



***PUBLIC INTEREST ADVOCACY CENTRE
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November 18, 2011

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 (VECC)
Submission of VECC Interrogatories EB-2011-0152
Algoma Power Inc.**

Please find enclosed the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

cc: Algoma Power Inc.
Mr. Douglas R. Bradbury
Mr. R. Scott Hawkes

ONTARIO ENERGY BOARD

IN THE MATTER OF

the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15 (Schedule B), as amended;

AND IN THE MATTER OF an Application by
Algoma Power Inc. for an order or orders
approving or fixing just and reasonable
distribution rates to be effective January 1, 2012.

Information Requests of the Vulnerable Energy Consumers Coalition (VECC)

Revenue to Cost Ratio Adjustments & Rural and Remote Rate Protection Funding

VECC Question # 1

Reference: Preamble, Page 7

Preamble: Algoma Power Inc. (API) indicates that it is proposing a form of incentive regulation that combines aspects of the Incentive Regulation Mechanism ("IRM") with the adjustment of electricity distribution rates contemplated on O. Reg. 442/01.

- a) Please confirm if API is proposing a form of incentive regulation based on IRM2 (per page 10 of the Manager's Summary) or IRM3 (per the Incentive Regulation Price Cap Metrics provided on Page 26 of Appendix C).
- b) Regardless of whether the values are based on IRM2 or IRM3, please update the values to IRM3 based on the Board's letter of November 10, 2011.

VECC Question # 2

Reference: Chapter 3 Filing Guidelines, Section 2.1, Price Cap Index Adjustment, Page 8

Preamble: The value of the stretch factor is specific to each distributor for each rate year, and will be one of the following values: 0.2%; 0.4%; or 0.6%. The Board will determine each distributor's stretch factor.

- a) Please indicate the cohort/stretch factor value that applies to API for 2012. If not available, please provide API's latest stretch factor ranking.

VECC Question # 3

Reference: Manager's Summary, Page 14

Preamble: API proposes to incrementally move the Residential R-2 and Street Lighting customer classes toward the lower boundary of the range in four equal steps; 25% of the gap between the current revenue to cost ratio to the respective lower boundary.

- a) Please provide the prior Board approval regarding API's proposed adjustments to these revenue to cost ratios, or confirm that API is proposing these adjustments as part of this Application?

VECC Question # 4

Reference 1: Chapter 3 Filing Guidelines, Section 3.2, Page 19

Reference 2: Appendix C, Page 27 to 28

Preamble: The Chapter 3 Filing Requirements indicate that the Board's Supplemental Filing Module and Rate Generator include schedules for a distributor to effect revenue-to-cost ratio adjustments previously approved by the Board. The process adjusts base distribution rates for revenue to cost ratio changes before the application of the price cap index.

On pages 27 and 28 of Appendix C, API calculates a price capped revenue requirement for 2012 prior to adjusting the revenue to cost ratios.

- a) Please provide the rationale for applying the price cap index prior to adjusting the revenue to cost ratios.
- b) Please re-do the calculations with the revenue to cost ratio adjustment prior to applying the price cap index.

VECC Question #5

Reference: 2012 IRM Revenue to Cost Ratio Adjustment Workform

Preamble: The Board's practice has been to calculate and adjust revenue to cost ratios to the proposed values using the re-based Service Revenue Requirement allocated to each class and the Total Revenues (i.e., base revenues plus revenue offsets) allocated to each customer class. The revenue offsets are then removed and the resulting base revenue requirement is used to calculate rates based on the fixed and variable component applicable to each rate class.

- a) Please provide the rationale for using the re-based base revenue requirement in the revenue to cost ratio adjustment calculation.

- b) Please re-calculate the impact of the revenue to cost ratio adjustments using the total Service Revenue Requirement as the basis for the adjustments and provide the resulting rates and RRRP.
- c) Please provide a second version of this calculation where (per Question #4) the revenue to cost ratio adjustment is performed prior to applying the price cap index.