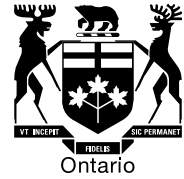


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BY EMAIL

January 15, 2019

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

Dear Ms. Walli:

**Re: Algoma Power Inc. and Dubreuil Lumber Inc.
Application for approval for Dubreuil Lumber Inc. to sell its distribution system to Algoma Power Inc.
OEB Staff Interrogatories
OEB File Number: EB-2018-0271**

In accordance with Procedural Order No. 1, please find attached the OEB staff interrogatories for the above proceeding. The attached document has been forwarded to the applicants.

The applicants are reminded that their responses to interrogatories are due by January 28, 2019.

Yours truly,

Original Signed By

Valerie Bennett
Project Advisor, Application Policy and Climate Change

Encl.



OEB Staff Interrogatories

**Application for approval for Dubreuil Lumber Inc. to
sell its distribution system to Algoma Power Inc.**

Algoma Power Inc. and Dubreuil Lumber Inc.

EB-2018-0271

January 15, 2019

OEB Staff-1

**Ref: Exhibit B/Tab 1/Schedule 1/Page 4
Exhibit D/Tab 1/Schedule 1/Appendix A – Asset Purchase Agreement
Exhibit E/Tab 2/Schedule 1/Pages 5-6**

Preamble:

As one of the requested approvals, Algoma Power Inc. (API) and Dubreuil Lumber Inc. (DLI) (collectively, the Applicants) request the following:

d. API requests that the OEB endorse its proposed approach of allocating costs attributable to the DLI service area, at the time of API's next rebasing, primarily to API's R1 and R2 rate classes, which are eligible for Rural or Remote Rate Protection;

Further discussion of this is provided in Exhibit E/Tab 2/Schedule 1 at pages 5-6.

Questions:

- a) Based on the record, a panel may decide to defer certain matters to another, often subsequent hearing, where they may be more completely or properly considered, but the panel will not make a decision that will bind a panel considering the matter in a future application. Please specify exactly what API is seeking in requesting that the OEB panel deciding this application "endorse its proposed approach of costs attributable to the DLI service area" which will be considered in API's next application to rebase its rates for all of API's customers.
- b) API only briefly reiterates this request at the bottom of pages 5 and 6 of Exhibit E/Tab 2/Schedule 1, and without further support.
 - i. Please identify if this request is specifically tied to a term or condition of the Asset Purchase Agreement (APA). If so, identify the specific term, condition or clause.
 - ii. Please document the necessity of this specific approval as part of this application.
- c) Please identify any precedent(s) that API is aware of, for the kind of the "endorsement" that API is seeking.

OEB Staff-2

Ref: Exhibit C/Tab 1/Schedule 1/Page 5

Preamble:

In Exhibit C/Tab 1/Schedule 1, the Applicants state:

The combination of an expansive rural service area and very low population density present unique cost challenges with respect to the operation and maintenance of API's distribution system.

Question:

- a) What type of impact(s) will the addition of the DLI distribution system have on API's unique cost challenges with respect to the operation and maintenance of API's distribution system?

OEB Staff-3

Ref: Exhibit C/Tab 2/Schedule 1/Page 2

DLI Rates

Preamble:

API notes that a condition of the Interim Licence Order¹ was for API to:

2. Collect revenue from customers within the service area of DLI based on the charges that are currently applied by DLI.

Questions:

- a) Please provide a table documenting the rates that API has charged to customers of DLI since assuming operation of the DLI distribution system in accordance with the interim licence.
- b) Please provide any explanation or documentation necessary to understand the derivation and application of DLI's rates (i.e., what form of rate adjustments, if any, have been applied, consistent with DLI's past practice).
- c) Assuming approval of the application by the OEB, please confirm that API will continue to charge customers in Dubreuilville in accordance with DLI's current rates

¹ EB-2017-0153

until the closing of the transaction. If there are any proposed or anticipated variances, please explain.

OEB Staff-4

Ref: Exhibit C/Tab 2/Schedule 1/Pages 7-8

Preamble:

In Exhibit C/Tab 2/Schedule 1, the Applicants state:

All distribution poles were tested in 2017. Based on the test results, 10 poles in poor condition will be replaced before the end of 2018.

...

A number of additional installations have been flagged for replacement in 2018 to address general issues of non-compliance with Measurement Canada requirements, or issues related to prevention of tampering.

API plans to replace all electromechanical meters that have expired seals in 2018. In conjunction with this effort, API is also investigating options for cost effectively extending the reach of its AMI network to cover the DLI service area. The meters installed in 2018 will be fully compatible with the AMI network if and when AMI coverage is deployed.

Questions:

- a) Please provide a status update on the work that was scheduled to be completed in 2018.
- b) Please provide additional updates and status reports, including associated cost updates, on any other key developments regarding efforts to bring the DLI distribution system into compliance.
- c) Have any timelines been revised with regard to implementing updates and changes to the DLI distribution system? If so, please elaborate.
- d) Please provide an estimate of the anticipated reduction in meter reading costs resulting from the extension of the AMI network into the DLI service area once fully implemented.

OEB Staff-5

Ref: Exhibit F/Tab 3/Schedule 2/Pages 1-6

Preamble:

The application states that the proposed transaction does not present an opportunity to recover transaction and transition costs through a deferred rebasing period. API requests that the Transaction and Integration Costs Deferral Account be given an effective date of April 4, 2017, which coincides with the OEB's Decision and Order requiring API to take possession and control of the DLI distribution system.

API proposes to record all costs associated with the preparation of the Asset Purchase Agreement and this application, as well as all costs related to the OEB's hearing process (including, but not limited to legal fees and intervenor cost awards), and costs related to the closing of the proposed transaction (\$168,674 total forecast for 2018 and 2019).

Question:

- a) Please state how the Applicants will ensure that the transaction and transition costs will not significantly impact the ratepayer funded revenue requirement.

OEB Staff-6

Ref: Exhibit C/Tab 2/Schedule 1/Appendix C – 60-Day Status Report

Preamble:

The Applicants advised that some DLI customers only speak French. As a result, API noted that they have worked with another FortisOntario utility to translate any communication and messages into French. API has also implemented bilingual messages on the outage information line.

Question:

- a) What other steps has API taken to ensure that French-speaking customers of DLI will be able to receive appropriate levels of customer service?

OEB Staff-7

**Ref: Exhibit F/Tab 2/Schedule 1/Page 2
Exhibit F/Tab 2/Schedule 1/ Appendix A – Proposed Tariff of Rates and Charges
Exhibit F/Tab 2/Schedule 1/Appendix B – Bill Impact Details**

Preamble:

In the application, API filed its proposed 2019 Tariff of Rates and Charges under consideration in its 2019 IRM application (EB-2018-0017). Proposed bill impacts on customers in Dubreuilville were filed based on these proposed rates.

The OEB issued its Decision and Rate Order approving a Final Tariff of Rates and Charges for API effective January 1, 2019.

Questions:

- a) Please file a copy of API's approved 2019 Tariff of Rates and Charges.
- b) Please provide a schedule showing updated bill impacts for typical residential and general service customers in Dubreuilville based on the approved 2019 Tariff of Rates and Charges for API (i.e., in the same format as provided in the application and as outlined below).

Rate Class	Monthly Consumption (kWh)	Total Bill – API Interim Operation	Total Bill – Proposed Transaction	\$ Change	% Change
Residential	393				
Residential	750				
Commercial	2,000				

OEB Staff-8

API 2017 Consolidated Scorecard

Preamble:

In reviewing API's 2017 Consolidated Scorecard for the 2013-2017 period, OEB staff observed that API's SAIDI and SAIFI scores have met OEB targets.

Question:

- a) Please explain how API will be able to ensure that the “no harm” test is satisfied with respect to reliability for both existing API customers and former DLI customers given that API will be required to devote significant resources and efforts in order to bring the DLI distribution system into compliance.

OEB Staff-9

Ontario Cyber Security Framework

Questions:

- a) Please describe the extent to which API has considered the *Ontario Cyber Security Framework*² (the Framework) in designing and implementing controls and privacy mechanisms to ensure the continued protection of operational and customer data.
- b) Please confirm the current status of API’s interim certification for cyber security progress as required by the OEB.
- c) Please confirm that API will adhere to the Distribution System Code (DSC) requirement related to the Framework when launching new IT products and abide by the related OEB reporting requirements.

OEB Staff-10

Ref: Exhibit E/Tab 1/Schedule 1/Page 4

Preamble:

In Exhibit E/Tab 1/Schedule 1, the Applicants state that:

... API will implement the necessary investments and operational improvements more efficiently and at a lower cost upon consolidation as compared to having to make those investments and improvements as an interim operator of the DLI system.

Question:

- a) Please explain how API would be able to implement investments and operational improvements more efficiently and at a lower cost when it is consolidated compared

² <https://www.oeb.ca/sites/default/files/Ontario-Cyber-Security-Framework-20171206.pdf>

to as an interim operator of the DLI distribution system. Please identify any assumptions required to produce the comparison and provide financials, where appropriate.

OEB Staff-11

Ref: Exhibit E/Tab 2/Schedule 1/Pages 1-2

Preamble:

In Exhibit E/Tab 2/Schedule 1, the Applicants state:

In the absence of consolidation, API would incur additional administrative and regulatory costs due to inefficiencies inherent in operating two distinctly licensed LDC's.

The Applicants then provide examples of items that would generate additional administrative and regulatory costs if API were to continue operating the DLI distribution system on an interim basis rather than on a consolidated basis.

Question:

- a) Please compare the costs associated with each of the bulleted items listed on pages 1 and 2 of Exhibit E/Tab 2/Schedule 1 on a consolidated basis to the anticipated costs were API and DLI to remain independent of each other. Please explain the differences.

OEB Staff-12

Ref: Exhibit G/Tab 2/Schedule 2/Page 1

Preamble:

In Exhibit G/Tab 2/Schedule 2, the Applicants state:

To support API in its efforts to promptly implement a long term solution for the DLI system, API requests that the OEB add a condition to API's distribution licence which provides that the OEB will refrain from enforcing regulatory requirements that are ***within the OEB's control*** insofar as such requirements relate to circumstances or defects inherited by API through its acquisition of the DLI system, provided however that upon becoming aware of any such circumstances or defects relating to the acquired DLI system API shall take

reasonable steps to address those circumstances or defects within a reasonable period. **[emphasis added]**

The Applicants assert that, by API acquiring the DLI distribution system, API is assuming various risks in order to achieve a long-term solution in the public interest, and API is not able to mitigate those risks through indemnities or purchase price reduction as it is acquiring the distribution system for a nominal price from an insolvent company. The Applicants further assert that if API becomes liable for any damages from DLI's legacy ownership and operation of the system, it may need to seek relief from the OEB such as through the establishment of a new deferral account.

Questions:

- a) Please identify any precedent(s) that API is aware of, for licences granted by the OEB which include a similar condition to provide a licensee with limited relief from regulatory liability.
- b) Please identify the specific enforcement requirements within the OEB's control, insofar as such requirements relate to circumstances or defects inherited by API through the acquisition of the DLI distribution system, that API would want the OEB to refrain from enforcing. Please explain and provide rationale.
- c) Please confirm that API is requesting this condition for API's distribution licence only in respect of the DLI service area, and only for the period until all deficiencies and potential compliance issues of the DLI distribution system are fully addressed.
- d) Please indicate when API estimates it will have addressed all deficiencies and potential compliance issues in the DLI distribution system, and confirm when/how API will request the OEB to amend its licence to remove the condition.
- e) Would a "Successful OEB Decision", as referred to in the APA, include the requested licence condition? What would the impact be in the event that:
 - i. The condition was not included.
 - ii. The OEB instead allowed a certain limited time period for compliance.

OEB Staff-13

Ref: Exhibit D/Tab 1/Schedule 1/Page 1

Preamble:

In Exhibit D/Tab 1/Schedule 1, the Applicants state:

Closing of the transaction contemplated under the APA is conditional upon, among other things, the parties obtaining from all applicable governmental authorities such authorizations as are required to be obtained to permit the change of ownership of the distribution system assets that are to be sold under the agreement, including approval of the Proposed Transaction by the OEB, amendment of API's distribution licence by the OEB to include the DLI system and service area, and all other related relief sought, in ***a form and substance satisfactory to API***, acting reasonably. **[emphasis added]**

...

A 'Successful OEB Decision' under the APA refers to one or more decisions or orders of the OEB authorizing the acquisition by API of the DLI distribution system and amending API's licence to include operation of the DLI system, as well as addressing all other relief requested in ***a manner acceptable to API in its sole discretion*** ... **[emphasis added]**

Question:

- a) Please clarify what the Applicants define as a "form and substance satisfactory to API" and "a manner acceptable to API".

OEB Staff-14

Ref: Exhibit E/Tab 2/Schedule 1/Page 6

Preamble:

In Exhibit E/Tab 2/Schedule 1, the Applicants state:

"Addressing unmetered and incorrectly metered loads has significantly reduced system losses over the past year."

Question:

- a) If possible, please provide kWh values for how much API has been able to reduce system losses over the past year. If possible, please also provide the financial value associated with the kWh values.

OEB Staff-15

Ref: Exhibit E/Tab 2/Schedule 1/Page 7

Preamble:

In Exhibit E/Tab 2/Schedule 1, the Applicants state:

API expects that any travel time from Wawa to the Township will be more than offset by the fact that API crews will arrive with the appropriate equipment, trained personnel and spare equipment to efficiently and effectively address any issues. Further, API has the ability to rapidly increase its response efforts during major events by calling in additional crews and/or activating emergency response plans to receive assistance from other LDCs. This improved response would be provided irrespective of the Proposed Transaction. However, additional costs would be incurred to administer service agreements and accurately allocate third-party costs (e.g. call centre costs) between API and DLI in the event that API were to provide this enhanced response capability in its capacity as an interim operator as compared to being the owner and operator of the DLI system as part of a consolidated utility.

Question:

- a) If possible, please provide an indication of the additional costs that would be incurred to administer service agreements and accurately allocate third-party costs between API and DLI in the event that API were to provide the enhanced response capability in its capacity as an interim operator.

OEB Staff-16

Ref: Exhibit E/Tab 2/Schedule 1/Page 7

Preamble:

In Exhibit E/Tab 2/Schedule 1, the Applicants state that:

“API will continue to enhance its education and engagement activities with respect to the Acquired Customers, irrespective of the status of the Proposed Transaction.”

Question:

- a) Please clarify how API will enhance its education and engagement of customers in the DLI service area. Furthermore, does this education and engagement include informing DLI customers about the status of investments being made to bring the DLI distribution system into compliance and subsequent impacts on reliability?