Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

BY E-MAIL

December 20, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Algoma Power Inc. ("API")
2014 IRM Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2013-0110

In accordance with Procedural Order #2, please find attached Board Staff interrogatories in the above proceeding. API has been copied on this filing.

In addition please advise API that responses to interrogatories are due by January 17, 2014.

Yours truly,

Original Signed By

Marc Abramovitz

Encl.

Algoma Power Inc.
EB-2013-0110
Board Staff Interrogatories on Supplementary Evidence

1. Please provide a response to each of the questions below for both of the following time periods: i) Between the time of Fortis' acquisition of Algoma and the Board's 2012 IRM Decision, and ii) Since the time of the Board's decision on API's 2012 IRM application in which the Board denied API's request for a change to its stretch factor assignment.

   a. Which, if any, of the service territory characteristics and/or business conditions identified in API's evidence and reply submission have changed? Please explain how, when, and why.
   b. What negative economic circumstances have occurred?
   c. How has API's business risk changed?

2. Please provide any quantitative analysis that supports API's claim that it should be in a stretch factor group other than the lowest ranked group.

3. Please provide API's year-over-year Achieved Regulatory Return on Equity as per RRR 2.1.5.6, for the years 2008 through 2013.

4. Please identify other factors that the Board should consider to justify assigning a distributor like API to an alternative stretch factor group than that resulting from the benchmarking analysis.

5. The Board has approved inflation and productivity factors of 1.7% and 0% respectively, for 2014 rates. As well, the Board has approved a range of stretch factors. Please complete the following chart reflecting API's estimated impact for 2014 for each of the stretch factors below.

	Board-Approved Stretch Factors				
	0.0%	**0.15%**	**0.30%**	**0.45%**	**0.60%**
Estimated 2014 Revenue Collected through Rates Adjusted by Stretch Factor					

6. As stated in *the Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's*

Electricity Distributors issued November 21, 2013 (EB-2010-0379), the approach to assigning stretch factors to distributors is based on a distributor's actual costs relative to its predicted costs as estimated by benchmarking analysis. The approach does not compare one distributor to another distributor. In its supplementary evidence, API states that the PEG econometric model does not accurately assess and compare the efficiency of API within the general operating environment of distributors in Ontario.

a. Please explain why the benchmarking analysis should not apply to API, including reasons supporting API's statement in the preamble above.
b. Is it API's view that it can no longer incorporate efficiencies to lower distribution costs? If so, please explain.

7. Board staff notes that the manner in which the RRRP mechanism has been established guarantees API a substantial portion of its revenue requirement because it is not load dependent. For 2014 rates, this portion will likely be more than 50%. All things being equal, this reduces business risk. In the Board's Decision and Order related to Algoma's 2012 IRM application (EB-2011-0152), the Board noted that:

   "To award a stretch factor that is different from that set out in the letter would have the effect of providing incremental relief to the utility for those qualities that are already appropriately dealt with via the RRRP mechanism."

   Please explain why the benefits associated with a reduction in business risk are not sufficient to address or offset API's high costs (as a result of its low density, low revenue profile).