Deferral Account Report

Introduction

On April 4, 2017, the OEB issued an order under case number EB-2017-0153 (the "Order") granting Algoma Power Inc. ("API") an interim electricity distribution licence (the "Licence") to operate the electricity distribution system in the Town of Dubreuilville. The Order also required Dubreuil Lumber Inc. ("DLI") to surrender possession and control of the electricity distribution system to API. With respect to costs, the Order required API to record revenues collected from customers within the service area of DLI and the costs of operation and maintenance of the system in a deferral account under the Uniform System of Accounts (the "Deferral Account").

On October 3, 2017, the OEB issued a decision and order under case number EB-2017-0303, extending the Licence to April 3, 2018. The purpose of this report is to comply with Section 1(d) of the October 3, 2017 decision and order, which requires that API provide the OEB with a report on the amounts in the Deferral Account. The amounts reported reflect account balances as at December 31, 2017.

Amounts Recorded in Deferral Account

API has recorded a total of $435,557 in operating and maintenance costs from April 4, 2017 to Dec 31, 2017. In tracking operating and maintenance costs, API has established ten categories for tracking and reporting purposes, as outlined in Table 1 below.

Beginning with May 2017 consumption, API has performed all meter reading, billing and collection functions in respect of DLI customers. The billed revenue summary provided in Table 1 corresponds to May to November consumption, with associated invoices issued in June to December. During this same seven month period, DLI's net cost of power more than offset the amounts billed to DLI customers, resulting in a net receivable of $8,062.

In analyzing the discrepancy between DLI's cost of power and billed revenue, API notes that DLI has historically used the API system loss factor for primary metering as its own system loss factor for billing its individual customers. The actual DLI system loss is however significantly higher than the billing loss factor, as illustrated in Table 2. Since assuming control of the DLI system, API has begun addressing issues related to unmetered loads, and has also initiated efforts to confirm the accuracy of all complex metering installations.

Table 1 – Deferral Account Balance

Description	**Balance at Dec 31, 2017**
Transfer of Control and Process Development	51,086
Outage and Emergency Response	51,999
Meter Reading	54,552
Condition Assessments, Audits, and Reporting	63,065
Customer Service and Community Relations	16,498
Billing	22,314
Collections	456
Supervisory and Administrative Support	7,014
Safety, Environmental and Regulatory Compliance	19,466
Bypass Project	149,108
Subtotal - Operating and Maintenance	*435,557*
DLI - Residential Billed	(292,224)
DLI - Commercial Billed	(156,377)
DLI - Cost of Power (Billed from API)	556,332
DLI - Former Form 1598 Settlement Amounts	(99,668)
Subtotal - Cost of Power	*8,062*
Total Deferral Account Balance	**443,619**

Table 2 – DLI Loss Factor Analysis

		May	June	July	August	September	October	November	TOTAL
					kWh's				
A	DLI Customers Billed Consumption	401,550	349,803	347,731	387,584	356,758	484,522	681,685	3,009,633
B	Billing loss factor	1.080783	1.080783	1.080783	1.080783	1.080783	1.080783	1.080783	1.080783
C = A/B	Downlifted consumption	371,536	323,657	321,740	358,614	330,092	448,306	630,732	2,784,678
D	DLI Delivery Point Meterd Consumption	524,176	415,085	403,844	397,559	420,397	544,440	735,712	3,441,212
E = D/C	DLI System Loss Factor	1.41	1.28	1.26	1.11	1.27	1.21	1.17	1.24