PUBLIC INTEREST ADVOCACY CENTRE
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July 24, 2019 **VIA E-MAIL**

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Toronto, ON

Dear Ms. Walli:

Re: EB-2019-0019 – Algoma Power Inc. (Algoma) 2020 Distribution Rates
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)

Please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark Garner
Consultants for VECC/PIAC

Email copy:
Mr. Gregory Beharriell, Manager Regulatory Affairs
regulatoryaffairs@fortisontario.com

REQUESTOR NAME	**VECC**
TO:	**Algoma Power Inc. (Algoma)**
DATE:	**July 25, 2019**
CASE NO:	**EB-2019-0019**
APPLICATION NAME	**2020 COS Rate Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: Exhibit 1, page 32

a) Please explain the purpose of the holding 1228158 Ontario Limited by Algoma Power Inc.

1.0-VECC-2

Reference: Exhibit 1, page 62 / Appendix B

a) Please provide the total cost of customer engagement activity undertaken in support of this application. Please provide this cost in two parts: (1) internal utility costs and (2) external consulting and other costs.

b) In what years were these costs incurred?

c) Was the AIM insight report completed by internal staff or by external consultants (Utility Pulse)? If the latter please provide the cost of that exercise/report.

1.0-VECC-3

Reference: Exhibit 1, Appendix A (PDF 124)

a) Please update the scorecard results to provide the 2018 actual results.

2.0 RATE BASE (EXHIBIT 2)

2.0-VECC -4

Reference: Exhibit 2, page 37, Table 14 & Appendix 2A-DSP pg. 23

a) In a number of places API notes that it has or is expects overhead conductors to exceed the life of its poles (see, for example DSP, pg.75). Yet the service life for this category of asset chosen by API is below the Kinectrics band (45 years rather than 50-60 years). Please explain this apparent discrepancy.

2.0-VECC-5
Reference: EB-2014-0055 Exhibit 2, Appendix A DSP, page 55 &
Exhibit 2, page 34, Table 12 System Service variances

a) The EB-2014-0055 DSP showed the Hawke Junction DS Rebuild/Expansion as costing $997,000. In the event, the project costs were $3,576,098 ($2,805,052 + 771,046) or a difference of $2,579,098.

The following list summarizes the main drivers of approximately $1.7 million in cost increases, in relation to the descriptions provided above:

- $535k – Inability to include preliminary cost saving strategies during detailed design
- $220k – Increased excavation depth resulting from geotechnical report
- $293k – Refinement of preliminary design assumptions during detailed design
- $375k – Line rebuild and SCADA-capable reclosers budgeted in other DSP categories
- $238k – Competitive bid costs higher than engineering estimates adjusted for final design

This explains $1,661,000 of the overspending from the original estimate. What accounts for the remaining $918,098 in spending above the original estimate?

2.0-VECC -6
Reference: Exhibit 2, pages 48

a) Are the 34 Mist Meters to be installed in 2019 included as part of API's capital expenditure budget/forecast for 2019 (i.e. included as part of projects in Appendix 2-AA)?

2.0-VECC -7
Reference: Appendix 2A-DSP pg. 39 / Appendix H – API Reliability Study

a) API experienced a large increase in outages due to defective equipment in 2018. There also does not appear to be an improving trend in this category of outages. Has API identified any particular equipment issues (e.g. porcelain insulators, transformers etc.) that are the primary cause of equipment failure outages? If yes, what program(s) are being proposed for the rate period to try to reduce this type of outage?

2.0-VECC -8
Reference: Exhibit 2, page 17

	Includes outages caused by loss of supply					Excludes outages caused by loss of supply					Excluding Major Event Days				
Index	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
SAIDI	12.31	19.17	6.22	15.90	13.83	10.12	16.94	5.46	11.10	11.96	8.68	11.03	6.22	12.20	9.38
SAIFI	6.47	7.12	3.85	5.97	4.26	4.04	4.40	2.57	4.26	3.14	4.93	6.39	3.85	5.15	3.31

a) Please clarify Table 26 (reproduced above). Does the third category (Excluding Major Event Days - MEDs) also exclude outages due to loss of supply? If not please provide a table showing SAIDI/SAIFI without both loss of supply and MEDs.

b) Does API have any specific initiatives in the DSP or other business plans to reduce the duration of outages? If yes please explain if these are new initiatives and if there is any incremental cost associated with the initiative(s).

2.0-VECC -9
Reference: Exhibit 2, Appendix 2A-DSP pg. 45

a) Are Figures 2.15, 2.16 and 2.17 (Performance Measures) shown in actual (nominal) dollars or constant (real) dollars? If the former please recast the figures to show the performance measures in constant dollars over the 2015 to 2019 period.

2.0-VECC-10

Reference: Exhibit 2, Appendix 2-A, DSP

a) Federal Government PCB regulations require the testing of electrical equipment and elimination of PCBs in equipment by the end of 2025. Please outline the program API is implementing during the rate period to achieve this requirement. Please show the spending per year from 2009 to 2024 on the program.

2.0-VECC-11

Reference: Exhibit 2, Appendix 2-A, DSP, pg.79

a) What was the average age of each category of fleet vehicles (as listed in the DSP but excluding trailers and ancillary vehicles) at the end of 2018 and what will be the expected average age at the end of 2020?

- 12 aerial devices (bucket trucks, radial boom derricks)
- 19 pickup trucks
- 1 AWD Crossover
- 8 snowmobiles
- 5 off-road vehicles

2.0-VECC -12
Reference: Exhibit 2, Appendix 2A-DSP pg. 83

Table 4-1: System Access Capital Investments ($,000)

Capital Investments	2020	2021	2022	2023	2024
Customer Demand Work (New Connections and Service Upgrades)	$750	$780	$780	$780	$780
Total of Items Less Than Materiality (New Transformers/Meters, Plant Relocations)	$153	$184	$151	$127	$127
System Access Total	**$903**	**$963**	**$930**	**$906**	**$906**

a) Please provide the forecast contributions for each year 2020 through 2024. Please explain how the forecast contributions are estimated.

b) Do any of the categories of capital spending other than System Access attract capital contributions? If so please provide the expected contributions for each category with capital contributions.

2.0-VECC -13
Reference: Exhibit 2, Appendix 2A-DSP pg. 89 & 145-

> In an effort to properly organize and manage important records and documents, API will be investigating its record-producing processes and evaluating the benefits of the implementation of an Electronic Document and Record Management System (**EDRMS**)

a) Please provide the forecast cost and year of implementation of this program.

b) Please explain why the IT hardware costs in 2020 are significantly higher than in any of the prior 5 years.

2.0-VECC -14
Reference: Exhibit 2, Appendix 2A-DSP pg. 116

a) Please provide an update as to the current status and costs of the Desbarats work centre and associated transformer stand project. What is the current estimated completion date of this project?

b) Please explain what remaining work is being completed at the Wawa Work Centre. Please provide the current estimated 2019 costs for work at this location and the forecast costs for 2020.

2.0-VECC-15

Reference: Exhibit 2, Appendix I – SCADA Deployment Plan

a) Among the consultant's recommendation are:

> API should review its overall needs for operational communication infrastructure for voice, SCADA, AMI, and operational applications. There are likely opportunities for sharing facilities for backhaul communication between Sault Ste Marie and major outlying areas. A detailed long term communication plan for SCADA should be completed with consideration of other API operational communication needs. (Emphasis added)

Has API undertaken such a study? If not, why is it proceeding with SCADA investments prior to such a study?

2.0-VECC -16

Reference: Exhibit 2, Appendix 2A-DSP

a) API is requesting approval for only two ACM projects: (1) Echo River and (2) API Sault Facility Replacement Project. However we are unable to locate evidence supporting documentation including:

i. a detailed business plan;

ii. detailed description of the projects Sault Facility replacement project, including real-estate studies;

iii. detailed descriptions of the various components of the Echo River project including potential cost sharing with Hydro One;

iv. AACE or other forms of contractor cost estimates for either project, including contingencies for the projects' various components; and

v. project schedules and timelines.

Has this type of supporting evidence been filed and if not when does API expect to be in the position to provide greater detail on these projects?

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0-VECC-17

Reference: Exhibit 3, pages 13 and 26
Load Forecast Model, Input – Adjustments and Variables Tab

a) Are the Wholesale Purchases values set out in Exhibit 3, Table 3 the same as those in Column B of the Input – Adjustments and Variables Tab of the Load Forecast Model? If not, what is the difference?

b) Do the Wholesale Purchases values for 2009-2018 in the Load Forecast Model include volumes to serve Dubreuil and its associated retail customers?

c) Do values used in both references include purchases by Algoma from embedded generation?

   i. If yes, please provide breakdown between embedded generation and purchases from the IESO.

   ii. If not, please revise the Load Forecast Model so as to include embedded generation in wholesale purchases and provide a revised version of the model.

d) The Adjustments and Variables Tab includes other adjustments (i.e., TrapRock1 and TrapRock2) to the historic whole purchases values for purposes of developing the load forecast model. Please explain the purpose of these adjustments and why they are appropriate.

3.0-VECC-18

Reference: Exhibit 3, pages 17-18

a) Precisely what is the basis for the Employment variable (i.e., definition) used in the Load Forecast Model.

b) It is noted that the coefficient for the Employment variable is negative such that increases in the value for the variable will lead to a reduction in the predicted wholesale purchases.

   i. Based on the definition of the variable, does this result make sense intuitively?

   ii. If not, please provide an alternative Load Forecast model where Employment is not included as an explanatory variable.

c) Apart from employment, were any other variables that associated with economic activity (e.g., GDP, customer count etc.) specifically tested for inclusion in the model? If yes, what were the results?

3.0-VECC-19

Reference: Exhibit 3, pages 24-26
Load Forecast Model, Input Customer Data Tab

a) Are the historical customer counts set out in Table 10 based on the customers served directly by Algoma over the period (with Dubreuil treated as an embedded distributor)? If not please, provide these values for each customer class.

b) Please provide the 2018 year-end and the June 2019 customer count for each customer class for Algoma (with Dubreuil treated as an embedded distributor customer).

c) Is Dubreuil Lumber itself still a customer of Algoma? If yes, why is the R2 customer count reduced by one?

d) Please provide the 2018 year-end and the June 2019 customer count for each customer class served by Dubreuil as an embedded distributor. (Note: If Dubreuil Lumber is now a retail customer of Algoma, please include it in the "count" and indicate which customer class it is in).

e) Please provide the average annual customer count for each of the years 2009-2018 for each of the customer classes served by Dubreuil as an embedded distributor. (Note: Please indicate those years where Dubreuil Lumber was itself an end-user of electricity and include it in the "counts").

f) It is noted that, for 2020, the Street Lights customer count is based on increasing the 2018 value by 50. Please explain the basis for using this approach for the 2020 forecast as opposed adding 50 to a 2020 forecast for Algoma (excluding Dubreuil) based on the historic geomean (as was done for the other customer classes).

3.0-VECC-20

Reference: Exhibit 3, page 22 (Table 8)
Load Forecast Excel Model, Forecast Tab (Columns D, E and G)

a) It is noted that, in the Load Forecast Model, the HDD and CDD monthly values used for the 2019 and 2020 forecasts are different. Why is this when the forecast is based on 10 years of historical data?

b) It is noted that the 10 year average of the monthly values for HDD and CDD set out in Table 8 do not match the HDD and CDD monthly values used in the Excel Model to forecast wholesale purchases for either 2019 or 2020. Please explain.

c) What is the basis for the 2019 and 2020 forecast values for Employment as used in the Load Forecast Model?

d) What are the “predicted” wholesale purchases for 2017 and 2018 based on the 10 year average of the monthly values for HDD and CDD used for 2020?

3.0-VECC-21

Reference: Exhibit 3, pages 27-31
Load Forecast Excel Model, Bridge and Test Year Class Forecast Tab

a) Please confirm that the additional 2020 Street Lights load associated with the inclusion of Dubreuil’s Street Lights is 26,650 kWh (i.e. 533 x 50) which would account for 0.32% of the DLI 44 kV supply (26,650/8,373,019). If not, what is the additional kWh that were added?

b) It is noted that the Residential and GS<50 customers are attributed 52.48% and 36.30% of the DLI 44 kV supply (per Tables 11 and 12). What accounts for the remaining 11% of the DLI 44 kV supply?

3.0-VECC-22

Reference: Exhibit 3, pages 34-39
Load Forecast Excel Model, CDM Adjustment & CDM Allocation Tabs

a) With respect to page 34, please provide a copy of Algoma’s most recently approved CDM plan.

b) With respect to Table 18, which years’ CDM results are based on actuals and which are based on Algoma’s CDM Plan?

c) With respect to Table 18, why is there no loss of persistence in savings attributed to 2018 CDM programs for the years after 2018?

d) With respect to page 36, please explain the basis for the weightings used for the manual load forecast adjustment (i.e., 2018- 1.0; 2019 – 0.5 and 2020 – 1.0).

e) Please explain why the total saving attributable to 2018-2020 programs in Table 19 (8,289,615 kWh) does not equal the total in Table 18 for the impact in 2020 of 2018-2020 programs (8,295,615 kWh).

f) With respect to the CDM Allocation Tab, please explain why savings from 2017 programs are included in the determination of the class shares when the results being allocated are attributable to 2018-2020 programs.

3.0-VECC-23

Reference: Exhibit 3, page 57

a) In 2019 were all of the retail customers of Dubreuil billed based on Algoma's approved 2019 rates?

b) If not, please provide two tables for revenues at current rates: one based on the customers served by Algoma in 2019 at Algoma's approved rates (Note: For this table please exclude any customers who were served by Dubreuil in its role as a "distributor") and a second setting out the customers Dubreuil served based on their 2020 forecast loads and the 2019 rates that they paid.

3.0-VECC-24

Reference: Exhibit 3, pages 59 and 66-67

a) Based on the variance analysis of the 2020 vs 2019 forecasts (page 66), no adjustment appears to have been made to Other Operating Revenues to account for the fact Dubreuil's former customers will be customers of Algoma in 2020. What USOA accounts will be impacted by this change (e.g., SSS Admin) and what is the expected impact for 2020 for each of these accounts?

b) It is noted that both Table 33 and Appendix 2-H include Expenses for Non-Utility Operations (USOA 4380).

   i. Please confirm that these expenses are Algoma's allocation of CNPI-Distribution's shared IT costs (per page 67).

   ii. Please explain why these expenses are included as an offset against Other Operating Revenue whereas other shared costs allocated from CNPI-Distribution are not.

c) Please provide the Other Revenue Offsets for the first six months of both 2018 and 2019 broken down per Table 33.

d) Does Algoma have any microFIT customers and, if so, where are the revenues from the monthly service charges included in Table 33?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC-25
Reference: Exhibit 1, page 26/ Exhibit 4, pg. 34

a) Please explain how the bad debt costs were estimated for 2019 and 2020.

4.0 -VECC-26
Reference: Exhibit 4, Section 4.6.1, page 64-

a) Is API a member of the Electricity Distributors Association? If yes, please provide the annual fees paid to the EDA in the years 2015 through 2020 forecast (or the allocated share of fees if paid by an API affiliate).

4.0 -VECC-27
Reference: Exhibit 4, page 41

a) Has API signed a new lease for the Sault Ste. Marie facilities? If yes, please provide the terms of the lease. If not, please provide the expected date for finalization of negotiations.
b) In the interim is API on a month-to-month rent agreement for the current site? If yes, please provide the monthly rental amount.
c) What are the terms of vacating the property under the current lease?

4.0 -VECC-28
Reference: Exhibit 4, pg. 49, Table 8 – Appendix 2-K

a) Please amend Table 8 (Appendix 2-K) to show the total amount of compensation capitalized and expensed in each year.
b) Please provide a list of positons operating out of an API location in 2015, currently and expected to be working in the API service territory at year-end 2019.

4.0 -VECC-29
Reference: Exhibit 4, pg. 59-

a) Please explain why the shared IT services of $525,645 in 2015 were not anticipated in the Board approved amounts for shared services.

4.0 –VECC-30
Reference: Exhibit 4- pages 60-

a) Please explain why shared service and corporate cost allocations have exceeded the pace of inflation when comparing 2015 actual costs to 2020 forecast costs (~16% increase over the period).

b) What “building” is API paying building rent for?

4.0 –VECC-31

Reference: Exhibit 4, pages 70-71 Appendix 2-M (Table 15)

a) Please provide the actual one-time application related costs incurred to-date in the following categories (as per Table 14):

- Legal costs
- External Consultant costs
- Internal staff costs
- Intervenor costs

b) What portion of the one-time regulatory costs are included in the presentation of OM&A costs as shown in Appendix 2-JA for 2018, 2019 and 2020?

4.0 –VECC-32

Reference: Exhibit 4, page 84

a) Please show the actual income and capital taxes paid by API in each year 2015 through 2018.

4.0 –VECC-33

Reference: Exhibit 4, pages 90-93
EB-2014-0055, Exhibit 3, Tab 2, Schedule 1, pages 3-4

b) Please provide a copy of Appendix 4G in excel format.

c) Please confirm that the LRAM threshold value of 750,000 kWh reflects the impact of 2014 and 2015 programs on the 2015 load forecast used in EB-2014-0055.

d) Please explain why the current LRAM claim includes CDM savings in 2015-2017 from programs implemented in 2011-2014 when the threshold established in EB-2014-0055 was based on savings from 2014 and 2015 programs.

e) Please provide a revised LRAMVA Work Form that excludes savings from CDM programs implemented in 2011-2014.

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

5.0-VECC-34
Reference: Exhibit 5, page 6-

a) Please explain what efforts were made to determine the relative cost of the promissory note negotiated with API's affiliate and short to mid-term debt otherwise available in the market?

b) Given the description of the $12.75 million promissory note with the parent company as "*to support its capital program spending requirements until the balance is sufficient to replace it with the issuance of third party long-term debt*" why would it not be more appropriate that this debt attract the Board's short term interest rate?

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –35
Reference: Exhibit 7, page 5

a) Please provide a schedule that sets the actual derivation of the values in Table 2 starting from the 2015 OEB-approved revenue requirements for each class.

7.0 – VECC –36
Reference: Exhibit 7, pages 6-7

a) What is the basis for the customer count and kWh/kW values used in Tables 3 & 4 and why are they the appropriate values to use?

7.0 – VECC –37
Reference: Exhibit 7, page 8 (lines 1-19)
Cost Allocation Model, I9 Direct Allocation Tab
Board Directions on Cost Allocation Methodology For Electricity Distributors (EB 2005 0317), page 31

Preamble: The Board Directions on Cost Allocation Methodology state: "Direct allocation must be applied if, and only if, 100% of the use of a clearly identifiable and significant distribution facility can be tracked directly to a single rate classification".

a) Please explain the nature and use of the assets that Algoma proposes to directly allocate.

b) It is noted that in each case (per Tab I9) the asset/expense values are split between Residential and Street Lights. What is the basis for the split between customer classes?

c) Are all of the individual assets/expenses for which direct allocation is proposed used only by either the Residential or Street Light class or are some/all of the assets/expenses common to and shared by both classes as suggested at lines 23-26?

d) Please provide an alternative Cost Allocation Model where there is no direct allocation of the Dubreuil's former assets/costs.

7.0 – VECC –38
Reference: Exhibit 7, page 8 (lines 20-26)

a) How many months of demand history does Algoma have for Dubreuil's former large commercial/industrial customers?

b) If more than one year (12 months) of history now exists for any of these customers, is the average monthly demand for any of them over 50 kW? If yes, for how many customers is this the case?

7.0 – VECC –39
Reference: Exhibit 7, page 10 (lines 7-17)
Cost Allocation Model, I4 BO Assets Tab

a) Please clarify precisely what assets Algoma considers to be "Bulk" and why. In providing the explanation please address separately: i) overhead facilities and ii) underground facilities.

b) Please explain how the 15% allocation bulk was established for each by type of asset (i.e., USOA 1830, 1835 and 1845).

c) Please explain how/why there are costs associated with underground conductor (USOA 1845) but not costs related to underground conduit (USOA 1840).

7.0 – VECC–40
Reference: Exhibit 7, page 10 (lines 18-20)
a) Does the updated value for km of road in service area reflect the inclusion of Dubreuil's service area?

7.0 – VECC–41
Reference: Exhibit 7, page 7 (Table 4) and page 11 (lines 3-5)
Cost Allocation Model, I6.1 Revenue Tab and
I6.2 Customer Data Tab

a) Please explain why, in theI6.2 Tab, the Secondary Customer Base value for Street Lights is set at 15.

b) Please explain why, in the I6.1 Tab, there is no value included for the Existing Distribution kWh Rate for the Seasonal Class per Table 4.

7.0 – VECC –42
Reference: Exhibit 7, page 10 (lines 7-17) and 11-13
Cost Allocation Model, I8 Demand Data Tab

a) Were the demand allocators adjusted in order to account for the direct allocation of certain accounts to the Residential and Street Lights classes?

i. If yes, what adjustments were made?

ii. If no, why not and, in Algoma's view, should adjustments should be made?

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 43
Reference: Exhibit 8, page 9 (lines 4-11)

a) To be deemed to be receiving Residential Service must a customer meet both criteria (i) and (ii) or just one of the two criteria? If just one must be met please explain the use of the conjunction "and" at line 7.

8.0 –VECC -44
Reference: Exhibit 8, pages 11-12

a) When does Algoma expect the Board to determine the actual RRRP Adjustment Factor for 2020 electricity distribution rates?

8.0 –VECC -45

Reference: Exhibit 8, page 19 (lines 12-17)
Exhibit 7, pages 20-21

a) Please explain more fully why maintaining the current fixed to variable split of 64.09%/35.91% for the Seasonal rate class would result in a decrease to the Seasonal fixed rate (prior to the 2020 adjustment under the 13 Residential Rate Design Policy) when the proposed revenue from the Seasonal rate class is increasing from $2,757,773 based on current rates to $3,013,020 based on the proposed revenue to cost ratios?

8.0 –VECC- 46

Reference: Exhibit 8, pages 20-22
RTSR Work Form, Tab 4 – RRR Data and Tab 6 – Historical Wholesale

a) What is the basis (i.e., year) for the customer class consumption data entered in Tab 4?

b) What is the basis for the IESO billing data enter in Tab 6 and also used in Tabs 7 and 8?

c) If the basis (i.e. year used) is not the same please explain why this mismatch won't bias the calculation of the RTSRs.

d) Please provide a revised RTSR Work Form where the usage data used in Tab 4 is based on the same year as the billing unit data in Tab 6.

8.0 –VECC - 47

Reference: Exhibit 8, pages 34-35

a) Algoma notes that the primary driver of the large total bill decreases for the non-RPP rate classes is a relatively high credit rate rider related to disposition of Global Adjustment variances. Please comment on the anticipated total bill impact in 2021 for the affected rate classes when this rate rider terminates.

b) Please comment on the merits of extending the disposition period for this account over more than one year so as to ameliorate the year to year swings in the total bill impact.

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -48

Reference: Exhibit 9, page 17 & Exhibit 4, page 69

a) Is API seeking to dispose of either the interim Licence Deferral Account (ILDA) or the Integration Costs Deferral Account (TICDA) in this application and as contemplated in the Board's recent EB-2018-0271 Decision?

b) Please provide the current balance of each account.

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