

Capital Module

Applicable to ACM and ICM

Note: Depending on the selections made below, certain worksheets in this workbook will be hidden.




Version 4.20

| | | |
|---|--|----------------|
| Utility Name | Algoma Power Inc. | |
| Assigned EB Number | EB-2019-0019 | |
| Name of Contact and Title | Greg Beharriell; Manager, Regulatory Affairs | |
| Phone Number | 905-871-0330; x3278 | |
| Email Address | regulatoryaffairs@fortisontario.com | |
| Is this Capital Module being filed in a CoS or Price-Cap IR Application? | COS | Rate Year 2020 |
| Algoma Power Inc. is applying for: | ACM Approval | |
| Last COS OEB Application Number | EB-2014-0055 | |
| The most recent complete year for which actual billing and load data exists | 2018 | |
| Current IPI | 1.50% | |
| Stretch Factor Assigned to Middle Cohort | III | |
| Stretch Factor Value | 0.30% | |
| Price Cap Index | 1.20% | |

Based on the inputs above, the growth factor utilized in the Materiality Threshold Calculation will be determined by:

| |
|--|
| Revenues Based on 2020 Test Year Distribution Revenues |
| Revenues Based on 2018 Actual Distribution Revenues |

Notes

-  Pale green cells represent input cells.
-  Pale blue cells represent drop-down lists. The applicant should select the appropriate item from the drop-down list.
-  White cells contain fixed values, automatically generated values or formulae.

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While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the results.

OEB policies regarding rate-setting and rebasing following distributor consolidations could allow a distributor to not rebase rates for up to ten years. A distributor could also apply for and receive OEB approval to defer rebasing. If a distributor is under Price Cap IR for more than four years after rebasing and applies for an ICM, this spreadsheet will need to be adapted to accommodate those circumstances. The distributor should contact OEB staff to discuss the circumstances so that a customized model can be provided.



Ontario Energy Board

Capital Module

Applicable to ACM and ICM

Algoma Power Inc.

Select the appropriate rate classes as they appear on your most recent Board-Approved Tariff of Rates and Charges, excluding the MicroFit Class.

How many classes are on your most recent Board-Approved Tariff of Rates and Charges?

4

Select Your Rate Classes from the **Blue Cells** below. Please ensure that a rate class is assigned to each shaded cell.

| | Rate Class Classification |
|---|---------------------------|
| 1 | RESIDENTIAL R1 |
| 2 | RESIDENTIAL R2 |
| 3 | SEASONAL CUSTOMERS |
| 4 | STREET LIGHTING |

Capital Module

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Algoma Power Inc.

Input the billing determinants associated with Algoma Power Inc.'s Revenues Based on 2020 Test Year Distribution Revenues. Input the current approved distribution rates. Sheets 4 & 5 calculate the NUMERATOR portion of the growth factor calculation.

2020 Test Year Distribution Revenues

| Rate Class | Units | Billed Customers or Connections | Billed kWh | Billed kW (if applicable) |
|--------------------|--------|---------------------------------|-------------|---------------------------|
| RESIDENTIAL R1 | \$/kWh | 9,113 | 103,931,742 | |
| RESIDENTIAL R2 | \$/kW | 37 | 85,867,987 | 196,648 |
| SEASONAL CUSTOMERS | \$/kWh | 2,960 | 5,439,365 | |
| STREET LIGHTING | \$/kWh | 1,117 | 595,435 | |

Proposed Distribution Rates

| Monthly Service Charge | Distribution Volumetric Rate kWh | Distribution Volumetric Rate kW |
|------------------------|----------------------------------|---------------------------------|
| 108.56 | 0.0639 | 0.0000 |
| 1112.25 | 0.0000 | 18.9827 |
| 54.75 | 0.1964 | 0.0000 |
| 1.37 | 0.3279 | 0.0000 |

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Algoma Power Inc.

Calculation of 2020 Revenue Requirement. No input required.

| Rate Class | Total | 2020 Test Year Distribution Revenues | | | Proposed Distribution Rates | | | Service Charge Revenue | Distribution Volumetric Rate Revenue kWh | Distribution Volumetric Rate Revenue kW | Revenues from Rates | Service Charge % Revenue | Distribution Volumetric Rate % Revenue kWh | Distribution Volumetric Rate % Revenue kW | Total % Revenue |
|--------------------|-------|--------------------------------------|--------------------|---------------------------|-----------------------------|----------------------------------|---------------------------------|------------------------|--|---|---------------------|--------------------------|--|---|-----------------|
| | | Billed Customers or Connections | Billed kWh | Billed kW (if applicable) | Monthly Service Charge | Distribution Volumetric Rate kWh | Distribution Volumetric Rate kW | | | | | | | | |
| | | 0 | 0 | 0 | D | E | F | 0 | 0 | 0 | 0 | K = G / J | L = H / J | M = I / J | 0.0% |
| RESIDENTIAL R1 | | 9,113 | 103,931,742 | | 108.56 | 0.0639 | 0.0000 | 11,871,486 | 6,641,238 | 0 | 18,512,724 | 64.1% | 35.9% | 0.0% | 71.3% |
| RESIDENTIAL R2 | | 37 | 85,867,987 | 196,648 | 1,112.25 | 0.0000 | 18.9827 | 497,606 | 0 | 3,732,912 | 4,230,518 | 11.8% | 0.0% | 88.2% | 16.3% |
| SEASONAL CUSTOMERS | | 2,960 | 5,439,365 | | 54.75 | 0.1964 | 0.0000 | 1,944,842 | 1,068,291 | 0 | 3,013,133 | 64.5% | 35.5% | 0.0% | 11.6% |
| STREET LIGHTING | | 1,117 | 595,435 | | 1.37 | 0.3279 | 0.0000 | 18,365 | 195,243 | 0 | 213,608 | 8.6% | 91.4% | 0.0% | 0.8% |
| Total | | 13,227 | 195,834,528 | 196,648 | | | | 14,332,298 | 7,904,773 | 3,732,912 | 25,969,983 | | | | 100.0% |

Capital Module

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Applicants Rate Base

2020 Test Year COS Rebasing

Average Net Fixed Assets

| | | | | |
|---------------------------------------|----------------|---|----------------|-------------------|
| Gross Fixed Assets - Re-based Opening | \$ 192,209,610 | A | | |
| Add: CWIP Re-based Opening | \$ 1,856,895 | B | | |
| Re-based Capital Additions | \$ 8,485,738 | C | | |
| Re-based Capital Disposals | \$ - | D | | |
| Re-based Capital Retirements | \$ - | E | | |
| Deduct: CWIP Re-based Closing | -\$ 1,856,895 | F | | |
| Gross Fixed Assets - Re-based Closing | \$ 200,695,348 | G | | |
| Average Gross Fixed Assets | | | \$ 196,452,479 | H = (A + G) / 2 |

| | | | | |
|---|---------------|---|---------------|-------------------|
| Accumulated Depreciation - Re-based Opening | \$ 76,945,669 | I | | |
| Re-based Depreciation Expense | \$ 4,497,643 | J | | |
| Re-based Disposals | \$ - | K | | |
| Re-based Retirements | \$ - | L | | |
| Accumulated Depreciation - Re-based Closing | \$ 81,443,312 | M | | |
| Average Accumulated Depreciation | | | \$ 79,194,491 | N = (I + M) / 2 |

Average Net Fixed Assets

\$ 117,257,988 O = H - N

Working Capital Allowance

| | | | | |
|----------------------------------|---------------|---|---------------------|-----------|
| Working Capital Allowance Base | \$ 34,872,667 | P | | |
| Working Capital Allowance Rate | 7.5% | Q | | |
| Working Capital Allowance | | | \$ 2,615,450 | R = P * Q |

Rate Base

\$ 119,873,438 S = O + R

Return on Rate Base

| | | | | |
|----------------------------|--------|----|---------------------|-------------------|
| Deemed ShortTerm Debt % | 4.00% | T | \$ 4,794,938 | W = S * T |
| Deemed Long Term Debt % | 56.00% | U | \$ 67,129,125 | X = S * U |
| Deemed Equity % | 40.00% | V | \$ 47,949,375 | Y = S * V |
| Short Term Interest | 2.82% | Z | \$ 135,217 | AC = W * Z |
| Long Term Interest | 4.95% | AA | \$ 3,322,892 | AD = X * AA |
| Return on Equity | 8.98% | AB | \$ 4,305,854 | AE = Y * AB |
| Return on Rate Base | | | \$ 7,763,963 | AF = AC + AD + AE |

Distribution Expenses

| | | | | |
|-----------------------|---------------|----|----------------------|----------------------|
| OM&A Expenses | \$ 13,677,187 | AG | | |
| Amortization | \$ 4,043,341 | AH | | |
| Ontario Capital Tax | \$ - | AI | | |
| Grossed Up Taxes/PILs | \$ 333,974 | AJ | | |
| Low Voltage | \$ - | AK | | |
| Transformer Allowance | \$ 87,159 | AL | | |
| Property Tax | \$ 118,600 | AM | | |
| | | AN | | |
| | | AO | | |
| | | | \$ 18,260,262 | AP = SUM (AG : AO) |

Revenue Offsets

| | | | | |
|-----------------------------|-------------|----|------------------|----------------------|
| Specific Service Charges | -\$ 69,366 | AQ | | |
| Late Payment Charges | -\$ 33,000 | AR | | |
| Other Distribution Income | -\$ 484,978 | AS | | |
| Other Income and Deductions | \$ 535,455 | AT | \$ 51,889 | AU = SUM (AQ : AT) |

Revenue Requirement from Distribution Rates

\$ 25,972,335 AV = AF + AP + AU

Rate Classes Revenue

Rate Classes Revenue - Total (Sheet 5) \$ 25,969,983 AW

Difference \$ 2,352 AZ = AV - AW

Difference (Percentage - should be less than ±1%) 0.01% BA = AZ / AW

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Algoma Power Inc.

Input the billing determinants associated with Algoma Power Inc.'s Revenues Based on 2018 Actual Distribution Revenues. This sheet calculates the DENOMINATOR portion of the growth factor calculation. Pro forma Revenue Calculation.

| Rate Class | Total | 2018 Actual Distribution Revenues | | | Proposed Distribution Rates | | | Service Charge Revenue | Distribution Volumetric Rate Revenue kWh | Distribution Volumetric Rate Revenue kW | Total Revenue By Rate Class | Service Charge % Revenue | Distribution Volumetric Rate % Revenue kWh | Distribution Volumetric Rate % Revenue kW | Total % Revenue |
|--------------------|-------|-----------------------------------|--------------------|----------------|-----------------------------|----------------------------------|---------------------------------|------------------------|--|---|-----------------------------|--------------------------|--|---|-----------------|
| | | Billed Customers or Connections | Billed kWh | Billed kW | Monthly Service Charge | Distribution Volumetric Rate kWh | Distribution Volumetric Rate kW | | | | | | | | |
| | | 0 | 0 | 0 | D | E | F | 0 | 0 | 0 | 0 | $K = G / J_{total}$ | $L = H / J_{total}$ | $M = I / J_{total}$ | 0.0% |
| RESIDENTIAL R1 | | 8,601 | 109,075,412 | | 108.56 | 0.0639 | 0.0000 | 11,204,260 | 6,969,919 | 0 | 18,174,179 | 42.2% | 26.2% | 0.0% | 68.4% |
| RESIDENTIAL R2 | | 40 | 109,202,680 | 234,800 | 1,112.25 | 0.0000 | 18.9827 | 530,543 | 0 | 4,457,138 | 4,987,681 | 2.0% | 0.0% | 16.8% | 18.8% |
| SEASONAL CUSTOMERS | | 3,076 | 6,043,635 | | 54.75 | 0.1964 | 0.0000 | 2,021,206 | 1,186,970 | 0 | 3,208,176 | 7.6% | 4.5% | 0.0% | 12.1% |
| STREET LIGHTING | | 1,067 | 568,784 | | 1.37 | 0.3279 | 0.0000 | 17,543 | 186,504 | 0 | 204,047 | 0.1% | 0.7% | 0.0% | 0.8% |
| Total | | 12,784 | 224,890,511 | 234,800 | | | | 13,773,552 | 8,343,393 | 4,457,138 | 26,574,083 | | | | 100.0% |

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Current Revenue from Rates

This sheet is used to determine the applicant's most current allocation of revenues (after the most recent revenue to cost ratio adjustment, if applicable) to appropriately allocate the incremental revenue requirement to the classes.

| Rate Class | Total | Proposed Base Rates in Current CoS Application | | | 2020 Test Year Distribution Revenues | | | Current Base Service Charge Revenue | Current Base Distribution Volumetric Rate kWh Revenue | Current Base Distribution Volumetric Rate kW Revenue | Total Current Base Revenue | Service Charge % Total Revenue | Distribution Volumetric Rate % Total Revenue | Distribution Volumetric Rate % Total Revenue | Total % Revenue |
|--------------------|---------|--|----------------------------------|---------------------------------|--|---------------------|--------------------|-------------------------------------|---|--|----------------------------|--------------------------------|--|--|-----------------|
| | | Monthly Service Charge | Distribution Volumetric Rate kWh | Distribution Volumetric Rate kW | Re-based Billed Customers or Connections | Re-based Billed kWh | Re-based Billed kW | | | | | | | | |
| | A | B | C | D | E | F | O | O | O | O | L = G / J _{total} | M = H / J _{total} | N = I / J _{total} | 0.0% | |
| RESIDENTIAL R1 | 108.56 | 0.0639 | 0.0000 | 9,113 | 103,931,742 | 196,648 | 11,871,486 | 6,641,238 | 0 | 18,512,724 | 45.71% | 25.57% | 0.00% | 71.3% | |
| RESIDENTIAL R2 | 1112.25 | 0.0000 | 18.9827 | 37 | 85,867,987 | | 497,606 | 0 | 3,732,912 | 4,230,518 | 1.92% | 0.00% | 14.37% | 16.3% | |
| SEASONAL CUSTOMERS | 54.75 | 0.1964 | 0.0000 | 2,960 | 5,439,365 | | 1,944,842 | 1,068,291 | 0 | 3,013,133 | 7.49% | 4.11% | 0.00% | 11.6% | |
| STREET LIGHTING | 1.37 | 0.3279 | 0.0000 | 1,117 | 595,435 | | 18,365 | 195,243 | 0 | 213,608 | 0.07% | 0.75% | 0.00% | 0.8% | |
| Total | | | | | | | 14,332,298 | 7,904,773 | 3,732,912 | 25,969,983 | | | | 100.0% | |

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No Input Required.

Preliminary Materiality Threshold Calculation

$$\text{Threshold Value (\%)} = 1 + \left[\left(\frac{RB}{d} \right) \times (g + PCI \times (1 + g)) \right] \times ((1 + g) \times (1 + PCI))^{n-1} + 10\%$$

| | | |
|--|----------------|-------------------|
| Cost of Service Rebasing Year | 2020 | |
| Price Cap IR Year in which Application is made | COS | <i>n</i> |
| Price Cap Index | 1.20% | <i>PCI</i> |
| Growth Factor Calculation | | |
| Revenues Based on 2020 Test Year Distribution Revenues | \$25,969,983 | |
| Revenues Based on 2018 Actual Distribution Revenues | \$26,574,083 | |
| Growth Factor | -1.14% | <i>g (Note 1)</i> |
| Dead Band | 10% | |
| Average Net Fixed Assets | | |
| Gross Fixed Assets Opening | \$ 192,209,610 | |
| Add: CWIP Opening | \$ 1,856,895 | |
| Capital Additions | \$ 8,485,738 | |
| Capital Disposals | \$ - | |
| Capital Retirements | \$ - | |
| Deduct: CWIP Closing | -\$ 1,856,895 | |
| Gross Fixed Assets - Closing | \$ 200,695,348 | |
| Average Gross Fixed Assets | \$ 196,452,479 | |
| Accumulated Depreciation - Opening | \$ 76,945,669 | |
| Depreciation Expense | \$ 4,497,643 | |
| Disposals | \$ - | |
| Retirements | \$ - | |
| Accumulated Depreciation - Closing | \$ 81,443,312 | |
| Average Accumulated Depreciation | \$ 79,194,491 | |
| Average Net Fixed Assets | \$ 117,257,988 | |
| Working Capital Allowance | | |
| Working Capital Allowance Base | \$ 34,872,667 | |
| Working Capital Allowance Rate | 8% | |
| Working Capital Allowance | \$ 2,615,450 | |
| Rate Base | \$ 119,873,438 | <i>RB</i> |
| Depreciation | \$ 4,497,643 | <i>d</i> |

Threshold Value (varies by Price Cap IR Year subsequent to CoS rebasing)

| | |
|------------------------|------|
| Price Cap IR Year 2021 | 111% |
| Price Cap IR Year 2022 | 111% |
| Price Cap IR Year 2023 | 111% |
| Price Cap IR Year 2024 | 111% |
| Price Cap IR Year 2025 | 111% |
| Price Cap IR Year 2026 | 111% |
| Price Cap IR Year 2027 | 111% |
| Price Cap IR Year 2028 | 111% |
| Price Cap IR Year 2029 | 111% |
| Price Cap IR Year 2030 | 111% |

Threshold CAPEX

| | |
|------------------------|--------------|
| Price Cap IR Year 2021 | \$ 5,007,015 |
| Price Cap IR Year 2022 | \$ 5,007,045 |
| Price Cap IR Year 2023 | \$ 5,007,075 |
| Price Cap IR Year 2024 | \$ 5,007,104 |
| Price Cap IR Year 2025 | \$ 5,007,134 |
| Price Cap IR Year 2026 | \$ 5,007,164 |
| Price Cap IR Year 2027 | \$ 5,007,193 |
| Price Cap IR Year 2028 | \$ 5,007,223 |
| Price Cap IR Year 2029 | \$ 5,007,253 |
| Price Cap IR Year 2030 | \$ 5,007,283 |

Threshold Value × d

Note 1: The growth factor *g* is annualized, depending on the number of years between the numerator and denominator for the calculation. Typically, for ACM review in a cost of service and in the fourth year of Price Cap IR, the ratio is divided by 2 to annualize it. No division is normally required for the first three years under Price Cap IR.

