



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND RATE ORDER

EB-2018-0017

ALGOMA POWER INC.

Application for rates and other charges to be effective January 1, 2019

By Delegation, Before: Jane Scott

[date]

1 INTRODUCTION AND SUMMARY

Through this Decision and Order, the Ontario Energy Board (OEB) approves the incentive rate-setting mechanism (IRM) application filed by Algoma Power Inc. (Algoma Power) on August 13, 2018, as amended during the course of the proceeding.

Algoma Power serves about 12,000 mostly residential and commercial electricity customers in the Algoma District of Ontario. The company is seeking the OEB's approval for the rates it charges to distribute electricity to its customers, as is required of licenced and rate-regulated distributors in Ontario.

A distributor may choose one of three rate-setting methodologies approved by the OEB. Each of these is explained in the OEB's [Chapter 3 Filing Requirements for Incentive Rate-Setting Applications](#) (the Filing Requirements).

Algoma Power's application is based on a Price Cap Incentive Rate-setting option (Price Cap IR) with a five-year term. The Price Cap IR option involves the setting of rates through a cost of service application in the first year. Mechanistic price cap adjustments, based on inflation and the OEB's assessment of the distributor's efficiency, are then approved through IRM applications in each of the ensuing four (adjustment) years.

There is an additional adjustment to rates related to the funding provided to eligible customers of Algoma Power for rural or remote electricity rate protection (RRRP).¹ For 2019, RRRP funding of \$12,886,685 will be provided to Algoma Power so that the rates to Algoma Power's Residential - R1 (i), Residential - R1 (ii)² and Residential - R2 are set lower than they otherwise would have been.

As a result of the OEB's findings in this Decision, there will be a monthly total bill decrease before taxes of \$1.98 for a residential customer consuming 750 kWh, effective January 1, 2019.

Algoma Power is one of eight electricity distributors for which the Distribution Rate Protection (DRP) program applies.³ This program is a component of the Ontario

¹ The setting of rates for Algoma Power's Residential R-1 and R-2 classes is subject to subsections 4(3.1) and 4(3.2) of Ontario Regulation 442/01 (Rural Or Remote Electricity Rate Protection), and Ontario Regulation 445/07 (Reclassifying Certain Classes Of Consumers As Residential-Rate Class Customers: Section 78 of the Act), each made under the *Ontario Energy Board Act, 1998*.

² Algoma Power's R1 class was segregated into residential (i) and non-residential (ii) sub-groups in the OEB's EB-2015-0051 proceeding.

³ O Reg. 198/17, s.2.

government's Fair Hydro Plan and caps base distribution charges for residential customers. The current maximum monthly distribution charge for a distributor with DRP is \$36.86. The final bill impacts for Algoma Power's residential customers will be determined through the DRP program and approved in a subsequent OEB decision.

Algoma Power has also applied to change the composition of its distribution service rates. Residential distribution service rates currently include a fixed monthly charge and a variable usage charge. In 2015, the OEB issued a policy to transition these rates to a fully fixed structure over a four-year period beginning in 2016.⁴ As discussed in the Residential Rate Design section below, the OEB determined that the transition for Algoma Power would be over eight years for the traditional residential customers in Algoma Power's R1 customer class, with final transition expected to be completed by 2023. Accordingly, the fixed monthly charge for 2019 has once again been adjusted upward in this Decision by more than the mechanistic adjustment alone. The variable usage rate is commensurately lower. This policy change does not affect the total revenue that distributors collect from residential customers.

2 THE PROCESS

This Decision is being issued by delegated authority, without a hearing, under section 6 of the *Ontario Energy Board Act, 1998* (the OEB Act).

The OEB follows a standardized and streamlined process for IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term, the OEB prepares a Rate Generator Model that includes information from the distributor's past proceedings and annual reporting requirements. A distributor will then review and complete the Rate Generator Model and include it with its application.

During the course of the proceeding, the Rate Generator Model will also be updated or corrected, as required. The Rate Generator Model updates base rates, retail transmission service rates and, if applicable, shared tax saving adjustments. It also calculates rate riders for the disposition of deferral and variance account balances.

Algoma Power filed its application on August 13, 2018, under section 78 of the OEB Act and in accordance with the Filing Requirements. Algoma Power supported its application with written evidence and a completed Rate Generator Model. Questions were asked of, and answers were provided by, Algoma Power through emails and phone calls with the OEB. Based on this information, a draft decision was prepared and

⁴ OEB Policy – "A New Distribution Rate Design for Residential Electricity Customers." EB-2012-0410, April 2, 2015.

provided to Algoma Power on December 6, 2018. Algoma Power was given the opportunity to provide its comments on the draft for consideration prior to the OEB issuing this Decision.

3 ORGANIZATION OF THE DECISION

In this Decision, the OEB addresses the following issues, and provides reasons for approving or denying Algoma Power's proposals relating to each of them:

- Price Cap Adjustment
- Rural or Remote Electricity Rate Protection
- Revenue-to-Cost Ratio Adjustment
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Residential Rate Design
- Rate Mitigation

In the final section, the OEB addresses the steps to implement the final rates that flow from this Decision.

This Decision does not address rates and charges approved by the OEB in previous proceedings which are not part of the scope of an IRM proceeding (such as specific service charges and loss factors). No further approvals are required to continue to include these items on a distributor's Tariff of Rates and Charges.

4 PRICE CAP ADJUSTMENT

Algoma Power seeks to increase its rates, effective January 1, 2019, based on a mechanistic rate adjustment using the OEB-approved ***inflation minus X-factor*** formula applicable to Price Cap IR applications.

The components of the Price Cap IR formula applicable to Algoma Power are set out in Table 4.1, below. Inserting these components into the formula results in a 0.90% increase to Algoma Power's rates: **$0.90\% = 1.50\% - (0.00\% + 0.60\%)$** .

Table 4.1: Annual Index IR Adjustment Formula

| Components | | Amount |
|-------------------------------|--------------------------------------|--------|
| Inflation Factor ⁵ | | 1.50% |
| X-Factor | Productivity ⁶ | 0.00% |
| | Stretch (0.00% – 0.60%) ⁷ | 0.60% |

The inflation factor of 1.50% applies to all Price Cap IR applications for the 2019 rate year.

The X-factor is the sum of the productivity factor and the stretch factor. It is a productivity offset that will vary among different groupings of distributors. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors with a tangible incentive to improve efficiency or else experience declining net income.

The productivity component of the X-factor is based on industry conditions over a historical study period and applies to all Price Cap IR applications for the 2019 rate year.

The stretch factor component of the X-factor is distributor specific. The OEB has established five stretch factor groupings, each within a range from 0.00% to 0.60%. The stretch factor assigned to any particular distributor is based on the distributor's total cost performance as benchmarked against other distributors in Ontario. The most efficient distributor would be assigned the lowest stretch factor of 0.00%. Conversely, a higher stretch factor would be applied to a less efficient distributor (in accordance with its cost performance relative to expected levels) to reflect the incremental productivity gains that the distributor is expected to achieve. The stretch factor assigned to Algoma Power is 0.60%.

⁵ Ontario Energy Board 2019 Electricity Distribution Rate Applications webpage – Updates November 23, 2018.

⁶ Report of the OEB – “Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity Distributors” EB-2010-0379, Issued November 21, 2013, corrected December 4, 2013.

⁷ The stretch factor groupings are based on the Report to the Ontario Energy Board – “Empirical Research in Support of Incentive Rate-Setting: 2017 Benchmarking Update”, prepared by Pacific Economics Group LLC., August 2018.

Findings

The OEB finds that Algoma Power's request for a 0.90% rate adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Algoma Power's new rates shall be effective January 1, 2019.

The adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes.⁸

5 RURAL OR REMOTE ELECTRICITY RATE PROTECTION

Under Ontario regulations, the rates for eligible customers of Algoma Power have been decreased because of funding provided for rural or remote electricity rate protection (RRRP). The amount of the decrease was first determined in Algoma Power's last cost of service rate application.⁹ During subsequent IRM rate applications, such as this proceeding, rates have then been adjusted to reflect the average annual change in distribution rates for Residential and GS<50 kW customer rate classes across all rate regulated distributors in Ontario.

To make this adjustment, OEB staff provided an updated RRRP adjustment factor of 2.22% based on calculating the simple average rate change for all distributors in 2018 for the Residential and GS<50kW customer rate classes.

In a prior decision, the OEB found that RRRP funding for Algoma Power's R-1 and R-2 rate classes during IRM years would be calculated using the difference between:

- i. The total revenue requirement for the R-1 and R-2 rate classes adjusted by the price cap adjustment; and
- ii. The revenues generated by the base rates for the R-1 and R-2 rate classes adjusted by the RRRP Adjustment.¹⁰

Algoma Power has applied for rates in this proceeding using this same methodology. The RRRP funding for 2019 is calculated to be \$12,886,685, which is calculated by applying a price cap index adjustment of 0.90% and a RRRP adjustment of 2.22% to

⁸ Price Cap IR and Annual IR Index adjustments do not apply to the following rates and charges: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, smart metering entity charge, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges, microFIT charge, and retail service charges.

⁹ Decision and Order, EB-2014-0055, January 8, 2015.

¹⁰ Decision and Order, EB-2011-0152, January 20, 2012.

the method outlined above. The rates for all other customer classes not eligible for the RRRP are adjusted by the price cap adjustment of 0.90%.

Findings

The OEB finds that Algoma Power has calculated the RRRP funding amount of \$12,886,685 and applied the RRRP adjustment factor to rates in accordance with the regulations and previous OEB Decisions. The RRRP funding and adjustment is approved. Algoma Power's new rates shall be effective January 1, 2019.

6 REVENUE-TO-COST RATIO ADJUSTMENTS

A revenue-to-cost ratio measures the relationship between the revenues that a distributor expects to receive from a class of customers and the level of costs allocated to that class. Generally, an increase to the revenue-to-cost ratio of one rate class will result in a decrease to the ratio of one or more of the other rate classes. A distributor may seek to adjust its revenue-to-cost ratios during an IRM term, in accordance with OEB-established target ranges, if the adjustment was approved by the OEB in a previous proceeding.¹¹

In this application, Algoma Power proposes an increase to the revenue-to-cost ratios for the Street lighting Class and Seasonal Service Class customers. The additional revenues from these adjustments would be used to reduce the revenue-to-cost ratios for the Residential R1 and R2 Class customers.

Table 6.1, below, outlines the revenue-to-cost ratios for which the applicant seeks approval for the 2019 rate year.

Table 6.1: Revenue-to-Cost Ratios

| Rate Class | 2018 Ratio (%) | Proposed 2019 Ratio (%) |
|--|----------------|-------------------------|
| RESIDENTIAL R1 SERVICE CLASSIFICATION | 106.54 | 105.07 |
| RESIDENTIAL R2 SERVICE CLASSIFICATION | 106.53 | 105.06 |
| SEASONAL SERVICE CLASSIFICATION | 78.00 | 85.00 |
| STREET LIGHTING SERVICE CLASSIFICATION | 40.39 | 42.79 |

¹¹ Report of the OEB – “Application of Cost Allocation for Electricity Distributors.” EB-2007-0667, November 28, 2007; and, Report of the OEB – “Review of Electricity Distribution Cost Allocation Policy.” EB-2010-0219, March 31, 2011.

Findings

The OEB agrees that the proposed adjustments for the 2019 rate year are consistent with OEB's findings in its decision for Algoma Power's 2015 rates.¹² Algoma Power's revenue-to-cost ratios are approved, as set out in Table 6.1 above.

7 RETAIL TRANSMISSION SERVICE RATES

Distributors charge retail transmission service rates (RTSRs) to their customers to recover the amounts they pay to a transmitter, a host distributor or both for transmission services. All transmitters charge Uniform Transmission Rates (UTRs) approved by the OEB to distributors connected to the transmission system. Host distributors charge host-RTSRs to distributors embedded within the host's distribution system.

Algoma Power is transmission connected and is requesting approval to adjust the RTSRs that it charges its customers to reflect the rates that it pays for transmission services included in Table 7.1.

Table 7.1: UTRs¹³

| Current Approved UTRs (2018) | per kW |
|--|--------|
| Network Service Rate | \$3.61 |
| <u>Connection Service Rates</u> | |
| Line Connection Service Rate | \$0.95 |
| Transformation Connection Service Rate | \$2.34 |

Findings

Algoma Power's proposed adjustment to its RTSRs is approved. The RTSRs were adjusted to reflect the OEB-approved 2018 UTRs.

Cost differences resulting from the approval of new 2019 UTRs will be captured in Accounts 1584 and 1586 for future disposition.

¹² Decision and Order, EB-2014-0055, January 8, 2015.

¹³ Decision and Order, EB-2017-0359, February 1, 2018.

8 GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts in order to determine whether their total balance should be disposed.¹⁴ OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of \$0.001 per kWh, unless a distributor justifies why balances should not be disposed.¹⁵ If the balance does not exceed the threshold, a distributor may elect to request disposition.

The 2017 actual year-end total balance for Algoma Power's Group 1 accounts including interest projected to December 31, 2018 is a credit of \$508,552. This amount represents a total credit claim of \$0.0025 per kWh, which exceeds the disposition threshold. Algoma Power proposes the disposition of this credit amount over a one-year period.

Included in the balance of the Group 1 accounts is the Global Adjustment (GA) account credit balance of \$285,344. Costs for the commodity portion of its electricity service reflects the sum of two charges: the price of electricity established by the operation of the Independent Electricity System Operator (IESO) administered wholesale market, and the GA.¹⁶

The GA is paid by consumers in several different ways:

- For Regulated Price Plan (RPP) customers, the GA is incorporated into the standard commodity rates, therefore there is no variance account for the GA.
- Customers who participate in the Ontario Industrial Conservation Initiative program are referred to as "Class A" customers. These customers are assessed GA costs through a peak demand factor that is based on the percentage their demand contributes to the top five Ontario system peaks. This factor determines a Class A customer's allocation for a year-long billing period that starts in July every year. As distributors settle with Class A customers based on the actual GA costs there is no resulting variance.

¹⁴ Group 1 accounts track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

¹⁵ Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009.

¹⁶ The GA is established monthly, by the IESO, and varies in accordance with market conditions. It is the difference between the market price and the sum of the rates paid to regulated and contracted generators and conservation and demand management (demand response) program costs.

- “Class B” non-RPP customers pay the GA charge based on the amount of electricity they consume in a month (kWh). Class B non-RPP customers are billed GA based on the IESO published GA price. For Class B non-RPP customers, distributors track any difference between the billed amounts and actual costs in the GA Variance Account for disposal, once audited.

Algoma Power proposes the recovery of its GA variance account debit balance of \$285,344 as at December 31, 2017, including interest to December 31, 2018, in accordance with the following table.

Table 8.1: Recovery of GA Variance

| Proposed Amount | Proposed Method for Recovery |
|---|------------------------------|
| \$285,344 returned to customers who were Class B for the entire period from January 2017 to December 2017 | per kWh rate rider |

The balance of the Group 1 accounts includes a credit of \$1,404 for the recovery of Capacity Based Recovery (CBR) charges for Class B customers related to the IESO's wholesale energy market for Capacity Based Recovery program. Distributors paid CBR charges to the IESO in 2016 and recorded these to a dedicated sub-account. The disposition of this sub-account is impacted by whether or not a distributor had any customers who were part of Class A during the period from January 2017 to December 2017. The disposition is also impacted by whether or not the Class B CBR rate riders in the 2019 IRM Rate Generator Model round to zero at the fourth decimal place in one or more rate classes.

Algoma Power had one Class A customer during the period from January 2017 to December 2017 but the CBR Class B rate riders calculated rounded to zero at the fourth decimal place in one or more of the rate classes. In this event, the entire Account 1580 sub-account CBR Class B is added to the Account 1580 WMS control account to be disposed through the general purpose Group 1 Deferral and Variance Account.

The remaining Group 1 accounts being sought for disposition, through the general Deferral and Variance Account rate rider, include the following flow through variance accounts: Smart Meter Entity Charges, Wholesale Market Service Charges, Retail Transmission Service Charges, and Commodity Power Charges. These Group 1 accounts have a total credit balance of \$223,208, which results in a refund to customers.

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*.¹⁷ Algoma Power further notes that its proposal for a one-year disposition period is in accordance with the OEB's policy.¹⁸

Earlier this year, the OEB suspended its approvals of Group 1 rate riders on a final basis. As stated in its letter to the sector dated July 20, 2018, the OEB will determine whether the riders will be approved on an interim basis or not approved at all (i.e. no disposition of account balances) on a case by case basis until further notice.¹⁹

Findings

The OEB approves the disposition of a credit balance of \$505,552 as of December 31, 2017, including interest projected to December 31, 2018 for Group 1 accounts on an interim basis.

The following table identifies the principal and interest amounts which the OEB approves for disposition.

¹⁷ Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016.

¹⁸ Report of the OEB – “Electricity Distributors’ Deferral and Variance Account Review Initiative (EDDVAR).” EB-2008-0046, July 31, 2009.

¹⁹ OEB letter to all rate-regulated licensed electricity distributors, Re: OEB’s Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts, July 20, 2018.

Table 8.2: Group 1 Deferral and Variance Account Balances

| Account Name | Account Number | Principal Balance(\$) A | Interest Balance (\$) B | Total Claim (\$) C=A+B |
|--|-----------------------|------------------------------------|------------------------------------|-----------------------------------|
| Smart Meter Entity Variance Charge | 1551 | (2,142) | (26) | (2,168) |
| RSVA - Wholesale Market Service Charge | 1580 | (252,997) | (6,253) | (259,251) |
| Variance WMS - Sub-account CBR Class B | 1580 | (1,453) | 49 | (1,404) |
| RSVA - Retail Transmission Network Charge | 1584 | (29,699) | (363) | (30,063) |
| RSVA - Retail Transmission Connection Charge | 1586 | 100,271 | 2,233 | 102,504 |
| RSVA – Power | 1588 | (27,828) | (4,998) | (32,826) |
| RSVA - Global Adjustment | 1589 | (291,145) | 5,801 | (285,344) |
| Totals for all Group 1 accounts | | (504,994) | (3,558) | (508,552) |

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*.²⁰ The date of the transfer must be the same as the effective date for the associated rates, which is, generally, the start of the rate year. Algoma Power shall ensure these adjustments are included in the reporting period ending March 31, 2019 (Quarter 1).

The OEB approves these balances to be disposed through interim rate riders, as calculated in the Rate Generator Model. The interim rate riders will be in effect over a one-year period from January 1, 2019 to December 31, 2019.²¹

²⁰ Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012.

²¹ 2019 IRM Rate Generator Model Tab 6.1 GA, Tab 6.2 CBR B, and Tab 7 Calculation of Def-Var RR.

9 RESIDENTIAL RATE DESIGN

All residential distribution rates currently include a fixed monthly charge and a variable usage charge. The OEB's residential rate design policy stipulates that distributors will transition residential customers to a fully fixed monthly distribution service charge over a four-year period, beginning in 2016.²² Distributors, such as Algoma Power, who are in a transition period that is greater than 4 years, are required to continue with this transition until the monthly service charge is fully fixed. The OEB expects an applicant to apply two tests to evaluate whether mitigation of bill impacts for customers is required during the transition period. Mitigation usually takes the form of a lengthening of the transition period. The first test is to calculate the change in the monthly fixed charge, and to consider mitigation if it exceeds \$4. The second is to calculate the total bill impact of the proposals in the application for low volume residential customers (defined as those residential RPP customers whose consumption is at the 10th percentile for the class). Mitigation may be required if the bill impact related to the application exceeds 10% for these customers.

In Algoma Power's 2016 rates proceeding, the OEB found that the impact of transitioning the utility's customers over four years was too great.²³ To mitigate the impact, the OEB determined that the transition would be over eight years for the traditional residential customers in Algoma Power's R1 customer class (non-residential customers in the class would not be transitioned to fixed rates, consistent with the OEB's policy). The OEB also determined that seasonal customers would transition to fixed rates over a nine-year period; eight years at \$4.00, and the residual increase over the ninth year.

Algoma Power notes that the implementation of the transition results in an increase to the fixed charge, prior to the price cap adjustment, of \$4.00. The bill impacts arising from the proposals in this application, including the fixed rate change, are below 10% for low volume residential customers.

Findings

The OEB finds that the proposed 2019 increase to the monthly fixed charge is calculated in accordance with the OEB's residential rate design policy. The results of the monthly fixed charge, and total bill impact for low consumption residential consumers demonstrate that no mitigation is required. The OEB approves the increase as proposed by the applicant and calculated in the final Rate Generator Model.

²² As outlined in the Policy cited at footnote 1 above.

²³ Decision and Rate Order, EB-2015-0051, December 10, 2015.

10 RATE MITIGATION

As per section 3.2.3 of the Filing Requirements, distributors must file a mitigation plan if the total bill increase for any customer class exceed 10%.

In its application, Algoma Power identified that the Residential R2 class has a total bill increase of over 15% for customers consuming 90,000 kWh with a demand of 225 kW.

The large increase is mainly due to the expiry of a large credit rate rider related to the 2018 disposition of account 1589 – Global Adjustment.

Findings

The OEB finds that no mitigation is required for the Residential R2 class as the total bill increase is mainly due to the cessation of a large credit rate rider.

11 IMPLEMENTATION AND ORDER

This Decision is accompanied by a Rate Generator Model, applicable supporting models, and a Tariff of Rates and Charges (Schedule A).

Model entries were reviewed in order to ensure that they are in accordance with Algoma Power's last cost of service decision, and to ensure that the 2018 OEB-approved Tariff of Rates and Charges, as well as the cost, revenue and consumption results from 2017, are as reported by Algoma Power to the OEB.

The Rate Generator Model was adjusted, where applicable, to correct any discrepancies. The Rate Generator Model incorporates the rates set out in the following table.

Table 10.1: Regulatory Charges

| Rate | per kWh |
|--|----------|
| Rural or Remote Electricity Rate Protection (RRRP) | \$0.0003 |
| Wholesale Market Service (WMS) billed to Class A and B Customers | \$0.0032 |
| Capacity Based Recovery (CBR) billed to Class B Customers | \$0.0004 |

Each of these rates is a component of the "Regulatory Charge" on a customer's bill,

established annually by the OEB through a separate, generic order. The RRRP, WMS and CBR rates were set by the OEB on December 20, 2017.²⁴

The Smart Metering Entity Charge is a component of the “Distribution Charge” on a customer’s bill, established by the OEB through a separate order. The Smart Metering Entity Charge was set by the OEB on March 1, 2018.²⁵

THE ONTARIO ENERGY BOARD ORDERS THAT

1. The Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order is approved effective January 1, 2019 for electricity consumed or estimated to have been consumed on and after such date. Algoma Power Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new final and interim rates.

DATED at Toronto, [date]

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

²⁴ Decision and Order, EB-2017-0333, December 20, 2017.

²⁵ Decision and Order, EB-2017-0290, March 1, 2018.

Schedule A

To Decision and Rate Order

Tariff of Rates and Charges

OEB File No: EB-2018-0017

DATED: December XX, 2018

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2019
This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2018-0017

RESIDENTIAL R1 SERVICE CLASSIFICATION

For the purposes of rates and charges, a residential service is defined in two ways:

- i) a dwelling occupied as a residence continuously for at least eight months of the year and, where the residential premises is located on a farm, includes other farm premises associated with the residential electricity meter, and
- ii) consumers who are treated as residential-rate class customers under Ontario Regulation 445/07 (Reclassifying Certain Classes of Consumers as Residential-Rate Class Customers: Section 78 of the Ontario Energy Board Act, 1998) made under the Ontario Energy Board Act, 1998.

This application refers to a Residential service with a demand of less than, or is forecast to be less than, 50 kilowatts, and which is billed on an energy basis. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Condition of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|---|--------|----------|
| Service Charge - Applicable only to customers that meet criteria (i) above | \$ | 42.23 |
| Service Charge - Applicable only to customers that meet criteria (ii) above | \$ | 25.64 |
| Smart Metering Entity Charge - effective until December 31, 2022 | \$ | 0.57 |
| Distribution Volumetric Rate - Applicable only to customers that meet criteria (i) above | \$/kWh | 0.0172 |
| Distribution Volumetric Rate - Applicable only to customers that meet criteria (ii) above | \$/kWh | 0.0361 |
| Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 | | |
| Applicable only for Non-RPP Customers - Approved on an Interim Basis | \$/kWh | (0.0078) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 | | |
| Approved on an Interim Basis | \$/kWh | (0.0011) |
| Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019 | \$/kWh | (0.0019) |
| Retail Transmission Rate - Network Service Rate | \$/kWh | 0.0066 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.0060 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|--|--------|--------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0032 |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0003 |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 |

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2019
This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2018-0017

RESIDENTIAL R2 SERVICE CLASSIFICATION

This classification refers to a Residential service with a demand equal to or greater than, or is forecast to be equal to or greater than, 50 kilowatts, and which is billed on a demand basis. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

The rate rider for the disposition of Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

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MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|--------|----------|
| Service Charge | \$ | 659.94 |
| Distribution Volumetric Rate | \$/kW | 3.4194 |
| Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 Applicable only for Non-RPP Customers - Approved on an Interim Basis | \$/kWh | (0.0078) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 Approved on an Interim Basis | \$/kW | (0.4880) |
| Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019 | \$/kW | (0.8010) |
| Retail Transmission Rate - Network Service Rate | \$/kW | 2.5066 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 2.2787 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|--|--------|--------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0032 |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0003 |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 |

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2019
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EB-2018-0017

SEASONAL CUSTOMERS SERVICE CLASSIFICATION

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. Class B consumers are defined in accordance with O. Reg. 429. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

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MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|--------|----------|
| Service Charge | \$ | 54.75 |
| Smart Metering Entity Charge - effective until December 31, 2022 | \$ | 0.57 |
| Distribution Volumetric Rate | \$/kWh | 0.1494 |
| Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 Applicable only for Non-RPP Customers - Approved on an Interim Basis | \$/kWh | (0.0078) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 Approved on an Interim Basis | \$/kWh | (0.0012) |
| Rate Rider for Disposition of Account 1574 - effective until June 30, 2019 | \$/kWh | 0.0307 |
| Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019 | \$/kWh | (0.0019) |
| Retail Transmission Rate - Network Service Rate | \$/kWh | 0.0066 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.0060 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|--|--------|--------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0032 |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0003 |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 |

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EB-2018-0017

STREET LIGHTING SERVICE CLASSIFICATION

This classification refers to an account for roadway lighting. The consumption for these unmetered accounts will be based on the calculated connection load times the calculated hours of use established in the approved Ontario Energy Board street lighting load shape template. Class B consumers are defined in accordance with O. Reg. 429. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|--------|----------|
| Service Charge (per connection) | \$ | 2.05 |
| Distribution Volumetric Rate | \$/kWh | 0.3310 |
| Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 Applicable only for Non-RPP Customers - Approved on an Interim Basis | \$/kWh | (0.0078) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 Approved on an Interim Basis | \$/kWh | (0.0011) |
| Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019 | \$/kWh | (0.0019) |
| Retail Transmission Rate - Network Service Rate | \$/kW | 1.8150 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 1.6438 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|--|--------|--------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0032 |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0003 |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 |

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microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|----------------|----|------|
| Service Charge | \$ | 5.40 |
|----------------|----|------|

ALLOWANCES

| | | |
|---|-------|--------|
| Transformer Allowance for Ownership - per kW of billing demand/month | \$/kW | (0.60) |
| Primary Metering Allowance for Transformer Losses - applied to measured demand & energy | % | (1.00) |

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SPECIFIC SERVICE CHARGES

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Customer Administration

| | | |
|---|----|-------|
| Arrears certificate (credit reference) | \$ | 15.00 |
| Statement of account | \$ | 15.00 |
| Pulling post dated cheques | \$ | 15.00 |
| Duplicate invoices for previous billing | \$ | 15.00 |
| Request for other billing information | \$ | 15.00 |
| Easement letter | \$ | 15.00 |
| Income tax letter | \$ | 15.00 |
| Notification charge | \$ | 15.00 |
| Account history | \$ | 15.00 |
| Credit reference/credit check (plus credit agency costs) | \$ | 15.00 |
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | \$ | 30.00 |
| Returned cheque (plus bank charges) | \$ | 15.00 |
| Charge to certify cheque | \$ | 15.00 |
| Legal letter charge | \$ | 15.00 |
| Special meter reads | \$ | 30.00 |
| Meter dispute charge plus Measurement Canada fees (if meter found correct) | \$ | 30.00 |

Non-Payment of Account

| | | |
|---|----|--------|
| Late payment - per month | % | 1.50 |
| Late payment - per annum | % | 19.56 |
| Collection of account charge - no disconnection - during regular business hours | \$ | 30.00 |
| Collection of account charge - no disconnection - after regular hours | \$ | 165.00 |
| Disconnect/reconnect at meter - during regular hours | \$ | 65.00 |
| Disconnect/reconnect at meter - after regular hours | \$ | 185.00 |
| Disconnect/reconnect at pole - during regular hours | \$ | 185.00 |
| Disconnect/reconnect at pole - after regular hours | \$ | 415.00 |
| Install/remove load control device - during regular hours | \$ | 65.00 |
| Install/remove load control device - after regular hours | \$ | 185.00 |

Other

| | | |
|---|----|----------|
| Specific charge for access to the power poles - per pole/year (with the exception of wireless attachments) | \$ | 43.63 |
| Service call - customer owned equipment | \$ | 30.00 |
| Service call - after regular hours | \$ | 165.00 |
| Temporary service install & remove - overhead - no transformer | \$ | 500.00 |
| Temporary service install & remove - underground - no transformer | \$ | 300.00 |
| Temporary service install & remove - overhead - with transformer | \$ | 1,000.00 |

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RETAIL SERVICE CHARGES (if applicable)

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Retail Service Charges refer to services provided by Algoma Power Inc. to retailers or customers related to the supply of competitive electricity and are defined in the 2006 Electricity Distribution Rate Handbook.

| | | |
|--|----------|-----------|
| One-time charge, per retailer, to establish the service agreement between the distributor and the retailer | \$ | 100.00 |
| Monthly fixed charge, per retailer | \$ | 20.00 |
| Monthly variable charge, per customer, per retailer | \$/cust. | 0.50 |
| Distributor-consolidated billing monthly charge, per customer, per retailer | \$/cust. | 0.30 |
| Retailer-consolidated billing monthly credit, per customer, per retailer | \$/cust. | (0.30) |
| Service Transaction Requests (STR) | | |
| Request fee, per request, applied to the requesting party | \$ | 0.25 |
| Processing fee, per request, applied to the requesting party | \$ | 0.50 |
| Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party | | |
| Up to twice a year | \$ | no charge |
| More than twice a year, per request (plus incremental delivery costs) | \$ | 2.00 |

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

| | |
|--|--------|
| Total Loss Factor - Secondary Metered Customer | 1.0917 |
| Total Loss Factor - Primary Metered Customer | 1.0808 |