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Michael Janigan
Counsel for VECC

August 15, 2014

VIA 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: EB-2014-0055 Algoma Power Inc.
Technical Conference Questions

Please find enclosed the questions/issues VECC seeks to address with Horizon Utilities in the above-noted proceeding. As we continue to review and analyse the responses and the evidence we may have further question at the time of the Technical Conference.

Yours truly,

Michael Janigan
Counsel for VECC

Attachment (6pgs)

email:
Mr. Douglas R. Bradbury, Director Regulatory Affairs
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ALGOMA POWER INC.

2015 DISTRIBUTION CUSTOM RATE APPLICATION

VECC'S TECHNICAL CONFERENCE QUESTIONS

1.0 ADMINISTRATION (EXHIBIT 1)

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC - 44
Reference: 2.0-VECC-4

a) Was there a recovery of stranded meter cost from the R2 class? Please explain how/when this was done.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC - 45
Reference: 3-Staff – 19 c)
3-VECC - 11
3-Energy Probe – 13 b)
1-Staff – 3
6-Staff 30

a) Please clarify whether Algoma is proposing to change the forecasting model for WSL kWh and, hence, the load forecast for 2015. The response to Staff 19 c) suggests yes. However the responses to Staff 3 and Staff 30 suggest otherwise.
b) Please clarify whether Algoma is proposing to change the re-assignment of Seasonal load to R1. The response to Energy Probe 13 b) suggests yes. However, the responses to Staff 3 and Staff 30 suggest otherwise.
c) If yes to (a) and/or (b), what is the impact on the load forecast for 2015 and revenue at current rates?

3.0 –VECC -46
Reference: 3-Energy Probe-19 a) & b)
Exhibit 9.Tab 5, Schedule 1, page 1

a) Given that Retailer activity is forecast to increase does Algoma have any plans to start following Article 490 and to commence tracking revenues for accounts 4082 and 4084?

3.0 –VECC -47
Reference: 3-VECC-16

b) Please clarify, what Algoma is assuming to be the annualized impact (i.e. full year impact) of the CDM programs it implements in 2014?
c) Similarly, please clarify what Algoma is assuming to be the annualized impact of the CDM programs that will be implemented in 2015?
d) What is the basis for this assumption regarding 2015?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -48
Reference: 4-Energy Probe-21

a) Please show the calculation for the derivation of the forecasts of outage costs in 2014 (90k) and 2015 (180k).

4.0 – VECC - 49
Reference: 4-Energy Probe-24

a) Please explain how the increase shared services allocations impacts incentive compensation.
b) Please explain how the actual incentive payments are able to exceed the budget.
c) The interrogatory asks for the “total potential compensation.” Please explain how (or if) this differs from the “total budgeted incentive” shown in the table.

4.0 -VECC -50
Reference: 4-VECC-20

a) Please provide the SCADA financial analysis live Excel Spreadsheet referred to in Appendix C of the SCADA business case study.

4.0-VECC-51
Reference: 4-VECC-23

a) What accounts for the significantly lower EDA Membership fees in 2012 and 2013 as compared to all other years shown?

4.0-VECC-52
Reference: 4-VECC-25

a) What are the drivers behind the increase in HR costs from 2011 as compared to 2015? Please quantify.

4.0-VECC-53
Reference: 4-VECC-26

a) A number of Ontario Electricity Utilities have provided evidence in rate cases that they purchase MEARIE Group insurance because it is a more competitive option than the alternatives. Please explain if API purchased its insurance by competitive tender or compared its insurance costs to that offered by MEARIE Group.

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

6.0 CALCULATION OF REVENUE DEFICIENCY OR SURPLUS

7.0 COST ALLOCATION

7.0 – VECC –54

Reference: 7-Staff-32 a)
7-Staff-34 a) & b)
7-VECC-34 a) & e)

a) The Application and the associated response to Staff 32 a) suggest there are issues with the Cost Allocation as it applies to Algoma and its unique circumstances. However, isn't one of the main reasons that the Status Quo ratio for Seasonal is now 55.03% versus the 115% per EB-2009-0278 the fact that the Cost Allocation Model used for the 2011 rates did not include inputs for density (per Staff 34) whereas the current Application's model does?
b) Please also confirm that during the IRM period since EB-2009-0278, the rate increases for the R1 and R2 classes have been greater than those implemented for the Seasonal class (per VECC 34 b). If so, please confirm that this too would contribute to the lower status quo Revenue to Cost Ratio for the Seasonal class in the current Application.
c) Please confirm that, had an appropriate density input been used in the 2011 Cost Allocation model the status quo revenue to cost ratio for Seasonal would have been within the Board's target range and likely would not have been significantly reduced was the case for the 2011 Rates (per Staff 34 b)).
d) In large part isn't the apparent need to increase the revenue to cost ratio for Seasonal the result of the fact that – based on the information now available – it should likely never have been reduced in the 2011 rate setting process?

7.0 – VECC –55

Reference: 7-Staff-33 b)

a) Please address what appears to be an inconsistency between Algoma's concern about using customers per kilometer of line to assess density for cost allocation with the fact that the basis for Algoma's qualification for RRRP is that it has less than seven customers per kilometer of distribution line.
b) For purposes of O.R. 445/07, is Algoma's total km of distribution line used or is the portion that behaves like "sub-transmission" excluded when determining the customers per kilometer?

7.0 –VECC -56

Reference: 7-VECC-33 a) & b)
7-VECC-37 d), e) & f)

a) With respect to VECC 33, part a), please confirm that the discrepancy between the two values is due to more than just rounding of the RRRP funding when converting it to rates (as suggested by the response), as the use of the equivalent rates versus approved rates impacts the revenues at existing rates for the Seasonal and Street Lighting classes.
b) Please confirm that for the Seasonal class, use of the equivalent distribution rates leads to a lower status quo revenue to cost ratio for the class.
c) Please explain more fully that the reasons why, for classes that don't receive RRRP, it is necessary to use the equivalent distribution rates as opposed to the actual rates for the Cost Allocation.

8.0 RATE DESIGN

8.0 –VECC -57

Reference: 8-VECC-37 e) &f)
Exhibit 8/Tab 2/Schedule 1, page 4

a) The Application "adjusts" the service charge for Seasonal from the $23.51 based on the equivalent rate F/V split to $26.75 with a resulting fixed proportion of 50.2%. The text states that the purpose is to "maintain continuity with existing approved rate structures". However the response to VECC 37 e) indicates that the fixed % based on the currently approved rates would be 56%. Please reconcile.

8.0 –VECC -58

Reference: 8-VECC-41 a)

a) Please explain why the determination of the bill impact for Street Lighting associated 428 (438?) connections with 25,000 kWh of use when, in total, the class' forecast for 2015 is for 835 connections in total with an associated 804,690 kWh.

3.0 –VECC -59

Reference: Exhibit 8/Tab 2/Schedule 1, pages 2-5
Exhibit 8, Proposed 2015 Tariffs
8-VECC-41 b)

a) The Street Lighting rate derivation uses the number of devices (1018) to determine the rates as does the subsequent revenue reconciliation (per E8/T2/S1). However, both the Proposed Tariff Schedule and the Bills Impact calculations are based on applying the monthly service charge on a per connection basis. Please reconcile.
b) Does reconciliation of this issue impact the determination of the revenue at existing rates as used in either the RRWF? If so, please indicate the impact.

9.0 DEFERRAL AND VARIANCE ACCOUNTS

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