

April 18, 2019

**RESS & COURIER**

Ontario Energy Board  
P.O. Box 2319  
27th Floor, 2300 Yonge Street  
Toronto, ON M4P 1E4

Attention: Ms. K. Walli, Board Secretary

Dear Ms. Walli:

**Re: Dubreuil Lumber Inc. and Algoma Power Inc. - Application for Leave to Sell  
Distribution System & Related Matters (EB-2018-0271) – Draft Rate Order**

We are legal counsel to Algoma Power Inc. (API), which together with Dubreuil Lumber Inc. (DLI) is the applicant in the above-referenced proceeding. On April 4, 2019 the Ontario Energy Board (the "Board") issued its Decision and Order in the proceeding, which requires (among other things) API to file a Draft Rate Order, along with a revised draft accounting order for the Transaction and Integration Costs Deferral Account, by April 18, 2019. Enclosed please find these items, along with explanation as to how API has interpreted and applied certain aspects of the Decision and Order. These materials have been filed electronically on the Board's Regulatory Electronic Submission System.

Yours truly,



Jonathan Myers

cc: Mr. Ken Buchanan, DLI  
Mr. Greg Beharriell, API  
Mr. Craig David, API  
Mr. Charles Keizer, Torys LLP

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, C.S.O. 1998, c.15 (Sched. B) (the “Act”);

**AND IN THE MATTER OF** an application by Dubreuil Lumber Inc. (“DLI”) for an Order, pursuant to subsection 86(1)(a) of the Act, granting leave to sell its electricity distribution system in the Township of Dubreuilville, substantially in its entirety, to Algoma Power Inc. (“API”);

**AND IN THE MATTER OF** an application by API for Orders, pursuant to subsection 78(2) of the Act, approving the disposition of the balance in its Interim Distribution Licence Deferral Account established in EB-2017-0153, authorizing the establishment of a new deferral account to record transaction and integration costs incurred in connection with the transaction, determining that the acquired DLI customers shall be classified under its existing rate classes and billed its existing approved rates, and endorsing API’s proposed approach to the future allocation of costs attributable to the DLI service area;

**AND IN THE MATTER OF** applications by DLI and API for Orders, pursuant to subsections 77(5) and 74(1)(b) of the Act, cancelling DLI’s distribution licence (ED-2012-0074) and API’s interim distribution licence (ED-2017-0153), and amending API’s distribution licence (ED-2009-0072) to include the Township of Dubreuilville in its service territory.

**DRAFT RATE ORDER**

**ALGOMA POWER INC.**

April 18, 2019

## **A. INTRODUCTION**

Dubreuil Lumber Inc. ("DLI") and Algoma Power Inc. ("API") (together the "Applicants") applied to the Ontario Energy Board (the "OEB") on September 24, 2018 for approvals in connection with API's planned purchase of DLI's electricity distribution system in the Township of Dubreuilville (the "Township") and the incorporation of that system into API's existing regulated distribution business (the "Application"). In addition to seeking approval for the transaction, the Applicants sought specific relief in relation to related aspects, such as cost recovery, rate treatment and licensing matters.

The Ontario Energy Board (the "OEB") issued its Decision and Order on April 4, 2019 (the "Decision"). The Decision requires API to file a draft rate order documenting additional bill impact information, along with a revised draft accounting order for the Transaction and Integration Costs Deferral Account, by no later than April 18, 2019. These aspects of the Decision are addressed in Sections D and E of this Draft Rate Order.

This Draft Rate Order also addresses certain concerns that API has with the decision to approve the new Transaction and Integration Costs Deferral Account with an effective date of September 24, 2018, rather than the requested effective date of April 4, 2017. Depending on how this aspect of the Decision is interpreted and applied, it can have significant implications for API's rate proposals, which were otherwise approved in the Decision. However, it appears to API that the OEB may not have fully appreciated those implications or the complexities that result from approving the later effective date for the account. As described in Sections B and C, the effective date for the Transaction and Integration Costs Deferral Account has also affected the manner in which API has prepared this Draft Rate Order.

To prepare the Draft Rate Order, API has had to interpret and apply certain aspects of the Decision so as to reconcile the Decision with its cost recovery and rate proposal. It is therefore necessary for API to explain the approach it has taken. Subsections B.3 and C.3 describe API's proposed approach to implementing the Decision based on the assumptions it has made in preparing Sections D and E of this Draft Rate Order, as well as assumptions it intends to make in finalizing its pending

cost of service application. While API appreciates that the panel in the current proceeding cannot bind the future panel in the cost of service proceeding, it expects that the current panel would be able to express its view on whether API's interpretations and proposals are consistent with the Decision.

Finally, in Section F, API discusses the implementation issues and related requirements identified in the Decision, and discusses the sequence of events and related timing for closing the transaction with DLI.

**B. IMPLICATIONS OF THE DECISION – INTERIM LICENCE DEFERRAL ACCOUNT**

***1. API's Cost Recovery Proposal***

In Exh F-3-1 of the Application, API explained that as part of the Interim Licence Order (EB-2017-0153) the OEB established an Interim Licence Deferral Account for API to record, during the period it is interim operator, the revenues collected from DLI customers and the costs of operating and maintaining the DLI system. The total of the actual and forecast balance in the account from 2017 through to the end of 2019, excluding interest costs as well as amortization and return on capital, was \$1,574,083. API's proposal was that:

- approximately \$284K (reflecting 50% of the 2017 non-capital costs, 100% of the 2018-2019 non-capital costs, amortization expense and return on capital 2017-2019) would be recovered through a monthly rate rider of \$11.16 charged to each acquired DLI customer over a 6-year disposition period ending at the conclusion of API's next IRM period;
- approximately \$383K of the balance (reflecting 50% of the 2017 non-capital costs and a number of "one-time" costs)<sup>1</sup> would be transferred to the proposed Transaction and Integration Costs Deferral Account for disposal as part of API's next rebasing application;
- any undepreciated capital amounts, as at the end of 2019, would be transferred to API's rate base for 2020; and
- API would continue to record actual amounts in the Interim Licence Deferral Account until December 31, 2019 and request final disposition of that balance as part of its 2021 IRM application, which would be filed in 2020 using 2019 audited balances (i.e. the residual balance would capture any variance related to forecast error).

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<sup>1</sup> A description of the nature of these costs and the rationale for excluding these costs from recovery through rate riders is provided at Exh. F-3-1, pp. 2-3.

In Exh F-3-2, API requested approval to establish the Transaction and Integration Costs Deferral Account with an effective date of April 4, 2017, which was selected to coincide with the order that required API to take possession and control of the DLI system and at which time API commenced the negotiations that led to the proposed transaction. API proposed to record in this new account all of its costs for negotiating and preparing the Asset Purchase Agreement, as well as for preparing and bringing the Application and eventually closing the transaction, the total of which was forecasted at approximately \$169K in the Application.<sup>2</sup> In addition, API proposed to record in this new account the approximately \$383K transferred from the Interim Licence Deferral Account, which amount reflected 50% of the 2017 non-capital costs and a number of “one-time” costs incurred between 2017 and 2019. API further proposed that it would dispose of this account balance by including the total amount of approximately \$551K, plus interest, as a one-time cost in its next rebasing application. More particularly, 20% of the balance at that time would be added to API’s 2020 test year revenue requirement, such that the full amount could be recovered over the five-year period comprising the 2020 Test Year and the 2021-2024 IRM period.<sup>3</sup>

OEB staff in its submissions supported these proposals and did not suggest any modifications, including to the effective date for the Transaction and Integration Costs Deferral Account.

## **2. *OEB Decision***

In section 6.2 of the Decision, the OEB approved “disposition on an interim basis of a partial balance of the Interim Licence Deferral Account” and stated that “the residual balance will remain in this deferral account until final disposition is complete”.<sup>4</sup> The Decision made no express findings regarding the proposed transfer of the \$383K from the Interim Licence Deferral Account to the requested Transaction and Integration Costs Deferral Account.

In section 6.3 of the Decision, the OEB approved establishment of the proposed Transaction and Integration Costs Deferral Account, but with an effective date of September 24, 2018 (being the

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<sup>2</sup> Exh. F-3-2, p. 2.

<sup>3</sup> Exh. F-3-2, p. 3.

<sup>4</sup> Decision, p.21-22.

date the Application was filed), rather than the requested effective date of April 4, 2017. The only rationale provided for this aspect of the Decision was that “establishing an account for a prior year would give rise to a retroactive adjustment that is generally not permitted”.<sup>5</sup> The OEB referred briefly to the transaction and integration costs to be recorded in this account, but made no mention of the approximately \$383K that API proposed to transfer from the Interim Licence Deferral Account into the new Transaction and Integration Costs Deferral Account, or the impact of the later effective date on API’s ability to effect that transfer. The impacts of the later effective date for the account are discussed below.

### **3. *API’s Interpretation of the Decision***

The effective date of September 24, 2018 raises a number of concerns with respect to API’s proposal for transferring approximately \$383K between deferral accounts, as well as the proposed cost recovery mechanism for this amount. These concerns arise from the range of possible interpretations as to the manner in which the decision on the effective date for the account is to be applied. The range of possible interpretations is described in Section B.4, below.

With a view to minimizing the uncertainty and complexity caused by the decision regarding the effective date for the Transaction and Integration Costs Deferral Account, API has applied its interpretation of the Decision that, notwithstanding the effective date of the account being September 24, 2018, and that some of the underlying amounts were incurred prior to this effective date, since the \$383K is already recorded in the Interim Licence Deferral Account the transfer does not amount to a retroactive adjustment and therefore does not offend the rationale given for the OEB’s decision on the effective date. On this basis, it is API’s understanding that the \$383K may be transferred from one account to the other in its entirety and that its ability to effect this transfer is not limited by the OEB’s designation of September 24, 2018 as the effective date for the Transaction and Integration Costs Deferral Account. In its upcoming rebasing application, API will propose to recover that amount, together with any other costs in the Transaction and Integration Costs Deferral Account, by including 20% of the balance at that time in API’s 2020

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<sup>5</sup> Decision, p.23.

test year revenue requirement, such that the full amount could be recovered over the five-year period comprising the 2020 Test Year and the 2021-2024 IRM period.

Alternatively, if the OEB does not permit the \$383K to be transferred from one account to the other on account of the effective date that has been established for the Transaction and Integration Costs Deferral Account, API would find it acceptable to interpret the Decision to mean that API may request to clear the \$383K (but not the 2019 true-up to actuals) from the Interim Licence Deferral Account in a similar manner to what it proposed, namely by requesting in the next rebasing that the OEB permit recovery of 20% of this amount plus 20% of the accumulated interest in API's 2020 test year revenue requirement such that the full amount could be recovered over the balance of the IRM period. In addition, a separate request would be made in the rebasing application to apply the same treatment to the balance in the Transaction and Integration Costs Deferral Account. In API's view, although this approach essentially achieves the same outcome as the proposed interpretation, it is less desirable as it would require API to apply two different cost disposition methods to the Interim Licence Deferral Account.

**4. *Implications of Decision re Effective Date for the Transaction and Integration Costs Deferral Account***

As noted, there are several possible interpretations of, and implications arising from, the OEB's decision on the effective date for the Transaction and Integration Costs Deferral Account.

First, it is not clear as to whether the OEB has approved the transfer of \$383K, or of part of this amount, from the Interim Licence Deferral Account to the Transaction and Integration Costs Deferral Account. The evidence is clear that the \$383K is comprised of amounts that were or will be incurred over the 2017 to 2019 period. One possible interpretation is that, since the transfer is not expressly approved and that at least part of the amount was incurred prior to the effective date, the Decision does not permit the \$383K to be transferred. Another possible interpretation is that the transfer is implicitly approved because it was not expressly rejected, but that due to the effective date only those portions of the \$383K incurred following September 24, 2018 may be transferred. A third interpretation, which as noted above API has applied in preparing this Draft Rate Order and intends to apply for purposes of its upcoming rebasing application, is that,



notwithstanding the effective date being September 24, 2018, and that some of the underlying amounts relate to the period before this effective date, since the \$383K was already recorded in a different deferral account the transfer does not amount to a retroactive adjustment and therefore does not offend the rule against retroactive rate making referenced in the OEB's rationale for its finding on the effective date, so it may be transferred in its entirety.

Second, if API is not permitted to transfer the \$383K or a material portion thereof from the Interim Licence Deferral Account to the Transaction and Integration Costs Deferral Account, then API assumes this amount would remain in the Interim Licence Deferral Account. It is then not clear whether the \$383K would be included in the amounts to be recovered through the rate rider that will be charged to the acquired DLI customers over 6 years (in which case the rider would be substantially greater than the \$11.16 monthly rider that was proposed), or if it might be recovered through a separate rider established in the rebasing proceeding that would be charged to all API customers (which would fall outside of the rate protection provided by RRRP and would harm existing customers), or if it would be recovered in the manner API proposed for dealing with the residual balance of the account. API's proposal anticipated that the residual balance would be comprised only of amounts resulting from true-up of the balance to 2019 actuals, which would be cleared through an adjustment to the rider in the 2020 ICM for 2021 rates (in which case the rider, if adjusted to also recover the \$383K, would be expected to cause a substantial impact to the acquired DLI customers). A further possibility would be for API to request to clear the \$383K (but not the 2019 true-up to actuals) in a similar manner to that which it had proposed, namely by requesting in the next rebasing that the OEB permit it to recover this amount plus interest over the five year ICM period at a rate of 20% of the total per year. This would effectively have the same outcome as API's proposed approach, but without transferring the \$383K from one account to the other. In addition, a separate request would need to be made to apply the same treatment to the balance in the Transaction and Integration Costs Deferral Account.

Due to the foregoing uncertainty created by the decision to establish September 24, 2018 as the effective date for the Transaction and Integration Costs Deferral Account, API has concerns about the remaining risk of harm to its existing customers due to the uncertain treatment of the \$383K in

its upcoming rebasing application, which is being filed at the end of April 2019. API's proposed approach, based on what it believes to be the most reasonable and practical interpretation of the Decision with respect to these costs, is described in Section B.3 above, and the steps that API intends to take to proceed with closing the proposed transaction with DLI while protecting its existing customers are described in Section F.

**C. IMPLICATIONS OF THE DECISION – TRANSACTION AND INTEGRATION COSTS**

***1. API's Cost Recovery Proposal***

As noted in Section B, above, Exh F-3-2 of the Application included a request for approval to establish the Transaction and Integration Costs Deferral Account with an effective date for the account of April 4, 2017. The purpose of this account is to record all costs incurred in relation to the acquisition of the distribution system assets of DLI, as well as the \$383K of one-time costs and operating costs transferred from the Interim Licence Deferral Account. Regarding the transaction costs, the Application at pp. 1-2 of Exh F-3-2 explained that API started to incur transaction costs in April 2017 as a result of having been appointed by the OEB as the interim operator of the DLI system, that the OEB was aware that API had been engaged in commercial discussions with DLI since that time, and that the OEB was supportive of and encouraged these efforts to achieve a long term solution to the public interest objective of having a viable and committed owner and operator of the DLI system.

***2. OEB Decision***

In section 6.3 of the Decision, the OEB approved establishment of the proposed Transaction and Integration Costs Deferral Account, but with an effective date of September 24, 2018 (being the date the Application was filed), rather than the requested effective date of April 4, 2017. The proposed effective date was not at issue during the proceeding, so there were no submissions made by any parties on this point and no opportunities for API to reference relevant precedents to support the request.<sup>6</sup> Moreover, the OEB in section 6.3 of the Decision did not refer to or appear to consider the evidence that had been filed on the nature of the transaction costs incurred between April 4, 2017 and September 24, 2018. Rather, the only rationale provided for this aspect of the

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<sup>6</sup> For example, in its March 23, 2017 Decision and Order in EB-2016-0262, in response to an application filed by Wataynikaneyap Power LP on August 26, 2016, the OEB approved establishment of a deferral account with an effective date of November 23, 2010.

Decision was that “establishing an account for a prior year would give rise to a retroactive adjustment that is generally not permitted”.

The OEB agreed with API on the appropriateness of allowing API to recover its transaction and integration costs through the use of a deferral account in the absence of a deferred rebasing period, with reference to the effective date of the account. In particular, the OEB stated that, in the MAADs Handbook, “the OEB allowed for a deferred rebasing period to provide an opportunity for a distributor to offset transaction costs with achieved savings. The OEB agrees with Algoma that, as this is a unique circumstance, it is appropriate to allow Algoma to recover its reasonable transaction and integration costs, effective the date of this Application”.<sup>7</sup> The OEB did not find that the transaction costs incurred from April 2017 to September 24, 2018 were unreasonable.

Because the proposed effective date for the account was not at issue during the proceeding, neither the interrogatory evidence, nor API’s Reply Submission, addressed the proposed treatment of any transaction costs incurred prior to any potential effective date for the account that was different from API’s requested effective date.

### **3. *API’s Interpretation of the Decision***

Since API’s proposal was to recover costs in the Transaction and Integration Costs Deferral Account in its 2020 cost of service application as described above, the interpretation of the Decision does not affect the rate proposals or the draft accounting order presented in Sections D and E. It does, however, affect the amounts to be included in API’s upcoming rate application, as discussed below.

The transaction costs incurred prior to September 24, 2018, which total approximately \$71K, were incurred in good faith in response to the OEB’s encouragement to find a long-term solution to the ownership and operation of the DLI system, which it indicated was in the public interest. Because the Transaction and Integration Costs Deferral Account had not yet been established, API’s transaction costs incurred to date have in fact been recorded in the Interim Licence Deferral

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<sup>7</sup> Decision, p. 23.

Account. API did so with the intention of recording these amounts in the Transaction and Integration Costs Deferral Account, once established. API believes that including the \$71K as a transfer from the Interim Licence Deferral Account to the Transaction and Integration Costs Deferral Account (in addition to the \$383K transfer described in Section B) resolves the OEB's general concern with retroactivity, while being consistent with the OEB's finding that it is appropriate for API to recover its reasonable transaction and integration costs through the use of a deferral account as an alternative to having the opportunity to recover such costs during a deferred rebasing period.

As such, API has included the entire amount of approximately \$551K<sup>8</sup> forecasted in Exh F-3-2 of the application in the one-time costs in its 2020 cost of service application, to be amortized over the 2020-2024 rate setting term.

#### ***4. Implications of Decision re Effective Date for the Transaction and Integration Costs Deferral Account***

As discussed above, there is nothing in the record of the proceeding that explicitly addresses the treatment of transaction costs incurred prior to September 24, 2018. Although API did not record any transaction-related costs in 2017 despite commencing negotiations that year, it did record approximately \$90K in transaction-related costs in 2018 (as compared to the forecast of approximately \$84K in Exh F-3-2). Approximately \$71K of these 2018 costs were incurred prior to September 24, 2018.

In the tables in F-3-1 and F-3-2 describing the forecasted costs to be recorded in the Interim Licence Deferral Account and the Transaction and Integration Costs Deferral Account, API specifically identified approximately \$383K in costs that would be transferred from one account to the other, as described in Section B. The purpose of identifying these costs in that manner was

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<sup>8</sup> The \$551K will be subject to a number of adjustments including the absence of intervenor cost awards (as discussed in IRR #5), the requirement for API to pay the OEB's costs for this proceeding (p. 32 of the Decision), updates to forecasts, treatment of the \$71K discussed above, and addition of interest costs. API intends to update the forecasted amount in the cost of service proceeding after receiving the Board's decision on this Draft Rate Order, as well as the Board's decision on any preliminary issues in the cost of service proceeding.

to clearly indicate that in the event that the OEB did not approve the transfer of costs, then \$383K would remain in the Interim Licence Deferral Account, thereby increasing the rate riders and bill impacts associated with the proposed disposition of that account.

In contrast, the transaction costs were not identified in this way because API had not intended to recover these costs through rate riders applicable to DLI customers. However, because the Transaction and Integration Costs Deferral Account had not yet been established, API's transaction costs incurred to date have in fact been recorded in the Interim Licence Deferral Account. API did so with the intention of recording these amounts in the Transaction and Integration Costs Deferral Account, once established.

Based on the foregoing, API sees two possible ways of interpreting and applying the Decision in respect of the treatment of its transaction costs incurred prior to September 24, 2018. One interpretation is that, notwithstanding the OEB's finding that due to the unique circumstances of the Application it is appropriate to allow API to recover its reasonable transaction and integration costs through a deferral account as an alternative to recovering such amounts through a deferred rebasing period, the Decision intended to deny API the opportunity to recover any reasonable transaction costs it incurred prior to September 24, 2018. Another interpretation is that, since the only basis for setting the later effective date was the OEB's general concern about retroactive adjustments, and API's \$71K of pre-September 24, 2018 transaction costs were in fact already recorded in the Interim Licence Deferral Account (albeit as a temporary measure until the new account could be established), that the \$71K may also be transferred from the Interim Licence Deferral Account to the Transaction and Integration Costs Deferral Account and that this transfer would not offend the rationale given for the OEB's decision on the effective date of the latter account.

## **D. RATE PROPOSALS AND BILL IMPACTS**

### **1. *OEB Decision***

In the Decision, the OEB noted that the bill impacts provided by API compared bills following the Proposed Transaction, with bills that would be required to cover costs if API remained the interim operator. The OEB required API to file additional bill impact information with this Draft Rate Order, comparing 2018 average bills to the bills at the rates proposed by API. The OEB also required API to address rate mitigation if this impact was greater than 10%.

### **2. *Historical Context of Rate Riders in DLI Rate Setting***

In Exh C-1-1 of the Application, API described that a component of DLI's historical billing practices was to calculate a rate each month that was intended to pass-through the total costs of the Delivery line of its bulk-metered bill to individual customers. DLI calculated this rate on a monthly basis, based on its total delivery charges and metered kWh from the prior month.

This historical rate-setting approach inherently included the impact of any rate riders applicable to DLI as a customer in API's R2 rate class. Table 1 below lists the variable rates applicable to API's R2 rate class for the 2015-2019 period. The total of any \$/kWh rates is converted to \$/kW, using the 2018 kWh/kW ratio for the DLI R2 account.

**Table 1 – API R2 Rate Class Historical Variable Rates**

Rate	Unit	2015	2016	2017	2018	2019
Distribution Volumetric Rate	\$/kW	3.1131	3.1691	3.2629	3.3451	3.4194
RTSR - Network	\$/kW	2.7479	2.6924	2.5251	2.4048	2.5066
RTSR - Connection	\$/kW	1.9868	1.9084	1.8871	2.0074	2.2787
Rate Rider for Disposition of Accts 1575&1576	\$/kW	(0.8010)	(0.8010)	(0.8010)	(0.8010)	(0.8010)
<i>Total</i>	\$/kW	<i>7.0468</i>	<i>6.9689</i>	<i>6.8741</i>	<i>6.9563</i>	<i>7.4037</i>
Rate Riders for Disposition of GA Acct	\$/kWh	-	-	0.0068	(0.0305)	(0.0078)
	\$/kW	9.1750	-	-	-	-
Rate Riders for Disposition of DVA's	\$/kW	(5.8937)	-	1.5845	1.3980	(0.4880)
Rate Riders for LRAM and Foregone Revenue	\$/kW	0.0067	-	-	-	-
Rate Riders for Disposition of CBR Acct	\$/kWh	-	-	0.0002	-	-
	\$/kW	-	-	-	(0.0216)	-
<i>Total Group 1 Rate Riders</i>	\$/kWh	<i>-</i>	<i>-</i>	<i>0.0070</i>	<i>(0.0305)</i>	<i>(0.0078)</i>
	\$/kW	<i>3.2880</i>	<i>-</i>	<i>1.5845</i>	<i>1.3764</i>	<i>(0.4880)</i>
Total \$/kWh from Above	\$/kWh	-	-	0.0070	(0.0305)	(0.0078)
Convert \$/kWh to \$/kW - using 2018 kWh/kW ratio	\$/kW	0	0	3.28642887	-14.31944	-3.6620207
Total \$/kW from Above	\$/kW	10.3348	6.9689	8.4586	8.3327	6.9157
<b>\$/kW Equivalent</b>	<b>\$/kW</b>	<b>10.3348</b>	<b>6.9689</b>	<b>11.7450</b>	<b>(5.9867)</b>	<b>3.2537</b>

It is clear from Table 1 that the effective \$/kW rates included in the delivery line for DLI as an R2 customer have experienced significant volatility over the past five years. Much of the volatility comes from changes to Global Adjustment rate riders, and the pass-through component of 2018 rates is actually a negative amount due to this rate rider. The negative pass-through rates for 2018 were confirmed in Schedule 3(a) of API's IRRs.

In this context, the 2018 average bills that the Decision requires API to consider as a baseline for bill impact comparisons result in the highest possible bill impact as compared to any other reference point in the 2015-2019 period. As such, while API has provided the required analysis in Section 3 below, it also provides variations of this analysis using other reference periods since May 2017 for which it has historical rate data for DLI.

### **3. Additional Bill Impact Information**

Table 2 below provides analysis of the bill impacts resulting from API's proposed rates, based on three reference scenarios:



- the average 2018 bill, as required by the Decision, which is based on the 2018 average pass-through delivery rate of  $-\$0.0079/\text{kWh}$ ;
- the average bill from May to December 2017 (i.e. the portion of 2017 during which API was the interim operator), which is based on the 8-month average pass-through delivery rate of  $\$0.0250/\text{kWh}$ ; and
- the March 2019 bill (i.e. the most recent actual month), which is based on a pass-through delivery rate of  $\$0.0064/\text{kWh}$ .

**Table 2 – Bill Impacts – API Proposal**

Rate Class	kWh	Total Bill (2018 Average)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 64.58	\$ 92.16	\$ 27.58	42.70%
Residential	750	\$ 100.35	\$ 129.30	\$ 28.95	28.85%
Commercial	2000	\$ 242.78	\$ 340.56	\$ 97.78	40.27%

Rate Class	kWh	Total Bill (2017 May-Dec Average)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 78.16	\$ 92.16	\$ 14.00	17.92%
Residential	750	\$ 126.26	\$ 129.30	\$ 3.04	2.41%
Commercial	2000	\$ 311.87	\$ 340.56	\$ 28.69	9.20%

Rate Class	kWh	Total Bill (March 2019)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 70.49	\$ 92.16	\$ 21.68	30.76%
Residential	750	\$ 111.61	\$ 129.30	\$ 17.69	15.85%
Commercial	2000	\$ 272.81	\$ 340.56	\$ 67.75	24.83%

API notes that it has held the commodity costs and regulatory charges constant, at current levels, throughout the bill impact analysis to isolate the impact of the change in distribution rates and rate-setting methodology.

#### **4. Mitigation Factored into Proposed Rate Rider**

API recognizes that, depending on the reference point, many of the bill impacts presented above exceed the typical threshold of 10% requiring mitigation. API submits that it has already implemented a number of bill impact mitigation measures, as explained below.

First, API has proposed to recover only depreciation and return on capital for the 2017-2019 period in relation to capital investments made in the DLI system. Undepreciated capital cost would form part of API's rate base in 2020, effectively recovering these costs through future revenue requirements instead of being recovered from DLI customers.

API has also proposed to transfer a significant portion of the non-capital costs recorded in the Interim Licence Deferral Account to the Transaction and Integration Costs Deferral Account, such that these costs would be recovered through API's 2020 revenue requirement instead of being recovered from DLI customers. This has the effect of reducing the monthly rate rider associated with disposition of this account from \$27.72 to \$11.16.

Finally, API has proposed a six-year period for the interim disposition of the Interim Licence Deferral Account in order to reduce the associated rate rider.

API submits that in reviewing the bill impacts presented in Section 3, the Board should consider the mitigation efforts described above, and should also consider the historical rate variability described in Section 2 to consider whether reference points other than 2018 would be more appropriate.

## 5. *Additional Bill Impact Mitigation Options*

API offers an additional bill impact mitigation option for the Board's consideration. API proposed a fixed rate rider, on the basis of using a cost recovery methodology stemming from the OEB's Smart Meter model, which is designed to calculate a fixed rate rider. Further, while still allowing variable rate riders for Group 1 accounts, OEB policy has recently required the use of fixed rate riders for any new riders associated with Group 2 accounts (e.g. the Interim Licence Deferral Account).

Table 3 shows the calculation of a variable rate rider (\$0.0069/kWh) that would recover approximately the same revenue as the proposed fixed rate rider of \$11.16:

**Table 3 – Calculation of Variable Rate Rider**

# of Accounts	A	353
Monthly Fixed Rate Rider	B	\$11.16
Annual Revenue from Fixed Rider	$C = A * B * 12$	\$47,273.76
DLI Customers - 2018 Metered kWh	D	6,877,655
Variable Rate Rider	$E = C / D$	\$0.0069
Annual Revenue from Variable Rider	$F = D * E$	\$47,455.82

Table 4 compares the bill impacts resulting from this variable rate rider to the bill impacts associated with the fixed rate rider, as presented in Table 2. API has also included an analysis with no rate rider to assist the Board in understanding the impact of transitioning to API's rates in the absence of a new rate rider. This shows that the quantum of the rate rider, regardless of calculation methodology, is not the primary driver of the bill impacts.

**Table 4 – Comparison of Bill Impacts**

**Bill Impacts - Fixed Rate Rider (\$11.16/month)**

Rate Class	kWh	Total Bill (2018 Average)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 64.58	\$ 92.16	\$ 27.58	42.70%
Residential	750	\$ 100.35	\$ 129.30	\$ 28.95	28.85%
Commercial	2000	\$ 242.78	\$ 340.56	\$ 97.78	40.27%

Rate Class	kWh	Total Bill (2017 May- Dec Average)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 78.16	\$ 92.16	\$ 14.00	17.92%
Residential	750	\$ 126.26	\$ 129.30	\$ 3.04	2.41%
Commercial	2000	\$ 311.87	\$ 340.56	\$ 28.69	9.20%

Rate Class	kWh	Total Bill (March 2019)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 70.49	\$ 92.16	\$ 21.68	30.76%
Residential	750	\$ 111.61	\$ 129.30	\$ 17.69	15.85%
Commercial	2000	\$ 272.81	\$ 340.56	\$ 67.75	24.83%

**Bill Impacts - Variable Rate Rider (\$0.0069/kWh)**

Rate Class	kWh	Total Bill (2018 Average)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 64.58	\$ 83.29	\$ 18.71	28.97%
Residential	750	\$ 100.35	\$ 123.02	\$ 22.67	22.59%
Commercial	2000	\$ 242.78	\$ 343.33	\$ 100.55	41.42%

Rate Class	kWh	Total Bill (2017 May- Dec Average)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 78.16	\$ 83.29	\$ 5.13	6.57%
Residential	750	\$ 126.26	\$ 123.02	\$ (3.24)	-2.57%
Commercial	2000	\$ 311.87	\$ 343.33	\$ 31.46	10.09%

Rate Class	kWh	Total Bill (March 2019)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 70.49	\$ 83.29	\$ 12.81	18.17%
Residential	750	\$ 111.61	\$ 123.02	\$ 11.40	10.22%
Commercial	2000	\$ 272.81	\$ 343.33	\$ 70.52	25.85%

**Bill Impacts - No Rate Rider**

Rate Class	kWh	Total Bill (2018 Average)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 64.58	\$ 80.45	\$ 15.86	24.56%
Residential	750	\$ 100.35	\$ 117.58	\$ 17.23	17.17%
Commercial	2000	\$ 242.78	\$ 328.84	\$ 86.06	35.45%

Rate Class	kWh	Total Bill (2017 May- Dec Average)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 78.16	\$ 80.45	\$ 2.29	2.92%
Residential	750	\$ 126.26	\$ 117.58	\$ (8.68)	-6.87%
Commercial	2000	\$ 311.87	\$ 328.84	\$ 16.97	5.44%

Rate Class	kWh	Total Bill (March 2019)	Total Bill (Proposed)	\$ Change	% Change
Residential	393	\$ 70.49	\$ 80.45	\$ 9.96	14.13%
Residential	750	\$ 111.61	\$ 117.58	\$ 5.97	5.35%
Commercial	2000	\$ 272.81	\$ 328.84	\$ 56.03	20.54%

## **6. *API Proposal***

API proposes to implement the fixed rate rider of \$11.16 per customer, per month, as proposed in its Application. This proposal and the amount of the rate rider was presented to a well-attended town hall meeting in September 19, 2018 in advance of filing the Application, and the approach has been maintained throughout the hearing process (see the slides presented at Schedule 16 of the IRR's). Bill impacts became a topic of discussion at this same meeting, and API took the time to explain that low pass-through rates in 2018 would result in a one-time bill impact resulting from implementing API's rates and the proposed rate rider at the same time in 2019.

API has included draft adjustments to its 2019 Tariff of Rates and Charges in Schedule A. The draft tariff reflects the addition of a rate rider of \$11.16 per customer per month, applicable only to accounts in the Dubreuilville service area.

If the Board prefers to implement a variable rate rider, as described in Section 5, API is confident that it could explain to most customers that the change in the nature of the rate rider recovers the same costs, but on the basis of consumption instead of an even split across all customers. However, commercial customers and high-consumption residential customers may be upset with the unexpected change.

API does not support delaying implementation of the rate rider. This would lead to a higher rate rider needing to be implemented at a future date and/or an increased disposition period. Given that API has already engaged with a significant number of customers on implementation in 2019, and that all DLI customers received direct notification of the application by mail, API believes that implementing a larger rate rider at a future date would cause significant confusion and communication challenges. For similar reasons, API does not support an increased disposition period to lower the rate rider.

## **E. *DRAFT ACCOUNTING ORDER***

A revised draft accounting order for the Transaction and Integration Costs Deferral Account, adjusting the effective date to September 24, 2018, is included in Schedule B.

## **F. IMPLEMENTATION AND OTHER ISSUES**

### ***1. Other Aspects of the Decision***

The Decision contains other requirements unrelated to the Draft Rate Order and Draft Accounting Order.

First, at page 11, the OEB requires API to notify the OEB of the closing date of the Proposed Transaction so that the licensing changes can be made. API acknowledges this requirement and will notify the OEB of the closing date. Due to the concerns and uncertainties described in this Draft Rate Order, API expects that the closing date will depend on the timing of the Board's final determination on the Draft Rate Order in this proceeding and/or the timing of the Board's decision on certain preliminary matters in its 2020 cost of service application, as described in Section 2 below.

Second, at page 26, the OEB requires API to file a Compliance Plan with the OEB by April 1, 2021, describing all circumstances in which API has found a matter that is not in compliance with regulatory requirements, and its plan for addressing these. API acknowledges this requirement and will file a Compliance Plan on or before April 1, 2021.

### ***2. Sequence and Timing of Regulatory Steps to Close the Transaction***

For the reasons set out in this Draft Rate Order, API is and will not be confident that it can proceed with closing the transaction in a manner that results in no harm to its customers and shareholders until certain items related to cost allocation and cost recovery have been determined in its cost of service proceeding. However, API is preparing its cost of service application on the basis of fully integrating DLI's customers and assets, effective January 1, 2020 (i.e. for its Test Year), and recognizes that it would be difficult for the OEB to process that application in the absence of a firm commitment from API to close the transaction on or before January 1, 2020. API will therefore request in its cost of service application, which it plans to file at the end of April 2019, that the OEB decide on a number of items as preliminary issues, including API's cost allocation proposal, the treatment of any residual balances in the Interim Licence Deferral Account, and the

proposal to amortize costs recorded in the Transaction and Integration Costs Deferral Account over API's 2020-2024 rate-setting period.

Following both the OEB's decision on these preliminary matters and the OEB's decision on this Draft Rate Order, API will make a final decision on whether and when to close the transaction with DLI. At that time, API would inform the OEB of the expected closing date, and would also make any necessary amendments to its cost of service application.



## **Schedule A**

### ***Revised 2019 Tariff of Rates and Charges (DRAFT)***

**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
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	\$	0.57
Rate Rider for Partial Disposition of Interim Licence Deferral Account - effective until December 31, 2024		
Applicable only for customers in the Township of Dubreuilville	\$	11.16
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	\$/kWh	(0.0078)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019	\$/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**  
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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 WMS – Sub-account CBR Class B is not applicable to wholesale market participants (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 Class B customers.

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.

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	\$	659.94
Rate Rider for Partial Disposition of Interim Licence Deferral Account - effective until December 31, 2024 Applicable only for customers in the Township of Dubreuilville	\$	11.16
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	\$/kWh	(0.0078)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019	\$/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**  
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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.

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	\$	54.75
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	\$	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	\$/kWh	(0.0078)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019	\$/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

**Algoma Power Inc.**  
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**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.

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 (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	\$/kWh	(0.0078)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019	\$/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

**Algoma Power Inc.**  
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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.

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.

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	\$	5.40
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**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)

**SPECIFIC SERVICE CHARGES**

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 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.

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.

**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)	\$	22.35
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)**

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.

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.

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.

	\$	100.00
One-time charge, per retailer, to establish the service agreement between the distributor and the retailer		
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



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**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

**Schedule B**

***Revised Draft Accounting Order***

## **DRAFT ACCOUNTING ORDER**

### **TRANSACTION AND INTEGRATION COSTS DEFERRAL ACCOUNT**

Algoma Power Inc. shall establish a new “Transaction and Integration Costs Deferral Account”, for the purpose of recording costs incurred in relation to the acquisition of the distribution system assets of Dubreuil Lumber Inc., as well as certain one-time costs and operating costs, as determined by the Board in its Decision and Order in the matter of EB-2018-0271.

The account shall be established as **Account 1508, Other Regulatory Assets – Sub-Account “Transaction and Integration Costs Deferral Account”**, effective September 24, 2018.

The amounts recorded in the above accounts shall be brought forward for disposition in a future proceeding.

The following outlines proposed accounting entries for this account:

<b>USofA #</b>	<b>Account Description</b>
Credit: 1508	Other Regulatory Assets – Sub-Account: “Interim Licence Deferral Account”
Debit: 1508	Other Regulatory Assets – Sub-Account: “Transaction and Integration Costs Deferral Account”

To transfer certain one-time and operating costs from the Interim Licence Deferral Account to the Transaction and Integration Costs Deferral Account, in accordance with the Board’s Decision and Order in EB-2018-0271.

<b>USofA #</b>	<b>Account Description</b>
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Debit: 1508	Other Regulatory Assets – Sub-Account: “Transaction and Integration Costs Deferral Account”
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Credit: 2205	Accounts Payable
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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, and costs related to the closing of the Proposed Transaction.

<b>USofA #</b>	<b>Account Description</b>
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Debit: 1508	Other Regulatory Assets – Sub-Account: “Transaction and Integration Costs Deferral Account”
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Credit: 4405	Interest and Dividend Income
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To record interest improvement on the principal balance of the “Transaction and Integration Costs Deferral Account”.