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Ontario

BY E-MAIL

August 15, 2014

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

Dear Ms. Walli:

Re: Algoma Power Inc. ("API")
2015 Electricity Distribution Rates
Board Staff Questions – Technical Conference
Board File No. EB-2014-0055

In accordance with Procedural Order No. 2, please find attached Board Staff supplementary questions in the above proceeding. Please forward the following to API and to all other registered parties to this proceeding.

In addition please advise API that responses to the supplementary questions are to be provided at the transcribed technical conference scheduled to be held on **August 20, 2014** starting at 9:30 a.m. in the Board's Offices at 2300 Yonge Street, 25th floor, Toronto.

Yours truly,

Original Signed By

Suresh Advani

Encl.

Algoma Power Inc. ("API")
2015Electricity Distribution Rates
EB-2014-0055
Board Staff Supplementary Questions – Technical Conference

43.1-Staff-43s – Evolution of Customer Engagement

- Ref: 1Staff4

In response to 1Staff4, API described its customer engagement activities and how customer engagement has been enhanced.

a) Please describe the differences between customer engagement conducted in preparation for the current application and previous customer engagement.

44.2-Staff-44s - Asset Condition Assessment

- Ref: 2Staff10

In response to 2Staff10, API stated that "some of the information flows and processes in API's Asset Management Process are currently informal in nature" and that there is no formal compilation of the results of the inspection and maintenance programs into an overall health index or risk distribution.

API stated that "it sees little value in the development of a formal asset condition assessment and health/risk distribution".

a) In section 5.3 of API's DSP, API filed a flowchart illustrating the overall flow of its asset management process. The flow chart shows several inputs flowing into the ACA including the asset register. Are the results of the inspection and maintenance programs inputs to the asset register (e.g. chronological age vs. actual age of an asset), and ultimately an input to the asset condition assessment?

b) Please confirm that API maintains a dynamic asset register. If not, why not?

c) Can you assess whether the lack of formal compilation of the results of the inspection and maintenance programs affects the robustness of the ACA and ultimately decisions of which projects/programs to consider?

d) Looking at the flowchart in section 5.3, staff would like to clarify for the record how the condition assessment feeds into a proposed capital expenditure.

e) Can you please expand on why API sees little value in the development of a formal asset condition assessment?

f) Are synergies the only basis for replacing conductors and pole line hardware in conjunction with poles?

45. 2-Staff-45s - Performance Measurement (1)

- Ref: 2Staff11

With respect to the Hawk Junction DS, Echo River TS, API noted that these projects are driven by reliability in the context of contingency performance rather than historical reliability issues. API also noted that ancillary reliability benefits are likely to be realized as a result of undertaking these projects.

a) Please indicate what these ancillary reliability benefits may be.

b) Is there any numerical information on the consequences on not proceeding with the project?

46. 2-Staff-46s - Performance Measurement (2)

- Ref: 2Staff11 (c) & (d)

API identified capital growth stemming from new projects by driver, but chose not to include capital growth for the plan period for multi-year projects that start prior to 2015.

API indicated that it expects efficiencies in efficiencies in the unit costs associated with the vegetation management program.

a) Please complete the table to include programs/projects that were included in the previous cost of service and continue in this plan period.

b) Please indicate what the expected efficiencies in the unit costs associated with the vegetation management program are.

47. 2-Staff-47s - Benchmarking Considerations

- Ref: 2Staff14

In response to 2Staff14(a), which asked for benchmarking against industry peers or with respect to best practices, API stated that it did not benchmark as it did not have a suitable cohort group within the Province of Ontario for the purpose of benchmarking. However in response to 2Staff14(c) and 2Staff11(b), API refers to good utility practices/best practices as a guide to its some of its activities.

A common vendor, Sensus, was selected for the “District 9” group. Staff also understands that the specific costs and scopes of work associated with the proposals from the various vendors were part of the London Hydro vendor selection process.

a) Where applicable please indicate what planned projects/programs were informed by benchmarking against good utility practices or best practices.

b) Please clarify who is included in the “District 9” group. Is this a purely geographical grouping?

c) While there may have been operational efficiencies in issuing a single RFP, it is not clear that the Sensus solution is the most cost efficient choice for API. Please clarify whether that is the case, and how API determined that to be the case.

48. 2-Staff-48s - Echo River TS

- Ref: 2Staff15 and 2Staff16

Board staff understands that API is presently responsible for 100% of the costs of Echo River TS project, but that API is waiting for the Regional Infrastructure Planning to determine the cost implications and cost responsibilities of any projects related to the other 34.5 kV system reliability concerns.

a) Based on the current business case and currently defined drivers for the Echo River TS project, what is the ultimate cost that API expects to incur in relation to this project?

49. 2-Staff-49s - Justifying Plan Expenditures

- Ref: 2Staff17

To support DSP expenditures, staff asked for an overview of the economics of material projects that would include a discussion of alternatives. Staff notes that API referred to Part C of the justification for each material project/program to answer this request.

API also noted that given the non-discretionary nature and/or sustaining replacement nature of the majority of its proposed projects or programs, many of the attached benefits are qualitative rather than quantitative.

a) Are there any figures of merit related to the projects economics in the pre-filed evidence?
b) API filed a business case for the SCADA system in response to 4VECC20(b), if other business cases are available for material projects, would API be willing to file those as well?

c) Where benefits are quantifiable, for instance as translating into impacts on service levels, would API be able to measure these expected benefits?

50. 3-Staff-50s – Load Forecast

- Ref: 3Staff19

In response to 3Staff19, API stated that in the 2015 rate application, the inclusion of the Time variable has added no value and will be removed from an update.

a) Please confirm and list the regression variables API plans to utilize and provide the values of the updated coefficients and constant along with the standard error.

b) Please provide the complete updated load forecast corresponding to the updated regression analysis.

51. 4-Staff-51s – OM&A Cost Drivers

- Ref: 4Staff23
- Table 4.1.1.2 (Exhibit 4/Tab 1/Sch. 1/p. 2)
- Appendix 2-JB (Exhibit 4/Tab 2/Sch. 2/p. 1)

Board staff notes the Vegetation Management expenditures for the bridge year 2014 and test year 2015 as provided in Table 4.1.1.2 are respectively $2,682,086 and $3,426,180. This translates to a year-over-year increase of $744,094. Board staff also notes that the year-over-year increase provided in Appendix 2-JB in the cost driver table for Vegetation Management for the test year 2015 is $840,000.

a) Please reconcile the $744,094 and $840,000 figures for the year-over-year cost increase for Vegetation Management for the test year 2015.

b) Please identify in Table 4.1.1.2 the Outage Response costs shown in Appendix 2-JB as $180,000.

52. 9-Staff-52s – Fixed Assets Continuity Schedule

- Ref: 9Staff39 and 2-Energy Probe-4(d)

Algoma indicated that the "Allocations" column in its FA Continuity schedule (Appendix 2-BA) represent the corporate allocation of assets to API.
Board staff notes that API has included the corporate allocations in its calculation of the rate base.

a) Are these assets under the control of API?

b) If these assets are not under the control of API, please provide justification of including such assets in API's rate base.

c) Please provide API's justification for not including the allocated costs in the OM&A instead.

d) Is there an agreement with the affiliate governing the relationship that specifies the corporate allocations of the cost of the assets? If so, please provide a copy.

e) The following Table was created using API's response to Energy Probe's interrogatory (referenced above):

Year	Allocation
2011	1%
2012 and 2013	32.1%
2014 and 2015	33.5%

Why have the allocations changed so dramatically from 2011 to 2015?

53. 9-Staff-53s – RRRP 2002-2007 Funding Variance

- Ref: 9Staff41
- Exhibit 9/Tab 8/Sch. 1

Board staff believes that it would be retroactive ratemaking to allow API to recover the 2002-7 amounts. API's interrogatory response relies on s.79(3) of the OEB Act, which states that distributor is 'entitled' to be compensated for lost revenue and that compensation comes from the "RRRP funding pool" administered by HONI. However Board staff believes that all Ontario ratepayers contribute to that 'pool' (s.79(4) set out below).

> Compensation
> (3) A distributor is entitled to be compensated for lost revenue resulting from the rate reduction provided under subsection (1). 1998, c. 15, Sched. B, s. 79 (3).
>
> Liability for compensation
> (4) All consumers are required to contribute towards the amount of any compensation required under subsection (3) in accordance with the regulations. 1998, c. 15, Sched. B, s. 79 (4).

In order for HONI to give API the additional amount from the pool, the IESO will have to recover it through rates and those rates would be in respect of amounts that were payable in the past.

The RRRP regulation 442/01 (sections 3 and 4) states that the Board sets the RRRP amount:

> For the period from the day subsection 26 (1) of the Electricity Act, 1998 comes into force to December 31, 2002, the Board shall calculate the amount of rate protection for individual consumers referred to in subsection 79 (2) of the Act and in section 2 of this Regulation in a manner that ensures that the total amount of rate protection for those consumers is equal to the total amount of rate protection available under subsection (1), …. :

Furthermore , Ontario Regulation 335/07, which amends 442/01, provides that the Board sets the RRRP amount by calculating the difference between revenue requirement and forecasted revenues which is a rate-making exercise so the adjusting the RRRP that a distributor receives would appear to be retro ratemaking.

> (3.1) For each year, in respect of the rates for a distributor serving consumers described in paragraph 5 of section 2, the Board shall calculate the amount by which the distributor's forecasted revenue requirement for the year, as approved by the Board, exceeds the distributor's forecasted consumer revenues for the year, as approved by the Board.

Also, for the years in question the total amount of the RRRP pool was fixed at $127M for all distributors (O.Reg. 442/01, sections 3(1) and 4(1) and O.Reg. 335/07 section 1(1)) so if that has all been disbursed, then there is no legislative basis on which to go back and get additional funds from that pool.

a) Why does API believe that it would not be retroactive rate making, given the above noted legislative references.

b) Would it be fair to assume that an error in API's billing system resulted in more funding being credited to the customer than was received by API.