010 Cost Allocation Design Sheet, please confirm that the proposed revenue to cost ratios are calculated using the Base Distribution Revenue Requirement and not the overall Service Revenue Requirement as is done in the OEB's Cost Allocation Model.

d) What are the 2010 revenue to cost ratios for each customer class based on the Total Revenue and Allocated Service Revenue Requirement for each class?

Question #28

Reference: Exhibit 8, Tab 2, Schedule 1
OEB #48

a) Do the proposed monthly service charges for any of the four customer classes exceed the upper bound identified in response to part (a)? Apart from the Seasonal class, if the response is yes please explain why Algoma is proposing to increase the value of the monthly service charge in 2010.

b) In Algoma's view does the Regulation require each "Residential" customer's bill to increase by the "average" or is it sufficient that the total bills for all customers in the class increase by the average?

DEFERRAL AND VARIANCE ACCOUNTS

Question #29

Reference: Exhibit 9, Exhibit 1, Schedule 1

a) What is the basis for the 2009 additions to Account #1508?

Question #30

Reference: Exhibit 9, Tab 2, Schedule 2

a) Please provide greater details on exactly what the $410,695 was incurred for (e.g. external services purchased and why they were required) and the time period over which they were incurred.

b) For how long has GLPL (GLPD) been aware that it would need to comply with Section 71?

c) Please provide a timeline showing the activities undertaken by GLPL (GLPD) in order to comply with Section 71.