



October 28, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700, P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: 2016 4th Generation Incentive Rate-setting Application by Algoma Power Inc. ("API") to Adjust Electricity Distribution Rates & Rural and Remote Rate Protection Funding, Effective January 1, 2016; EB-2015-0051 Interrogatory Responses to Board Staff

Please find accompanying this letter two (2) copies of API's responses to the interrogatories submitted to the Board by Board Staff.

A PDF version of these responses will, coincidentally with this written submission, be 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 Bradbury
Director Regulatory Affairs

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Board Staff

Rate Design for R1 Rate Classification

Interrogatory #1

Ref: Application, page 15

Ref: Application, Schedule B, page 1

Algoma Power states that it “utilized its 2014 sales data” to split the R1 class in to residential and non-residential components.

- a) Please provide details regarding the criterion that was used to split the sales data for the R1 class in to residential and non-residential components.
 - b) How closely do those criteria match the two qualifiers, labelled i and ii, on page 1 of Algoma Power’s Tariff of Rates and Charges?
 - c) If consumption patterns were used to segregate the class, please explain what criteria were applied to the sales data and why they are appropriate.
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RESPONSE:

- a) API’s Customer Service System contains identifiers which allow API to identify individual customers within the Residential – R1 customer classification as being either a generic residential customer, a general service customer with a billing demand less than 50 kW or a generic unmetered scattered load customer. Using these unique identifiers API is able to produce customer data and sales data for a defined period for each of the three subpopulations within the Residential – R1 customer classification.
- b) The criteria matches the two qualifiers, labelled i and ii, on page 1 of API’s Tariff of Rates and Charges.
- c) Consumption patterns were not used to segregate the class data.

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Board Staff

Interrogatory #2
Ref: Application, page 16

Algoma Power states that it has proposed to cap the change to the monthly fixed charge for residential customers in the R1 class at \$4.00 for 2016.

- a) If Algoma Power were to increase the fixed charge by \$4.00 each rate year, please state in which rate year Algoma Power will expect to complete its transition to fully fixed rates.
- b) Please provide the rationale for Algoma Power's proposal to implement the transition to fully fixed rates (i.e. an extended transition period capped at a \$4 change in the fixed charge per rate year). Did Algoma Power consider any alternative approaches to its transition to fully fixed rates (e.g. a higher annual increase to the fixed charge over fewer years)? If so, why were those alternatives rejected?

RESPONSE:

- a) If API were to increase the fixed charge by \$4.00 each rate year, decoupling would be 97% implemented in the 2022 rate year. Full transition would not occur until the 2023 rate year.
- b) API is a winter peaking utility; in the absence of alternative primary heating sources such as natural gas, electrically powered spaced heating is often the primary heating source for API's residential customers.

Using electrical space heating means that customers are limited in their ability to shift consumption to off-peak periods and as a result are required to use higher cost on-peak energy resulting in higher costs. To combat these higher costs many customers have resorted to the use of a secondary heating source; often a wood burning heating source. The use of this type of secondary heat source requires planning and a long term investment by the customer.

API believes that rate stability is an important factor for its customers allowing them to evaluate energy costs and make the best decision related to home heating. As such, API has opted to cap the annual transition to the fully fixed rates to \$4.00 per annum consistent with the maximum increase provided in the Board's report.

However, a four-year transition to fully fixed rates as suggested by the Board's report was rejected because of the more volatile rate outcome. API's fixed rate would have to increase by \$7.35 per month to accomplish the transition in four years.

Board Staff

Seasonal Rate Class

Interrogatory #3

Ref: Application, Schedule B, pages 1 & 3

Ref: Filing Requirements for Electricity Distribution Rate Applications, Chapter 3 - Incentive Rate-Setting Applications, page 10

Algoma Power has not proposed any change in the rate design for its seasonal rate classification. When discussing the rate design change for residential electricity customers, Chapter 3 of the *Filing Requirements* states that “distributors with a seasonal residential class must propose identical rate design treatment for such a class.”

The description for the seasonal class in Algoma Power’s proposed Tariff of Rates and Charges states that:

This classification includes all services supplied to single-family dwelling units for domestic purposes, which are occupied on a seasonal/intermittent basis. A service is defined as Seasonal if occupancy is for a period of less than eight months of the year.

One of the criteria for a service to qualify for the R1 residential service classification is that service is provided to “a dwelling occupied as a residence continuously for at least eight months of the year.”

- a) Please explain why Algoma Power has not proposed a change in the rate design for its Seasonal rate classification.
- b) The descriptions on the Tariff of Rates and Charges for both the R1 and Seasonal rate classifications both require that a service is used as a “dwelling.” Please explain why the Seasonal class would not be considered as a seasonal residential class?
- c) Please provide:
 - 1) the resulting 2016 base rates for the Seasonal rate classification if the same rate design treatment applied to residential customers in the R1 class were applied to the Seasonal rate class (i.e. an increase to the fixed charge of \$4).
 - 2) The number of years required to transition to fully fixed rates under scenario 1) above.

- 3) the total bill impact for an average customer in the Seasonal rate classification under scenario 1) above.
 - 4) the total bill impact for a customer consuming at the greater of the 10th percentile of consumption for the Seasonal rate classification or a customer consuming 50 kWh per month under scenario 1) above.
 - 5) A mitigation plan if the calculations in either 3) or 4) above result in a total bill impact greater than 10%.
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RESPONSE:

- a) The Rural and Remote Electricity Rate Protection Regulation, Ontario Regulation 442/01, (the “RRRP Regulation”) at Paragraph 5 of Section 2 sets out the eligibility criteria applicable to API for rural rate protection. This paragraph provides that:
“5. Consumers,
 who are treated as residential-rate class consumers under Ontario Regulation 445/07 (Reclassifying Certain Classes of Consumers as Residential-Rate Class Customers: Section 78 of the Act) made under the Act, or
(ii) who occupy residential premises in an area served by a distributor where,
 A. the distributor is licensed to serve the consumers,
 B. the area is not less than 10,000 kilometres in size, and
 C. the average customer density for the distributor is less than seven customers per kilometre of distribution line.”

The RRRP Regulation has been consistently applied since API cost of service application EB-2007-0744 effective September 1, 2007.

Since September 1, 2007, seasonal customers in API’s service territory have purposely not been treated as residential customers; for this reason API has not proposed a change in the rate design for its Seasonal rate classification.

b) As explained in part a), the consistent application to the RRRP Regulation has purposely excluded seasonal customers from the residential classification. By extension of the Board staff preamble to this interrogatory, the Board staff's reasoning could be further applied to mean that seasonal customers ought to be eligible for RRRP funding.

c) 1. Below is a detailed calculation for 2016 base rates for the Seasonal class.

**Revenue Decoupling for the Seasonal Rate Class - 1st Increment
 EB-2015-0051**

Rate Class	Customers/ Connections		Test Year Consumption		Proposed Rates			Proposed Revenues			Existing Split	
		Average Customers	kWh	kW	Monthly Service Charge	Volumetric		Fixed	Variable	Total	Fixed	Variable
						kWh	kW	\$	\$	\$		
Seasonal	Customers	3,138	7,731,414		\$ 30.27	\$ 0.1629		1,139,755	1,259,730	2,399,485	47.5%	52.5%

Residential Decoupling

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current Monthly Service Charge (post IRM adjustment)	\$ 30.27	\$ 34.27	\$ 38.27	\$ 42.27	\$ 46.27	\$ 50.27	\$ 54.27	\$ 58.27	\$ 62.27
Monthly Service Charge to Achieve 100% Recovery	\$ 63.72								
Four Year Annual Increment Required	\$ 8.36								
Cap Applied to the Annual Increment	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 1.45
First Incremental Monthly Service Charge	\$ 34.27	\$ 38.27	\$ 42.27	\$ 46.27	\$ 50.27	\$ 54.27	\$ 58.27	\$ 62.27	\$ 63.72

Decoupled Residential Rates

Rate Class	Customers/ Connections		Test Year Consumption		Proposed Rates			Proposed Revenues			Existing Split	
		Average for 2013	kWh	kW	Monthly Service Charge	Volumetric		Fixed	Variable	Total	Fixed	Variable
						kWh	kW	\$	\$	\$		
Seasonal	Customers	3,138	7,731,414		\$ 34.27	\$ 0.1435		1,290,379	1,109,106	2,399,485	53.8%	46.2%

In the first year of the transition the fixed monthly charge would increase from \$30.27 to \$34.27 and the volumetric charge would decrease from \$0.1629 to \$0.1435 per kWh.

2. It will take nine years to fully transition to 100% fixed charge.

3. The average consumption for a Seasonal class customer using the 2015 test year data is 205 kWh per month. ($7,731,144/3138/12 = 205$ kWh/month). The total bill impact is 7.31%.

Appendix 2-W
Bill Impacts

Customer Class: **Seasonal [RPP]**

TOU / non-TOU: **TOU**

Consumption: **205** kWh

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 27.1500	1	\$ 27.15	\$ 34.2700	1	\$ 34.27	\$ 7.12	26.22%
Smart Meter Rate Adder			1	\$ -		1	\$ -	\$ -	
SME - Net Deferred Revenue Requirement, effective until December 31, 2016	Monthly	\$ 3.5700	1	\$ 3.57	\$ 3.5700	1	\$ 3.57	\$ -	0.00%
				\$ -			\$ -	\$ -	
Rate Rider for Recovery of Stranded Meter Assets (2014) - effective until December 31, 2015	Monthly	\$ 2.5100	1	\$ 2.51	\$ -	1	\$ -	-\$ 2.51	-100.00%
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kWh	\$ 0.1462	205	\$ 29.97	\$ 0.1435	205	\$ 29.42	-\$ 0.55	-1.85%
Smart Meter Disposition Rider			205	\$ -		205	\$ -	\$ -	
LRAM & SSM Rate Rider			205	\$ -		205	\$ -	\$ -	
	per kWh	\$ -	205	\$ -	\$ -	205	\$ -	\$ -	
	per kWh	\$ -	205	\$ -	\$ -	205	\$ -	\$ -	
Foregone Revenue Recovery (2015) - effective until December 31, 2015 (2015)	per kWh	\$ 0.0041			\$ -	205	\$ -	\$ -	
	per kWh	\$ -	205	\$ -	\$ -	205	\$ -	\$ -	
Deferral/Variance Account Disposition - effective until June 30, 2019	per kWh	\$ 0.0307	205	\$ 6.29	\$ 0.0307	205	\$ 6.29	\$ -	0.00%
Rate Rider for the Disposition of Account 1575 & 1576 - effective until December 31, 2019	per kWh	-\$ 0.0019	205	-\$ 0.39	-\$ 0.0019	205	-\$ 0.39	\$ -	0.00%
			205	\$ -		205	\$ -	\$ -	
			205	\$ -		205	\$ -	\$ -	
			205	\$ -		205	\$ -	\$ -	
Sub-Total A (excluding pass through)				\$ 69.11			\$ 73.16	\$ 4.06	5.87%
Rate Rider for the Disposition of Deferral/Variance Accounts (2014) - effective until December 31, 2015	per kWh	-\$ 0.0141	205	-\$ 2.89	\$ -	205	\$ -	\$ 2.89	-100.00%
Rate Rider for the Disposition of Global Adjustment Sub-Account (2014) - effective until December 31, 2015	per kWh		205	\$ -	\$ -	205	\$ -	\$ -	
Rate Rider for the Disposition of Deferral/Variance Accounts (2016) - effective until December 31, 2016	per kWh	\$ -	205	\$ -	\$ -	205	\$ -	\$ -	
Rate Rider for the Disposition of Global Adjustment Sub-Account (2016) - effective until December 31, 2016	per kWh	\$ -	205	\$ -	\$ -	205	\$ -	\$ -	
Low Voltage Service Charge			205	\$ -		205	\$ -	\$ -	
Line Losses on Cost of Power	per kWh	\$ 0.1021	18,7985	\$ 1.92	\$ 0.1021	18,7985	\$ 1.92	\$ -	0.00%
Smart Meter Entity Charge	Monthly	\$ 0.7900	1	\$ 0.79	\$ 0.7900	1	\$ 0.79	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 68.92			\$ 75.87	\$ 6.95	10.08%
RTSR - Network	per kWh	\$ 0.0071	224	\$ 1.59	\$ 0.0070	224	\$ 1.57	-\$ 0.02	-1.41%
RTSR - Line and Transformation Connection	per kWh	\$ 0.0053	224	\$ 1.19	\$ 0.0051	224	\$ 1.14	-\$ 0.04	-3.77%
Sub-Total C - Delivery (including Sub-Total B)				\$ 71.70			\$ 78.58	\$ 6.88	9.60%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0044	224	\$ 0.98	\$ 0.0044	224	\$ 0.98	\$ -	0.00%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	224	\$ 0.29	\$ 0.0013	224	\$ 0.29	\$ -	0.00%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)	per kWh	\$ -	205	\$ -	\$ -	205	\$ -	\$ -	
TOU - Off Peak	per kWh	\$ 0.0800	131	\$ 10.50	\$ 0.0800	131	\$ 10.50	\$ -	0.00%
TOU - Mid Peak	per kWh	\$ 0.1220	37	\$ 4.50	\$ 0.1220	37	\$ 4.50	\$ -	0.00%
TOU - On Peak	per kWh	\$ 0.1610	37	\$ 5.94	\$ 0.1610	37	\$ 5.94	\$ -	0.00%
Energy - RPP - Tier 1	per kWh	\$ 0.0830	205	\$ 17.02	\$ 0.0830	205	\$ 17.02	\$ -	0.00%
Energy - RPP - Tier 2	per kWh	\$ 0.0970	0	\$ -	\$ 0.0970	0	\$ -	\$ -	
Total Bill on TOU (before Taxes)				\$ 94.16			\$ 101.04	\$ 6.88	7.31%
HST		13%		\$ 12.24	13%		\$ 13.14	\$ 0.89	7.31%
Total Bill (including HST)				\$ 106.41			\$ 114.18	\$ 7.77	7.31%
<i>Ontario Clean Energy Benefit</i> ¹				\$ -			\$ -	\$ -	
Total Bill on TOU (including OCEB)				\$ 106.41			\$ 114.18	\$ 7.77	7.31%

Loss Factor (%)

9.17%

9.17%

4. The total impact for a Seasonal class customer consuming 50 kWh per month is 10.56%.

Customer Class: Seasonal [RPP]		TOU / non-TOU: TOU		Consumption: 50 kWh					
Charge Unit	Current Board-Approved			Proposed			Impact		
	Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change	
Monthly Service Charge	Monthly	\$ 27.1500	1	\$ 27.15	\$ 34.2700	1	\$ 34.27	\$ 7.12	26.22%
Smart Meter Rate Adder			1	\$ -		1	\$ -	\$ -	
SME - Net Deferred Revenue Requirement, effective until December 31, 2016	Monthly	\$ 3.5700	1	\$ 3.57	\$ 3.5700	1	\$ 3.57	\$ -	0.00%
Rate Rider for Recovery of Stranded Meter Assets (2014) - effective until December 31, 2015	Monthly	\$ 2.5100	1	\$ 2.51	\$ -	1	\$ -	-\$ 2.51	-100.00%
Distribution Volumetric Rate	per kWh	\$ 0.1462	50	\$ 7.31	\$ 0.1435	50	\$ 7.18	-\$ 0.14	-1.85%
Smart Meter Disposition Rider	per kWh	\$ -	50	\$ -	\$ -	50	\$ -	\$ -	
LRAM & SSM Rate Rider	per kWh	\$ -	50	\$ -	\$ -	50	\$ -	\$ -	
Foregone Revenue Recovery (2015) - effective until December 31, 2015 (2015)	per kWh	\$ 0.0041	50	\$ -	\$ -	50	\$ -	\$ -	
Deferral/Variance Account Disposition - effective until June 30, 2019	per kWh	\$ -	50	\$ -	\$ -	50	\$ -	\$ -	
Rate Rider for the Disposition of Account 1575 & 1576 - effective until December 31, 2019	per kWh	\$ 0.0307	50	\$ 1.54	\$ 0.0307	50	\$ 1.54	\$ -	0.00%
	per kWh	-\$ 0.0019	50	-\$ 0.10	-\$ 0.0019	50	-\$ 0.10	\$ -	0.00%
			50	\$ -		50	\$ -	\$ -	
			50	\$ -		50	\$ -	\$ -	
			50	\$ -		50	\$ -	\$ -	
Sub-Total A (excluding pass through)				\$ 41.98			\$ 46.46	\$ 4.47	10.66%
Rate Rider for the Disposition of Deferral/Variance Accounts (2014) - effective until December 31, 2015	per kWh	-\$ 0.0141	50	-\$ 0.71	\$ -	50	\$ -	\$ 0.71	-100.00%
Rate Rider for the Disposition of Global Adjustment Sub-Account (2014) - effective until December 31, 2015	per kWh	\$ -	50	\$ -	\$ -	50	\$ -	\$ -	
Rate Rider for the Disposition of Deferral/Variance Accounts (2016) - effective until December 31, 2016	per kWh	\$ -	50	\$ -	\$ -	50	\$ -	\$ -	
Rate Rider for the Disposition of Global Adjustment Sub-Account (2016) - effective until December 31, 2016	per kWh	\$ -	50	\$ -	\$ -	50	\$ -	\$ -	
Low Voltage Service Charge	per kWh	\$ 0.1021	4.585	\$ 0.47	\$ 0.1021	4.585	\$ 0.47	\$ -	0.00%
Line Losses on Cost of Power	per kWh	\$ 0.1021	4.585	\$ 0.47	\$ 0.1021	4.585	\$ 0.47	\$ -	0.00%
Smart Meter Entity Charge	Monthly	\$ 0.7900	1	\$ 0.79	\$ 0.7900	1	\$ 0.79	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 42.53			\$ 47.71	\$ 5.18	12.18%
RTSR - Network	per kWh	\$ 0.0071	55	\$ 0.39	\$ 0.0070	55	\$ 0.38	-\$ 0.01	-1.41%
RTSR - Line and Transformation Connection	per kWh	\$ 0.0053	55	\$ 0.29	\$ 0.0051	55	\$ 0.28	-\$ 0.01	-3.77%
Sub-Total C - Delivery (including Sub-Total B)				\$ 43.21			\$ 48.37	\$ 5.16	11.95%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0044	55	\$ 0.24	\$ 0.0044	55	\$ 0.24	\$ -	0.00%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	55	\$ 0.07	\$ 0.0013	55	\$ 0.07	\$ -	0.00%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)	per kWh	\$ -	50	\$ -	\$ -	50	\$ -	\$ -	
TOU - Off Peak	per kWh	\$ 0.0800	32	\$ 2.56	\$ 0.0800	32	\$ 2.56	\$ -	0.00%
TOU - Mid Peak	per kWh	\$ 0.1220	9	\$ 1.10	\$ 0.1220	9	\$ 1.10	\$ -	0.00%
TOU - On Peak	per kWh	\$ 0.1610	9	\$ 1.45	\$ 0.1610	9	\$ 1.45	\$ -	0.00%
Energy - RPP - Tier 1	per kWh	\$ 0.0830	50	\$ 4.15	\$ 0.0830	50	\$ 4.15	\$ -	0.00%
Energy - RPP - Tier 2	per kWh	\$ 0.0970	0	\$ -	\$ 0.0970	0	\$ -	\$ -	
Total Bill on TOU (before Taxes)				\$ 48.88			\$ 54.04	\$ 5.16	10.56%
HST		13%		\$ 6.35	13%		\$ 7.03	\$ 0.67	10.56%
Total Bill (including HST)				\$ 55.23			\$ 61.07	\$ 5.83	10.56%
Ontario Clean Energy Benefit ¹				\$ -			\$ -	\$ -	
Total Bill on TOU (including OCEB)				\$ 55.23			\$ 61.07	\$ 5.83	10.56%
Loss Factor (%)				9.17%			9.17%		

5. A possible mitigation plan for the scenario presented in part 4) would be to smooth the transition amount over the nine years. At a transition amount of \$4.00 per year the final year would require a transition amount of only \$1.45. By smoothing the transition amount to \$3.72 including the ninth year the total bill impact will be mitigated to 10%.

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Board Staff

Proposed Tariff of Rates and Charges

Interrogatory #4

Ref: Application, Schedule B – page 1

Due to Algoma Power’s proposal for applying the transition to fully fixed rates for residential customers in its R1 class, Algoma Power has proposed two sets of base rates for the R1 class: an unlabeled set and a set labeled as “general service.”

Algoma Power has not proposed any additional wording on the tariff for the definition of the R1 class to explain how the two sets of base rates will be applied to customers.

- a) Please confirm that the intent is to apply only one set of base rates to each customer in Algoma Power’s R1 rate class.
 - b) Please provide some proposed wording for the description of the R1 class that clarifies the criteria the will be used to evaluate when each set of base rates will apply for a particular customer.
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RESPONSE:

- a) API has presented the Monthly Rates and Charges – Delivery Component in its proposed tariff sheets has illustrated below.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	27.52
Service Charge – General Service	\$	23.52
Rate Rider for Smart Metering Entity Change – effective until October 31, 2018	\$	0.79
Distribution Volumetric Rate	\$/kWh	0.0286
Distribution Volumetric Rate – General Service	\$/kWh	0.0331
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0070
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0051

It was felt that this approach was the simplest and maintained conformity with the Ontario Regulation 445/07 made in respect of Section 78 of the OEB Act (the “Reclassification Regulation”). API maintains its Residential – R1 classification, yet offers the flexibility to apply different monthly service charges and distribution volumetric charges based on the determination of the generic customer type within the Residential – R1 class of customers.

This approach allows all customers satisfying the criteria of a Residential – R1 customer to remain in that class and remain eligible for RRRP funding. Using the unique identifier in API’s customer service system, customers will be charged using a set of distribution rates that apply to customers that are generically residential or a set of distribution rates that apply to customers that are generically general service.

b) Not applicable.