



October 24, 2014

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

Dear Ms. Walli:

**RE: 2015 ELECTRICITY DISTRIBUTION RATE APPLICATION FOR ALGOMA POWER INC.  
("API") – EB-2014-0055  
UNDERTAKING RESPONSES FROM ORAL HEARING**

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Please find accompanying this letter, two (2) copies of the API's responses to undertakings posed by Board staff and the intervenors. Co-incidentally with the submission, an electronic copy of these 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. J1.1: TO PROVIDE AN UPDATED TABLE 11.

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**Response:**

Table 11, with a complete description of the derivation of distribution rates and required RRRP funding, is provided on the following page.

**Reproduction of Table 11**  
**Determination of Residential R1 & R2 2015 Electricity Distribution Rates and RRRP Funding**

Line #	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
1	Residential - R1	kWh	8496	105,791,701		13.6%	86.4%	22.24	0.1356	2,267,699	14,349,470	16,617,169
2	Residential - R2	kW	50		198,901	12.0%	88.0%	820.21	18.1276	492,124	3,605,601	4,097,725
3										2,759,823	17,955,071	20,714,894
2015 Application of Rate Indexing Methodology												
Delivery Charges Indexed by Simple Average of Other LDC Increases in Current Year												
4	Simple Average Increase in Delivery Charge for 2015 using the 2014 Board Approved RRRP Adjustment Factor											0.79%
	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
5	Residential - R1	kWh	8496	105,791,701		40.7%	59.3%	23.34	0.0328	2,379,862	3,465,392	5,845,254
6	Residential - R2	kW	50		198,901	36.8%	63.2%	600.83	3.1131	360,498	619,199	979,696
7	Hold Residential - R2 Fixed Charge at \$596.12					36.5%	63.5%	596.12	3.1273	357,672	622,024	979,696
8	Transformer Ownership Allowance - Allocated to the Residential - R2 class										74,096	74,096
9										2,737,534	4,087,417	6,824,951
10	The Rural and Remote Rate Protection Amount Required for 2015											\$ 13,964,040

- 1 This is the revenue requirement allocated to the Residential - R1 class at the proposed (status quo) revenue to cost ratio. The Distribution Rates are the Equivalent Rates required to recover this allocated revenue requirement in the absence of RRRP funding.
- 2 This is the revenue requirement allocated to the Residential - R2 class at the proposed (status quo) revenue to cost ratio. The Distribution Rates are the Equivalent Rates required to recover this allocated revenue requirement in the absence of RRRP funding.
- 3 The sum of Lines #1 and #2. This is the total revenue requirement allocated to the RRRP funded classes; Residential - R1 and Residential - R2. At this point in the rate design it does not include the add back of the Transformer Ownership Allowance to the Residential - R2 customer class.
- 4 This is the RRRP Adjustment Factor, 0.79%, as determined by Board staff.
- 5 The distribution rates in Line #5, both fixed and variable, are the Board Approved 2014 distribution rates indexed by the RRRP Adjustment Factor, 0.79%, shown in Line #4. These distribution rates are then applied to the proposed load and customer forecast volumes for the Residential - R1 class and revenues from the fixed and variable rates are calculated and summated for the total class revenue. The fixed/variable split is calculated based on the calculated revenues.
- 6 The distribution rates in Line #6, both fixed and variable, are the Board Approved 2014 distribution rates indexed by the RRRP Adjustment Factor, 0.79%, shown in Line #4. These distribution rates are then applied to the proposed load and customer forecast volumes for the Residential - R2 class and revenues from the fixed and variable rates are calculated and summated for the total class revenue. The fixed/variable split is calculated based on the calculated revenues.
- 7 The fixed/variable split is modified to return the fixed component of the Residential - R2 class to \$596.12. The practice of maintaining the fixed component at \$596.12 has been consistent since the 2011 EDR.
- 8 The Transformer Ownership Allowance of \$74,096 is specified in the customer and load forecast accepted in the Proposed Settlement Agreement.
- 9 \$6,824,951 is the sum of the revenues calculated using the proposed distribution rates and the accepted customer and load forecast; \$5,845,254 plus \$979,696. It does not include the Transformer Ownership Allowance add back.
- 10 The Rural and Remote Rate Protection Amount Required for 2015 is calculated to be \$13,964,040, this calculation is shown below.

**Description**

Total revenue requirement allocated to the Residential - R1 and Residential R2 classes  
Transformer Ownership Add Back allocated to the revenue requirement of the Residential - R2 class  
Revenue requirement for Residential R1 and R2 plus the Transformer Ownership Allowance add back  
Total revenue to be recovered using proposed distribution rates and accepted customer and load forecast  
The Rural and Remote Rate Protection Amount Required for 2015

**Taken from Table 11**

\$ 20,714,894 A  
\$ 74,096 B  
\$ 20,788,991 C=A+B  
\$ 6,824,951 D  
\$ 13,964,040 E=C-D

UNDERTAKING NO. J1.2: (A) FOR THE STREET LIGHTING CLASS TO ADVISE THE REVENUE-TO-COST RATIO FOR 2015 THAT WOULD RESULT IN A TOTAL BILL IMPACT OF 10 PERCENT; (B) FOR THE SEASONAL RATE CLASS, TO ADVISE THE REVENUE-TO-COST RATIO FOR 2015 THAT WOULD RESULT IN A TOTAL BILL IMPACT OF 10 PERCENT; (C) BASED ON THE INCREASED REVENUES FOR THE SEASONAL AND STREET LIGHTING CLASSES THAT WOULD RESULT FROM THE FIRST TWO QUESTIONS, TO ADVISE THE RESULTING RRRP FUNDING REQUIRED AS CALCULATED IN TABLE 11

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**Response:**

- A. For the Street Lighting customer class, a revenue to cost ratio of 25.34% will result in a total bill impact of 10%.

This increase from the status quo revenue to cost ratio of 25.04% to 25.34% represents an increase in revenue requirement allocated to the Street Lighting customer class of \$2,075; moving from \$155,789 to \$157,865. These values have been rounded to the nearest dollar.

- B. For the Seasonal customer class, a revenue to cost ratio of 60.21% will result in a total bill impact of 10%.

This increase from the status quo revenue to cost ratio of 54.97% to 60.21% represents an increase in revenue requirement allocated to the Seasonal customer class of \$195,299; moving from \$1,967,072 to \$2,162,371.

- C. The total increase in revenue allocation to the Street Lighting and Seasonal customer classes detailed in parts (A) and (B) of this Undertaking serve to reduce the total allocations to the Residential R1 and R2 customer classes by the same amount, that being \$197,374 (\$2,075 plus \$195,299).

Therefore, the resulting RRRP funding requirement, as determined by Table 11, will reduce by \$197,374, from \$13,964,040 to \$13,766,666.

UNDERTAKING NO. J1.3: TO PROVIDE SOME EXAMPLES OF THOSE OTHER UTILITIES THAT APPLY THAT SAME PRACTICE, RATHER THAN BILLING ON A TRUE MONTHLY BASIS.

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**Response:**

It is API's understanding that the following utilities performed 30 day fixed service charge prorating identical to that presented by API in its Application, Exhibit 9, Tab 8, Schedule 1:

- Algoma Power Inc.;
- North Bay Hydro;
- Guelph Hydro;
- Halton Hills Hydro; and
- Thunder Bay Hydro.

These utilities all used the SunGard Public Sector customer billing system during the 2002-2007 timeframe.

UNDERTAKING NO. J1.4: [WITHDRAWN]

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**Response:**

UNDERTAKING NO. J1.5: SUBJECT TO NOTIFYING HYDRO ONE, TO PROVIDE ALL CORRESPONDENCE BETWEEN ALGOMA AND HYDRO ONE WITH RESPECT TO THE CLAIM FOR ADDITIONAL COMPENSATION FROM THE RRRP POOL.

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**Response:**

Please refer to the chain of email exchanges between API and Hydro One provided below.

-----Original Message-----

From: susan.e.frank@HydroOne.com  
Sent: January-25-11 5:46 PM  
To: <Tim.Lavoie@algomapower.com>  
Subject: Re: Algoma Power Inc. RRRP funding

Did you get any decision on the variance account from the OEB? We cannot change our payment to you from RRRP without direction from the OEB. We have not received any direction about payment for the variance account balance.

Susan

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Sent from my BlackBerry Wireless Device

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From: Tim Lavoie [mailto:Tim.Lavoie@algomapower.com]  
Sent: Tuesday, January 25, 2011 05:33 PM  
To: FRANK Susan  
Cc: Christine Pascall <Christine.Pascall@algomapower.com>;  
doug.bradbury@cnpower.com <doug.bradbury@cnpower.com>  
Subject: Re: Algoma Power Inc. RRRP funding

Susan:

Please ignore my previous email. I just became aware that Hydro One has adjusted the monthly allocation without request. Thankyou for that.

Therefore, we are then only requesting you review the request for the funding variance payment as noted below.

My apologies for the confusion.

2002-2007 RRRP funding variance

We made reference in the application to an issue that relates to the Rural and Remote Rate Protection funding that was in place for GLP 2002 - 2007. In short, API has a small funding shortfall \$239,864 that has been sitting in a variance account for about a few years. In short, it relates to a billing system allocation of the monthly \$28.50 credit per customer that existed for RRRP funding in that same time frame. The billing system allocated the monthly credit on a 30 day basis, which left the utility short since more funding was credited to the customer than what was received by API (or GLP at the time).

We have prepared working papers to justify the additional draw from the RRRP pool which we have included with this email. API has suggested in our prefiled evidence that the issue will be discussed with Hydro One in order to resolve the issue. The issue was described in API's evidence (Exhibit 9 Tab 1 Schedule 6). As this issue was mechanical in nature, we notified the board of our intention to resolve the issue in conjunction with Hydro One and OEB compliance (if necessary). The board made no reference to this issue in its decision.

Regards,

Tim

Tim Lavoie  
Regional Manager & Director of Northern Development Algoma Power Inc.  
2 Sackville Road  
Sault Ste. Marie, ON P6B 6J6  
Phone: (705) 941-5697  
Cell: (705) 254-8102  
Fax: (705) 759-7633  
Email: [tim.lavoie@algomapower.com](mailto:tim.lavoie@algomapower.com)

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From: Tim Lavoie/GLP  
To: Susan Frank <[susan.e.frank@hydroone.com](mailto:susan.e.frank@hydroone.com)>  
Cc: [doug.bradbury@cnpower.com](mailto:doug.bradbury@cnpower.com), Christine Pascall/GLP@GLP  
Date: 25/01/2011 05:27 PM  
Subject: Algoma Power Inc. RRRP funding

Susan:



Hope all is well with you. Algoma Power Inc. (formerly known as Great Lakes Power Distribution) had filed a rate application June 1, of 2010. The OEB issued its approved rate order on December 12, 2010. There are a few RRRP funding issues that arise as a result.

1. Current RRRP funding change

The OEB issued a decision in the matter on November in which it allowed recovery of \$11,441,951 RRRP annually. This is an increase to \$950,996 per month from the current \$738,487 effective December 1, 2010. I have attached the rate order for your reference. Page 2 of the order describes the increase in funding.

2. 2002-2007 RRRP funding variance

We made reference in the application to an issue that relates to the Rural and Remote Rate Protection funding that was in place for GLP 2002 - 2007. In short, API has a small funding shortfall \$239,864 that has been sitting in a variance account for about a few years. In short, it relates to a billing system allocation of the monthly \$28.50 credit per customer that existed for RRRP funding in that same time frame. The billing system allocated the monthly credit on a 30 day basis, which left the utility short since more funding was credited to the customer than what was received by API (or GLP at the time).

We have prepared working papers to justify the additional draw from the RRRP pool which we have included with this email. API has suggested in our prefiled evidence that the issue will be discussed with Hydro One in order to resolve the issue. The issue was described in API's evidence (Exhibit 9 Tab 1 Schedule 6). As this issue was mechanical in nature, we notified the board of our intention to resolve the issue in conjunction with Hydro One and OEB compliance (if necessary). The board made no reference to this issue in its decision.

As a result of these 2 issues, API is requesting a settle up payment and an adjustment to the monthly payment as follows:

Settlement Payment	
December 2010	\$950,996
January 2011	\$950,996
Less: December 2010	\$738,487 (actual payment in January)
Plus: funding variance	\$239,864
	\$1,402,992 (to be paid in February)

If you have any followup or questions, please don't hesitate to give me a call.

Regards,

Tim

Tim Lavoie  
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Sault Ste. Marie, ON P6B 6J6  
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