



August 22, 2014

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

Dear Ms. Walli:

**RE: 2015 ELECTRICITY DISTRIBUTION RATE APPLICATION FOR ALGOMA POWER INC.
("API") – EB-2014-0055
RESPONSE TO UNDERTAKINGS**

Please find accompanying this letter, two (2) copies of API's responses to Undertakings arising from the Technical Conference. Co-incidentally with the submission, an electronic copy of these responses along with requested Excel Worksheets have been filed via the Board's Regulatory Electronic Submission System.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (905) 994-3634.

Yours truly,

Original signed by:

Douglas R. Bradbury
Director, Regulatory Affairs

Enclosures

UNDERTAKING NO. TCJ1.1: TO PROVIDE ELECTRONIC COPIES TO ALL PARTIES OF ALL EXHIBITS FILED IN TODAY'S TECHNICAL CONFERENCE.

RESPONSE:

Accompanying API's responses to the Undertakings arising from the Technical Conference are three PDF files:

- Exhibit_No_TCK1.pdf, a Table showing continuing capital projects provided in response to Board staff Technical Conference question 2 – Staff – 46.
- Exhibit_No_TCK2.pdf, an updated version of Appendix 2 – JB.
- Exhibit_No_TCK2.pdf, a hand out identifying total potential compensation.

These are electronic copies of all exhibits filed in the Technical Conference held on August 20, 2014.

UNDERTAKING NO. TCJ1.2: TO PROVIDE ELECTRONICALLY THE SPREADSHEET IN RESPONSE TO 4-VECC-50.

RESPONSE:

A Live Excel file, SCADA Analysis_20140821_TCJ1_2.xlsx, accompanies these responses to the Undertakings arising from the Technical Conference.

UNDERTAKING NO. J1.3: TO PROVIDE THE CCA DEDUCTION ASSOCIATED WITH THE ALLOCATED ASSETS FOR 2013 FROM CNPI.

RESPONSE:

API Tax Effect of Asset Allocations Included in CNPI's Tax Calculations

Year	2011 Actual	2012 Actual	2013 Actual	2014 Forecast	2015 Forecast
ADD					
API portion of depreciation expense on asset allocations	54,438	263,497	318,279	445,904	350,286
DEDUCT					
API portion of CCA on asset allocations	14,369	338,376	431,929	429,513	284,380
Net	40,069	(74,879)	(113,650)	16,391	65,906
Tax Rate	28.25%	26.50%	26.50%	26.50%	26.50%
Tax payable(receivable)	11,320	(19,843)	(30,117)	4,344	17,465
Materiality per rate application	\$ 117,132				

Conclusion: Not material.

UNDERTAKING NO. J1.4: TO PROVIDE A MORE DETAILED CALCULATION ON THE VARIANCE, SHOWING THE VARIABILITY WITH RESPECT TO CUSTOMER NUMBERS AND THE AMOUNT DUE TO THE BIMONTHLY BILLING ISSUE.

RESPONSE:

A Live Excel file, Undertaking_No_J1_4_20140821.xlsx, accompanies these responses to the Undertakings arising from the Technical Conference.

This file details the derivation of the variability with respect to the customer numbers and the amount due to the bi-monthly billing issue.

UNDERTAKING NO. J1.5: TO PROVIDE A CLARIFICATION OF THE BASIS FOR THE ASSUMPTION ABOUT INCREASED LEVEL OF RETAIL ENROLMENT ACTIVITY IN 2014 AND '15.

RESPONSE:

The response to interrogatory 3-Energy Probe-19a) stating that the “SSS Administrative revenue is lower as a result of budgeting assumptions regarding the retailer enrollment” would imply that retailer enrollment was increasing. The retailer enrollment is not increasing and as a result the SSS Administrative revenue in account 4086 should be approximately \$7,000 higher for 2014 and 2015. The Retail Services Revenues, account 4082, was not budgeted for 2015 and it should be approximately \$5,000 for 2014 and 2015. Therefore the total other distribution revenue offset would be increased by approximately \$12,000 for 2014 and 2015.

UNDERTAKING NO. JT1.6: TO PROVIDE AN UPDATED LOAD FORECAST BASED ON THE TWO CORRECTIONS IDENTIFIED, AS WELL AS THE 20-YEAR WEATHER-NORMALIZED TREND.

RESPONSE:

Please see the accompanying Excel file, API_Load Forecast Model_20140821_JT1_6_7.xlsx.

UNDERTAKING NO. JT1.7: TO PROVIDE THE FINAL MODEL ALGOMA PLANS TO USE AFTER HAVING REMOVED THE TIME VARIABLE.

RESPONSE:

Please see the accompanying Excel file, API_Load Forecast Model_20140821_JT1_6_7.xlsx.

UNDERTAKING NO. JT1.8: TO PROVIDE AN UPDATED REVENUE REQUIREMENT WORK FORM TO REFLECT ANY CHANGES OR CORRECTIONS THAT THE UTILITY HAS ACCEPTED THROUGH THE INTERROGATORY PROCESS, WITH A TRACKING SHEET THAT SHOWS STARTING WITH THE INTERROGATORY RESPONSE AND THE CHANGE TO RATE BASE, OR OM&A, OR WHATEVER.

RESPONSE:

In Undertakings JT1.6 and 1.7, API was requested to update its load forecast; the results of this are presented by way of a live Excel spreadsheet as detailed in the response to those Undertakings. In summary, the impact on the 2015 Test Year Load Forecast as compared with the 2015 Test Year load forecast contained in the Application is shown in the following table.

Algoma Power Inc. Test Year Load Forecast			
	Per Undertakings	Per Application	Change
	2015 CDM Adjusted Load Forecast	2015 CDM Adjusted Load Forecast	
Retail kWh			
Residential - R1	105,791,701	104,826,589	965,112
Seasonal	7,731,414	7,680,066	51,348
Residential - R2	83,288,188	83,171,116	117,072
Street Lights	804,705	804,690	15
Total Customer (kWh)	<u>197,616,007</u>	<u>196,482,461</u>	<u>1,133,546</u>
	2015 CDM Adjusted Load Forecast	2015 CDM Adjusted Load Forecast	
kW			
Residential - R1	-		
Seasonal	-		
Residential - R2	198,901	198,897	4
Street Lights	<u>2,380</u>	<u>2,380</u>	<u>0</u>
Total Customer (kW)	<u>201,281</u>	<u>201,277</u>	<u>4</u>

These changes to the forecast model impact the throughput of the Residential – R1, Residential – R2 and Seasonal customer classes. The very minor change in Street Lighting is merely a rounding issue and is not relevant. The forecasted billing demand for the Residential – R2 customer class is minor.

These changes to the 2015 Test Year Load Forecast will have an impact on API's cost of power calculation thereby impacting the Working Capital Allowance and subsequently the Rate Base. Below is a summary of the changes to the Cost of Power calculation for the 2015 Test Year.

2015 Cost of Power Expense Summary			
Charge Type	Updated as per Undertakings	As per the Application	Change
4705 - Cost of Power	\$ 19,243,046	\$ 19,132,846	\$ 110,200
4708 - Charges - WMS	\$ 949,245	\$ 943,800	\$ 5,445
4714 - Charges - NW	\$ 1,449,453	\$ 1,441,452	\$ 8,001
4716 - Charges - CN	\$ 1,036,440	\$ 1,030,661	\$ 5,778
4730 - Charges - Rural Rate Assistance	\$ 280,459	\$ 278,850	\$ 1,609
4751 - Charges - IESO SME	\$ 110,281	\$ 110,281	\$ -
Total	\$ 23,068,922	\$ 22,937,890	\$ 131,033

The resulting increase in energy throughput increases API's cost of power by \$131,033 in the Test Year. On the basis of API's Working Capital calculation methodology in the Application, this amount will translate to a \$17,034 increase in the Working Capital and therefore Rate Base.

Changes to the 2015 Test Year Load Forecast will also have an impact on the rate design. The proposed rates however are not greatly impact because for the Residential – R1 and Residential – R2 classes proposed rates are determined by the RRRP Adjustment Factor. Changes to the forecasted throughput of the seasonal and Street Light classes are minimal. A summary of the changes to the proposed rates is shown below.

Proposed Distribution Charges and RRRP Funding for 2015 Test Year

			2015 EDR	2015 EDR
			EB-2014-0055	EB-2014-0055
Distribution Charges			Proposed Distribution Charges per Application	Proposed Distribution Charges per Undertakings
Monthly Rates and Charges	Metric		Effective January 1, 2015	Effective January 1, 2015
Residential - R1				
Monthly Service Charge	\$		24.03	24.03
Distribution Volumetric Rate	\$/kWh		0.0337	0.0337
Residential - R2				
Monthly Service Charge	\$		596.12	596.12
Distribution Volumetric Rate	\$/kW		3.2725	3.2725
Seasonal				
Monthly Service Charge	\$		26.75	26.75
Distribution Volumetric Rate	\$/kWh		0.1323	0.1314
Street Lighting				
Monthly Service Charge	\$		0.98	0.98
Distribution Volumetric Rate	\$/kWh		0.1849	0.1849
Rural and Remote Rate Protection	\$		14,515,412	14,482,854

As evidenced in this table the only rate change is to the volumetric portion of the Seasonal customer class; this is a direct result of the increase in forecasted throughput for this class.

Also evidenced in this table is a reduction of \$32,558 in the proposed RRRP funding. This reduction reflects the increased recovery through rates from the Residential – R1 customer class. Revenues from the Residential – R1 customer class will increase by approximately \$32,500 as a result of the increase in forecasted throughput for this class. This is evidence in the table shown below.

Determination of Residential R1 & R2 2015 Electricity Distribution Rates and RRRP Funding

2015 Distribution Base Rate Determination											
Customer Class	Metric	Average # of Customers	Billing Determinant		F/V Split		Distribution Rates		Revenues		
			kWh	kW	Fixed Allocation	Variable Allocation	Monthly Service Charge	Variable Charge	Fixed	Variable	Total Revenue
Residential - R1	kWh	8496	105,791,701		13.6%	86.4%	22.77	0.1389	2,321,832	14,692,012	17,013,843
Residential - R2	kW	50		198,901	12.0%	88.0%	846.38	18.7060	507,826	3,720,642	4,228,468
Residential - R1	\$	Allocation of Stranded Meter Cost									192,509
									2,829,658	18,412,653	21,434,820
2015 Application of Rate Indexing Methodology											
Delivery Charges Indexed by Simple Average of Other LDC Increases in Current Year											
Simple Average Increase in Delivery Charge for 2015 using the 2014 Board Approved RRRP Adjustment Factor											3.76%
Customer Class	Metric	Average # of Customers	Billing Determinant		F/V Split		Distribution Rates		Revenues		
			kWh	kW	Fixed Allocation	Variable Allocation	Monthly Service Charge	Variable Charge	Fixed	Variable	Total Revenue
Residential - R1	kWh	8496	105,791,701		40.7%	59.3%	24.03	0.0337	2,449,990	3,567,508	6,017,497
Residential - R2	kW	50		198,901	36.8%	63.2%	618.53	3.2048	371,120	637,445	1,008,565
Hold Residential - R2 Fixed Charge at \$596.12							596.12	3.2724	357,672	650,893	1,008,565
Transformer Ownership Allowance - Allocated to the Residential - R2 class										74,096	74,096
									2,807,662	4,218,401	7,026,063
The Rural and Remote Rate Protection Amount Required for 2015											\$14,482,854

Determination of Seasonal and Street Lighting Distribution Rates

2014 Distribution Base Rate Determination											
Customer Class	Metric	Average # of Customers	Billing Determinant		F/V Split		Distribution Rates		Revenues		
			kWh	kW	Fixed Allocation	Variable Allocation	Monthly Service Charge	Variable Charge	Fixed	Variable	Total Revenue
Seasonal	kWh	3138	7,731,414		43.8%	56.2%	23.51	0.1472	885,349	1,138,011	2,023,360
Seasonal (adj.)					49.8%	50.2%	26.75	0.1314	1,007,298	1,016,062	2,023,360
Street Lighting	kWh	1018	804,705		0.0%	100.0%	-	0.1998	-	160,760	160,760
Street Lighting (adj.)					7.4%	92.6%	0.98	0.1849	11,972	148,788	160,760
									1,019,270	1,164,850	2,184,120

API's consultant, Elenchus Research Associates, have assessed the impact on the Cost Allocation resulting from the load forecast arising from these Undertakings. There is no meaningful impact to the class revenue to cost ratios; the results are provided below.

Revenue to Cost Ratios		
Rate Class	As per Application	As per Undertakings
Residential – R1	111.53%	111.60%
Residential – R2	112.20%	112.12%
Seasonal	55.03%	54.86%
Street Light	24.66%	24.53%

Overall, these various Undertakings together with issues raised in the reference Interrogatories have minimal impact on the revenue requirement. These are detailed below.

Items Discussed and Their Impact on Revenue Requirement		
Reference	Description	Impact on Revenue Requirement
4-Energy Probe-44TC	Move capitalized depreciation credit from OM&A to amortization	No impact
4-Energy Probe-45TC	Add apprenticeship tax credit	Approximately \$7,000 reduction
Undertaking J1.5	Increase other distribution revenue offset	Approximately \$12,000 reduction
Undertakings JT1.6 and 1.7	Updated load forecast discussed above and the related working capital/rate base adjustment	Approximately \$1,400 increase

API does not believe that, collectively \$17,600, these matters materially impact the Revenue Requirement proposed in the Application.

Further, API has, in this Undertaking response, detailed the more salient issue of the increased throughput stemming from the intervenor's and Board staff's queries related to the 2015 Test Year Load Forecast. API has detailed its impact on the Working Capital Allowance, proposed distribution rates, revenues from distribution rates and RRRP funding.

UNDERTAKING NO. JT1.9: TO PRODUCE TRY A BILL IMPACT FOR STREET LIGHTING USING A CONNECTIONS KILOWATT HOUR SPLIT FOR A REPRESENTATIVE MUNICIPALITY.

RESPONSE:

Reproduced on the following page is a bill impact based on the rate proposal brought forward in the Application. This bill impact represents an actual Street Lighting customer at API. The consumption is based on a winter month thereby maximizing the consumption amount. This customer has 391 connections with a consumption of 31,461 kWh.

Algoma Power Inc.
EB-2014-0055
Response to Undertakings
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Customer Class: **Street Lighting (Non - RPP)**

Consumption **31,461** kWh

Billing Demand **-** kW

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 0.9800	391	\$ 383.18	\$ 0.9800	428	\$ 419.44	\$ 36.26	9.46%
Smart Meter Rate Adder			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kWh	\$ 0.1579	31,461	\$ 4,967.69	\$ 0.1849	31,461	\$ 5,817.14	\$ 849.45	17.10%
Smart Meter Disposition Rider			0	\$ -		0	\$ -	\$ -	
LRAM & SSM Rate Rider			0	\$ -		0	\$ -	\$ -	
Foregone Revenue Recovery - effective until December 31, 2014 (2014)	per kWh	\$ 0.0005	31,461	\$ 15.73	\$ -	31,461	\$ -	-\$ 15.73	-100.00%
Tax Changes - effective until December 31, 2014	per kWh	-\$ 0.0005	31,461	-\$ 15.73	\$ -	31,461	\$ -	\$ 15.73	-100.00%
Rate Rider for the Disposition of Account 1575 & 1576 - effective until December 31, 2019	per kWh	\$ -	31,461	\$ -	-\$ 0.0019	31,461	-\$ 59.78	-\$ 59.78	
			0	\$ -		0	\$ -	\$ -	
			0	\$ -		0	\$ -	\$ -	
			0	\$ -		0	\$ -	\$ -	
			0	\$ -		0	\$ -	\$ -	
Sub-Total A (excluding pass through)				\$ 5,350.87			\$ 6,176.80	\$ 825.93	15.44%
Rate Rider for the Disposition of Deferral/Variance Accounts (2014) - effective until December 31, 2015	per kWh	\$ -	31,461	\$ -	-\$ 0.0129	31,461	-\$ 405.85	-\$ 405.85	
Rate Rider for the Disposition of Global Adjustment Sub-Account (2014) - effective until December 31, 2015	per kWh	\$ -	31,461	\$ -	\$ 0.0201	31,461	\$ 632.37	\$ 632.37	
			0	\$ -		0	\$ -	\$ -	
			0	\$ -		0	\$ -	\$ -	
			0	\$ -		0	\$ -	\$ -	
Low Voltage Service Charge	per kWh	\$ 0.08949	2718.23	\$ 243.25	\$ 0.08949	2884.97	\$ 258.18	\$ 14.92	6.13%
Line Losses on Cost of Power	per kWh								
Smart Meter Entity Charge	Monthly		1	\$ -		1	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 5,594.13			\$ 6,661.50	\$ 1,067.37	19.08%
RTSR - Network	per kW	\$ 1.9503	0	\$ -	\$ 2.0109	0	\$ -	\$ -	
RTSR - Line and Transformation Connection	per kW	\$ 1.3906	0	\$ -	\$ 1.4094	0	\$ -	\$ -	
Sub-Total C - Delivery (including Sub-Total B)				\$ 5,594.13			\$ 6,661.50	\$ 1,067.37	19.08%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0044	34179	\$ 150.39	\$ 0.0044	34346	\$ 151.12	\$ 0.73	0.49%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	34179	\$ 44.43	\$ 0.0013	34346	\$ 44.65	\$ 0.22	0.49%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)	per kWh	\$ 0.0020	31461	\$ 62.92	\$ 0.0020	31461	\$ 62.92	\$ -	0.00%
Cost of Power (Non-RPP)	per kWh	\$ 0.08949	31461	\$ 2,815.44	\$ 0.08949	31461	\$ 2,815.44	\$ -	0.00%
Total Bill (before Taxes)				\$ 8,667.56			\$ 9,735.89	\$ 1,068.32	12.33%
HST		13%		\$ 1,126.78	13%		\$ 1,265.67	\$ 138.88	12.33%
Total Bill (including HST)				\$ 9,794.35			\$ 11,001.55	\$ 1,207.20	12.33%

Loss Factor (%)

8.64%

9.17%