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| **Ontario Energy**  **Board**  P.O. Box 2319  27th Floor  2300 Yonge Street  Toronto ON M4P 1E4  Telephone: 416-481-1967  Facsimile: 416-440-7656  Toll free: 1-888-632-6273 | **Commission de l’énergie**  **de l’Ontario**  C.P. 2319  27e étage  2300, rue Yonge  Toronto ON M4P 1E4  Téléphone: 416-481-1967  Télécopieur: 416-440-7656  Numéro sans frais: 1-888-632-6273 |  |

**BY EMAIL**

December 12, 2017

Ontario Energy Board

P.O. Box 2319

27th Floor

2300 Yonge Street

Toronto ON M4P 1E4

[Kirsten.Walli@oeb.ca](mailto:Kirsten.Walli@oeb.ca)

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Algoma Power Inc.**

**2018 IRM Distribution Rate Application**

**OEB Staff Submission**

**OEB File No. EB-2017-0025**

In accordance with Procedural Order No.1, please find attached the OEB Staff Submission in the above proceeding. This document is being forwarded to Algoma Power Inc. and to all other registered parties to this proceeding.

Algoma Power Inc. is reminded that its Reply Submission is due by January 9, 2018, should it choose to file one.

Yours truly,

*Original Signed By*

Christiane Wong

Information Administrator, Incentive Rates & Accounting

Encl.



**ONTARIO ENERGY BOARD**

**STAFF SUBMISSION**

2018 ELECTRICITY DISTRIBUTION RATES

Algoma Power Inc.

EB-2017-0025

**December 12, 2017**

**OEB Staff Submission**

**Algoma Power Inc.**

**2018 IRM Rate Application**

**EB-2017-0025**

**Introduction**

Algoma Power Inc. (Algoma Power) filed an application with the Ontario Energy Board (OEB) on August 14, 2017 under section 78 of the *Ontario Energy Board Act*, *1998* seeking approval for changes to the rates that Algoma Power charges for electricity distribution, effective January 1, 2018.

The purpose of this document is to provide the OEB with the submissions of OEB staff based on its review of the evidence submitted by Algoma Power.

OEB staff has no concern with the data supporting the updated Retail Transmission

Service Rates proposed by Algoma Power. Pursuant to the OEB’s Guideline G-2008-0001, OEB staff will update the applicable data at the time of the OEB’s decision on this application, based on the Uniform Transmission Rates in place at that time.

The Price Cap IR adjustment applies to the distributor’s existing OEB-approved rates for all customer rate classes, except the R-1 and R-2 classes, where the RRRP adjustment is applied. The RRRP adjustment reflects the average annual change in distribution rates for Residential and GS<50 kW customer rate classes across all rate regulated distributors[[1]](#footnote-1). OEB staff has calculated an updated RRRP adjustment factor of 2.52% based on calculating the simple average annual rate change for distributors for the Residential and GS<50kW customer rate classes (Schedule A attached). OEB staff has reviewed the adjustment models and subject to reflecting the above update, has no concerns with Algoma Power’s proposal.

OEB staff makes a detailed submission on the following:

* Fixed Rate Transition
* Deferral and Variance Account Disposition

**Fixed Rate Transition**

In Algoma Power’s 2016 IRM rate application the OEB decision stated that:

*The OEB finds that Algoma Power shall apply the rate design policy to its Seasonal customer class and transition to a fully fixed rate over a nine year period; eight years at $4, and the residual increase over the ninth year. This policy change is consistent with OEB policy, is not inconsistent with the relevant regulation, and does not suggest that Seasonal customers are eligible for RRRP funding.*

In its application, as adjusted, Algoma Power proposed to not implement an increase for the full step of $4.00 per year towards a fixed Monthly Service Charge to fully recover allocated distribution services for the Seasonal customer class due a bill impact of 14.3% for customers consuming 50 kWh per month. Algoma Power proposed to make a $1.00 step towards the fully fixed charge for the Seasonal customer class, along with other rate changes, without exceeding a 10% bill impact threshold for all consumption levels down to 50 kWh per month. Algoma Power revised its Rate Design Model and the OEB-issued 2018 IRM Rate Generator Model to reflect the change. OEB staff supports Algoma Power’s proposed change on this matter in order to mitigate the impact to the Seasonal customer class to 9.9%.

Algoma Power’s bill impact mitigation plan is to keep bill impacts below 10% for 50 kWh Seasonal customers every year. Algoma Power did not propose what the annual steps would be toward a fully fixed charge, as implementation for each step would be dependant on the annual bill impacts. In order to keep the bill impacts at less than 10% OEB staff supports the mitigation of bill impacts of greater than 10% however, it is not clear when the Seasonal customer class will fully transition to a fixed service charge. Algoma Power may wish to expand on that in its reply submission.

**Deferral and Variance Account Disposition**

Algoma Power completed the deferral and variance account (DVA) continuity schedule included in the 2018 IRM Rate Generator Model at Tab 3 for its Group 1 DVAs. The Group 1 DVA balances amount to a credit of $477,100 (as amended during the course of the proceeding). The balance in Account 1589 – Global Adjustment (GA) is a credit of $1,122,665 and is applicable only to Non-RPP Class B customers. The remaining DVAs excluding GA amounted to a debit of $645,565. These balances also include interest calculated to December 31, 2017.

Based on the threshold test calculation, the Group 1 DVA balances equate to a credit of $0.0024 per kWh which exceeds the pre-set disposition threshold of $0.001. In its application, as originally filed, Algoma Power requested disposition of these accounts over a period of one-year. OEB staff has reviewed the applicant’s Group 1 DVA balances and notes that the utility has provided the required explanations needed to reconcile the variances between the amounts requested for disposition as of December 31, 2016 and those reported as part of the *Reporting and Record-keeping Requirements*.

OEB staff reviewed the GA Analysis Workform and provided the applicant with a series of preliminary questions regarding certain balances within that template. As a result of this review, OEB staff identified that the applicant made adjustments to Accounts 1588 and 1589 pertaining to a one-month time-lag in the applicant’s Independent Electricity System Operator (IESO) settlement process. For example, the applicant’s January IESO settlement (due on the 4th day of February) is based on December (of the previous year) consumption values and inputs. This settlement methodology is not consistent with the requirements set out by IESO which stipulate that“Settlement data must be submitted to us monthly, as soon as possible after the last trading day of the month, and no later than the fourth business day after the last trading day of the month” .[[2]](#footnote-2) Algoma Power has been submitting settlements data to the IESO one month later than required. Applying this to the previous example, it means that December consumption values and inputs are to be settled with the IESO by the fourth day of January (compared to the 4th day of February as is currently being done by the applicant).

Up until the current IRM proceeding, Algoma Power had been disposing of its balances in Accounts 1588 and 1589 on a rolling 12-month basis rather than on a calendar year (due to the time lag noted above). This rolling 12-month balance would cover the period December of the previous year to November of the most recent year. The applicant has explained in its description of its GA settlement process, that the one month lag in its settlements with the IESO was because it waits until the actual billing data for a particular month is available for use to settle with the IESO.[[3]](#footnote-3) OEB staff submits that actual data does not need to be used initially for settlement purposes with the IESO; instead, the best data available to the utility at the time the RPP settlement claim is due (by the 4th day of the following month) should be used. Subsequent true-up adjustments to settle for the difference between estimated RPP settlement and actual RPP settlement are then to be made on a timely basis once the actual data is available. The OEB had recently issued guidance on what it considers to be a “timely basis”, as is described below.

As a result of the OEB communication that was sent to all utilities regarding the timing of RPP settlement true ups that affect Accounts 1588 and 1589[[4]](#footnote-4), the applicant made an adjustment to its DVA continuity schedule before it filed this application to capture the 2016 settlement related amounts that were actually recorded in 2017. The impact of this is that the proposed disposition balance for 2016 includes 13-months of activity for both Accounts 1588 and 1589, covering the period from December 2015 to December 2016.

OEB staff has no issue with Algoma Power’s request to dispose of its December 31, 2016 Group 1 DVA account balances, including the impact of the adjustments made to the DVA continuity schedule for Accounts 1588 and 1589, as noted above. However, OEB staff submits that the applicant should align its IESO settlement processes with the IESO requirements going forward such that its future monthly RPP settlements with the IESO are based on the most recent calendar month’s activity. Once the settlement time-lag with the IESO has been addressed, it will result in Algoma Power disposing of amounts in account 1588 – RSVA Power and account 1589 – RSVA GA consistent with the 12 calendar months of each year in future rate proceedings; in addition, Algoma Power will be compliant with the IESO Settlement Market Rules.

All of which is respectfully submitted.

**ALGOMA POWER INC.**

**Schedule A**

**RURAL AND REMOTE RATE PROTECTION ADJUSTMENT FACTOR**

**EB-2017-0025**

**DECEMBER 12, 2017**

1. As decided by the OEB in Algoma Power’s 2010 cost of service rate proceeding EB-2009-0278 [↑](#footnote-ref-1)
2. IESO Market Manual 5.5: Physical Markets Settlement Statements, MM5.5: section 1.6.7.7 Regulated Price Plan [↑](#footnote-ref-2)
3. Manager’s Summary, p. 24 - 25 [↑](#footnote-ref-3)
4. Guidance on the Disposition of Accounts 1588 and 1589, letter dated May 17, 2017 [↑](#footnote-ref-4)