



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

ORDER

EB-2017-0153

ALGOMA POWER INC.

An order granting Algoma Power Inc. an interim distribution licence to operate the electricity distribution system in the Township of Dubreuilville.

DUBREUIL LUMBER INC.

An order requiring Dubreuil Lumber Inc. to surrender possession and control of the electricity distribution system in the Township of Dubreuilville to Algoma Power Inc.

**Before: Rosemarie Leclair
Chair and Chief Executive Officer**

April 4, 2017

ORDER

Dubreuil Lumber Inc. (DLI) owns and operates the electricity distribution system in the Township of Dubreuilville, Ontario.

DLI operates pursuant to Ontario Energy Board licence ED-2012-0074, serving approximately 300 customers. The electricity distribution system was formerly owned and operated by Dubreuil Forest Products Ltd. After Dubreuil Forest Products Ltd. filed for bankruptcy in 2011, all of the assets associated with the electricity distribution system were transferred to DLI and DLI was issued a distributor licence, on March 5, 2012, on an interim basis for a term of one year. DLI's licence has since been renewed several times, with the term of each renewal being no longer than one year. DLI's current licence is set to expire on April 27, 2017. DLI is embedded within the electricity distribution system of Algoma Power Inc. (Algoma Power).

The OEB received letters from DLI on December 29, 2016 and February 17, 2017, stating that it would not be able to continue providing distribution service beyond April 27, 2017 due to financial and staffing issues. The correspondence also confirms that DLI does not intend to apply for an extension of the existing licence and that it is agreeable to surrendering the existing licence.

Under sections 59.(1) and 59.(2) of the *Ontario Energy Board Act, 1998* (OEB Act), if the OEB determines that a licensed distributor is likely to fail to supply electricity in accordance with its obligations under section 29 of the *Electricity Act, 1998*, the OEB has the authority to appoint an interim licensee to take over the distribution and supply of electricity. Based on the letters from DLI, the OEB has determined that DLI is likely to fail to meet its obligations relating to the supply of electricity to consumers in the Township of Dubreuilville.

The OEB has determined that it will appoint Algoma Power as interim licensee for the service area of DLI. Algoma Power is the host distributor for DLI and therefore has experience in dealing with DLI. Further, Algoma Power serves customers in the area near the Town of Dubreuilville and, in the past, has provided services to assist DLI and its predecessors in emergencies. The OEB is appointing Algoma Power as interim licensee for a period of six months, as permitted under the OEB Act.

During the term of the interim licence, Algoma Power will be responsible for providing all distribution services within the Township of Dubreuilville, including connection of new customers, reliable supply and distribution to the customers of DLI in accordance with good utility practice; and, customers of DLI will continue to be billed based on the same charges as have been applicable with DLI. Algoma Power will also be required to report to the OEB on the state of DLI's distribution system and finances.

The OEB notes that, while DLI has consented to a surrender of its licence, it has not indicated how it plans to dispose of its distribution system assets. Pursuant to section 57 (a) of the OEB Act, no person may either operate or own a distribution system unless licensed to do so by the OEB. As such, in order for DLI to avoid falling into non-compliance with this section of the OEB Act, the OEB requires that DLI shall, by April 27, 2017, either have renewed its licence or disposed of its ownership interest in the distribution system (whether through a sale or other transfer of its assets) to another licensed electricity distributor.

IT IS ORDERED THAT:

1. Algoma Power Inc. shall:
 - a. Comply with the interim distribution licence shown in Appendix A, which authorizes Algoma Power Inc. to take possession and control of the electricity distribution system owned and operated by Dubreuil Lumber Inc. as soon as possible and, in any event, no later than April 27, 2017.
 - b. Collect revenue from customers within the service area of Dubreuil Lumber Inc. based on the charges that are currently applied by Dubreuil Lumber Inc.
 - c. Record revenues collected from customers within the service area of Dubreuil Lumber Inc. and the costs of operation and maintenance of the system in a deferral account under the Uniform System of Accounts.
 - d. In the period leading up to the transfer provide, on a best efforts basis and in accordance with good utility practice, any resources necessary to deal with required maintenance as requested by Dubreuil Lumber Inc.

- e. Inform the OEB immediately upon taking possession and control of the business of Dubreuil Lumber Inc.
 - f. Within 60 days from the date of this Order, file a written report with the OEB advising on the status of the electricity distribution system in the Township of Dubreuilville including a detailed analysis of the assets and capabilities.
2. Dubreuil Lumber Inc. shall:
- a. Surrender possession and control of its business including its distribution assets to Algoma Power Inc.
 - b. Not be entitled to any compensation from the Crown, the OEB or any person for being required to surrender possession and control of its distribution assets and business.
 - c. Provide full cooperation and assistance to Algoma Power Inc. to effect the transfer.
 - d. Continue to be responsible for meeting all requirements under its current licence until the transfer is complete.
3. In terms of the transfer of distribution assets to Algoma Power Inc., both Algoma Power Inc. and Dubreuil Lumber Inc. will ensure public, system and employee safety of all parties.
4. The term of the interim electricity distribution licence is for period of six months to October 3, 2017.

DATED at Toronto April 4, 2017

ONTARIO ENERGY BOARD

Original signed by

Rosemarie Leclair
Chair and Chief Executive Officer

Appendix A
Interim Distribution Licence
ED-2017-0153
Effective April 4, 2017



Interim Electricity Distribution Licence

ED-2017-0153

Algoma Power Inc.

Under sections 59 (1) and (2) of the *Ontario Energy Board Act, 1998* for possession and control of the electricity distribution business serving the Town of Dubreuilville

Valid Until
October 3, 2017

Original signed by

Rosemarie Leclair
Chair & CEO
Ontario Energy Board
Date of Issuance: April 4, 2017

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

Commission de l'énergie de
l'Ontario
C.P. 2319
2300, rue Yonge
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Interim Electricity Distribution Licence

1. Definitions

In this Licence:

“Accounting Procedures Handbook” means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

“Act” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

“Affiliate Relationships Code for Electricity Distributors and Transmitters” means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

“distribution services” means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sales of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order;

“Distribution System Code” means the code approved by the Board which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum, technical operating standards of distribution systems;

“Electricity Act” means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

“good utility practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgement in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good practices, reliability, safety and expedition. Good utility practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America;

“Licensee” means Algoma Power Inc.;

“Market Rules” means the rules made under section 32 of the Electricity Act;

“Performance Standards” means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

“regulation” means a regulation made under the Act or the Electricity Act;

“Retail Settlement Code” means the code approved by the Board which, among other things, establishes a distributor’s obligations and responsibilities associated with financial settlement among retailers and consumers and provides for tracking and facilitating consumer transfers among competitive retailers;

“service area” with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

“Standard Supply Service Code” means the code approved by the Board which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act;

“wholesaler” means a person that purchases electricity or ancillary services in the IESO administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IESO-administered markets or directly to another person other than a consumer.

2. Interpretation

- 2.1 In this Licence, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this Licence, where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

3. Authorization

The Board, in the exercise of its powers conferred by Part V and particularly sections 59 (1) and (2) of the Act, licenses the Licensee, subject to the terms and conditions set out in this Licence, to possess and control the business of Dubreuil Lumber Inc. including its distribution assets which are listed in Schedule 1 of electricity distribution licence No. ED-2012-0074, first issued to Dubreuil Lumber Inc. on March 5, 2012.

4. Term of Licence

- 4.1 This Licence will expire on October 3, 2017 unless the term of this Licence is extended by the Board.

5. Obligations under this Licence

- 5.1 The Licensee shall operate the electricity distribution assets referred to in section 3 in accordance with good utility practice.
- 5.2 The Licensee shall comply with all applicable Market Rules.
- 5.3 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act, regulations made under these statutes and all applicable orders or directives of the Board.
- 5.4 The Licensee shall provide, in the manner and form determined by the Board such information as the Board may require from time to time to monitor the Licensee's compliance with the conditions of this Licence.
- 5.5 Subject to the conditions of this Licence, the Licensee shall carry on, manage and conduct the operations of the distribution business in the name of the owner of the distribution assets, Dubreuil Lumber Inc. including:
- (a) preserving, maintaining and adding to the property of the business;
 - (b) receiving the income and revenue of the business;
 - (c) issuing cheques from, withdrawing money from and otherwise dealing with the accounts of the business;
 - (d) retaining or dismissing employees, consultants, counsel and other assistance for the business;
 - (e) directing the employees of the business; and
 - (f) conducting, settling and commencing litigation relating to the business.
- 5.6 The Licensee may dispose of the distribution assets owned by Dubreuil Lumber Inc. as are ordinarily disposed of in the normal course of carrying on the business of a distributor.

6. Obligation to Comply with Codes

- 6.1 The Licensee shall at all times comply with the following Codes (collectively the "Codes") approved by the Board, except where the Licensee has been

specifically exempted from such compliance by the Board. Any exemptions granted to the Licensee are set out in Schedule 3 of this Licence. The following Codes apply to this Licence:

- (a) the Affiliate Relationships Code for Electricity Distributors and Transmitters;
- (b) the Distribution System Code;
- (c) the Retail Settlement Code; and
- (d) the Standard Supply Service Code.

6.2 The Licensee shall:

- (a) make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and
- (b) provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

7. Obligation to Sell Electricity

- 7.1** The Licensee shall fulfill its obligation under section 29 of the Electricity Act to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail Settlement Code and as otherwise ordered by the Board.

8. Obligation to Maintain System Integrity

- 8.1** The Licensee shall maintain the electricity distribution assets referred to in section 3 in accordance with the standards established in the Distribution System Code and Market Rules, and have regard to any other recognized industry operating or planning standards adopted by the Board.

9. Liability of the Licensee

The Licensee is not liable for anything that results from taking possession and control of the distribution assets owned by Dubreuil Lumber Inc. or otherwise exercising or performing the Licensee's powers and duties under the Act in relation to those businesses, this Licence or any order of the Board, unless liability arises from the Licensee's negligence or wilful misconduct.

10. Provision of Information to the Board

- 10.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.
- 10.2 Without limiting the generality of paragraph 10.1, the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets referred to in section 3, as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.

11. Customer Complaint and Dispute Resolution

- 11.1 The Licensee shall:
- (a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner;
 - (b) publish information which will make its customers aware of and help them to use its dispute resolution process;
 - (c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours;
 - (d) give or send free of charge a copy of the process to any person who reasonably requests it; and
 - (e) subscribe to and refer unresolved complaints to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Board. The Board will provide reasonable notice to the Licensee of the date this condition becomes effective.

12. Market Power Mitigation Rebates

- 12.1 The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence.

13. Communication

- 13.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.
- 13.2 All communication relating to this Licence shall be in writing.

- 13.3 All communication is to be regarded as having been given by the sender and received by the addressee
- (a) when delivered in person to the addressee by hand or by courier;
 - (b) ten (10) business days after the date of posting if the communication is sent by registered mail; and,
 - (c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

14. Copies of the Licence

14.1 The Licensee shall:

- (a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours, as well as at the offices of the Township of Dubreuilville; and
- (b) provide a copy of this Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

APPENDIX A

MARKET POWER MITIGATION REBATES

1. Definitions and Interpretations

In this Licence

“embedded distributor” means a distributor who is not a market participant and to whom a host distributor distributes electricity;

“embedded generator” means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

“host distributor” means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IESO includes interim payments made by the IESO.

2. Information Given to IESO

- a Prior to the payment of a rebate amount by the IESO to a distributor, the distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with information in respect of the volumes of electricity withdrawn by the distributor from the IESO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:
 - i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
 - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.
- b Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IESO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to

embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

- i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
 - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.
- c Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IESO may issue instructions or directions providing for any information to be given under this section. The IESO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IESO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IESO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IESO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

- a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented;

- b consumers who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
- c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

“ONTARIO POWER GENERATION INC. rebate”

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IESO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

ONTARIO POWER GENERATION INC. REBATES

For the payments that relate to the period from May 1, 2006 to April 30, 2009, the rules set out below shall apply.

1. Definitions and Interpretations

In this Licence

“embedded distributor” means a distributor who is not a market participant and to whom a host distributor distributes electricity;

“embedded generator” means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

“host distributor” means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IESO includes interim payments made by the IESO.

2. Information Given to IESO

- a Prior to the payment of a rebate amount by the IESO to a distributor, the distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with information in respect of the volumes of electricity withdrawn by the distributor from the IESO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:
 - i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented and the consumer is not receiving the prices established under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*; and
 - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.
- b Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IESO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable

to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

- i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
 - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.
- c Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IESO may issue instructions or directions providing for any information to be given under this section. The IESO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IESO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IESO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IESO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

- a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented and the consumer is not receiving the prices

established under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*;

- b consumers who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
- c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

“ONTARIO POWER GENERATION INC. rebate”

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IESO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.



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

DECISION AND ORDER

EB-2017-0303

ALGOMA POWER INC.

An order for the extension of an interim distribution licence issued in relation to the operation of the distribution assets in the Township of Dubreuilville.

DUBREUIL LUMBER INC.

An order requiring Dubreuil Lumber Inc. to surrender possession and control of the electricity distribution system in the Township of Dubreuilville to Algoma Power Inc.

By delegation before: Brian Hewson
Vice President, Consumer Protection &
Industry Performance

October 03, 2017

INTRODUCTION AND SUMMARY

On April 4, 2017 the Ontario Energy Board (OEB) issued a Decision and Order (the Order) requiring Algoma Power Inc. (Algoma Power) to take possession and control of the distribution system assets owned by Dubreuil Lumber Inc. (DLI) in Township of Dubreuilville. The Order also authorized the issuance of interim electricity distribution licence #ED-2017-0153 (the Interim Licence) to Algoma Power for the purpose of operating DLI's distribution assets. In accordance with the Order, Algoma Power filed a notice of transition on April 26, 2017 confirming that it had taken possession and control of the DLI distribution system and began serving the customers of Dubreuilville.

The Order and Interim Licence were issued under sections 59.(1) and 59.(2) of the *Ontario Energy Board Act, 1998* (OEB Act). A licence issued under these sections may not exceed a term of 6 months, unless it is extended by the OEB. The purpose of this Decision and Order is to authorize an extension of the Interim Licence for a term of six months.

This Decision and Order is being issued by Delegated Authority without a hearing, pursuant to section 6 of the OEB Act.

BACKGROUND

The DLI distribution system serves approximately 300 customers in the Township of Dubreuilville. DLI is embedded within the electricity distribution system of Algoma Power. In its letters filed with the OEB on December 29, 2016 and February 17, 2017, DLI advised that, due to financial and staffing issues, it would not be able to continue providing distribution service beyond April 27, 2017 (being the expiry date of DLI's OEB electricity distributor licence #ED-2012-0074).

The OEB determined that it was necessary to issue the Order to provide for the continued reliable electricity distribution service to the consumers within the Township of Dubreuilville. As a condition of the Order, Algoma Power was required within 60 days of the Order to file a written report with OEB advising on the status of the electricity distribution system in the Township of Dubreuilville including a detailed analysis of the assets and capabilities. Algoma Power filed its report on June 6, 2017. The report detailed the steps that Algoma Power had taken to implement the transfer of control, its customer outreach and the preliminary stages of its asset and system review.

As noted in the Order, DLI consented to a surrender of its licence, however it did not indicate how it plans to dispose of its distribution system assets. Pursuant to section

57(a) of the OEB Act, no person may either operate *or own* a distribution system unless licensed to do so by the OEB. As such, for DLI to avoid falling into non-compliance with this section of the OEB Act, it will need to continue to hold a distribution licence.

Algoma Power noted in its April 26 notice of transition that it was engaged in commercial discussions with DLI. DLI has, in previous correspondence to the OEB, stated that it was not prepared to continue owning and operating the distribution system within the Township of Dubreuilville.

Findings

The OEB has not been made aware of any change in DLI's situation and its ability to carry out the responsibilities of a licensed electricity distributor. Therefore, to provide for the continuity of reliable electricity service to the consumers of the Township of Dubreuilville, the OEB finds that Algoma Power shall continue to operate the DLI distribution system in accordance with the interim electricity distribution licence #ED-2017-0153.

As DLI remains the owner of its distribution assets, the OEB requires that DLI shall, by October 26, 2017, either have renewed its licence or disposed of its ownership interest in the distribution system (whether through a sale or other transfer of its assets) to another licensed electricity distributor.

The OEB is of the view that it is in the public interest to have a viable and committed owner and operator of the distribution system for the Township of Dubreuilville. The OEB looks forward to further updates from both Algoma Power and DLI regarding the progress towards achieving a long term solution.

IT IS ORDERED THAT:

1. Algoma Power Inc. shall continue to:
 - a. Comply with the interim distribution licence shown in Appendix A, which authorizes Algoma Power Inc. to remain in possession and control of the electricity distribution system owned and operated by Dubreuil Lumber Inc.

- b. Collect revenue from customers within the service area of Dubreuil Lumber Inc. based on the charges that are currently applied by Dubreuil Lumber Inc.
 - c. Record revenues collected from customers within the service area of Dubreuil Lumber Inc. and the costs of operation and maintenance of the system in a deferral account under the Uniform System of Accounts.
 - d. Provide the OEB with a report on the amounts in the deferral account referred to in paragraph c.
- 2. Dubreuil Lumber Inc. shall continue to:
 - a. Surrender possession and control of its distribution system business including its distribution assets to Algoma Power Inc.
 - b. Not be entitled to any compensation from the Crown, the OEB or any person for being required to surrender possession and control of its distribution assets and business.
 - c. Continue to be responsible for meeting all requirements under its current licence until the transfer is complete.
- 3. The term of the interim electricity distribution licence is extended for period of six months to April 3, 2018.

DATED at Toronto October 3, 2017

ONTARIO ENERGY BOARD

Original Signed By

Brian Hewson
Vice President, Consumer Protection & Industry Performance



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

DECISION AND ORDER

EB-2018-0136

ALGOMA POWER INC.

An order for the extension of an interim distribution licence issued in relation to the operation of the distribution assets in the Township of Dubreuilville.

DUBREUIL LUMBER INC.

An order requiring Dubreuil Lumber Inc. to surrender possession and control of the electricity distribution system in the Township of Dubreuilville to Algoma Power Inc.

By delegation before: Brian Hewson

Vice President, Consumer Protection &
Industry Performance

April 3, 2018

DECISION AND ORDER

On April 4, 2017 the Ontario Energy Board (OEB) issued a Decision and Order (the Order) requiring Algoma Power Inc. (Algoma Power) to take possession and control of the distribution system assets owned by Dubreuil Lumber Inc. (DLI) in the Township of Dubreuilville. The Order also authorized the issuance of interim electricity distribution licence #ED-2017-0153 (the Interim Licence) to Algoma Power for the purpose of operating DLI's distribution assets. In accordance with the Order, Algoma Power filed a notice of transition on April 26, 2017 confirming that it had taken possession and control of the DLI distribution system and began serving the customers of DLI.

The Order and Interim Licence were issued under sections 59.(1) and 59.(2) of the *Ontario Energy Board Act, 1998* (OEB Act). A licence issued under these sections may not exceed a term of six months, unless it is extended by the OEB. The OEB hereby extends the Interim Licence from its current expiry date of April 3, 2018 for a further six months.

This Decision and Order is being issued by Delegated Authority without a hearing, pursuant to section 6 of the OEB Act.

On March 28, 2018, Algoma Power provided the OEB with a written update on the status of its operations under the interim licence and negotiations with DLI. As stated in the letter, Algoma Power continues to be engaged in commercial discussions with DLI regarding the potential acquisition by Algoma Power of DLI's distribution system. Once an agreement with DLI is reached, the parties would file a MAADs application to include the Township of Dubreuilville in Algoma Power's service territory. Algoma Power also stated that it continues to operate DLI's distribution system and manage issues associated with its operations in accordance with the terms of its interim licence.

As no long-term solution has yet been brought forward, the OEB finds it necessary to extend the term of Algoma Power's interim licence to ensure the continuity of reliable electricity supply to consumers in the Township of Dubreuilville.

As DLI remains the owner of its distribution assets, the OEB requires that DLI shall, by April 26, 2018, either have renewed its licence or disposed of its ownership interest in the distribution system (whether through a sale or other transfer of its assets) to another licensed electricity distributor.

The OEB is of the view that it is in the public interest to have a viable and committed owner and operator of the distribution system for the Township of Dubreuilville. The OEB looks forward to further updates from both Algoma Power and DLI regarding the progress towards achieving a long-term solution.

IT IS ORDERED THAT:

1. Algoma Power Inc. shall continue to:
 - a. Comply with the interim distribution licence shown in Appendix A, which authorizes Algoma Power Inc. to remain in possession and control of the electricity distribution system owned and operated by Dubreuil Lumber Inc.
 - b. Collect revenue from customers within the service area of Dubreuil Lumber Inc. based on the charges that are currently applied by Dubreuil Lumber Inc.
 - c. Record revenues collected from customers within the service area of Dubreuil Lumber Inc. and the costs of operation and maintenance of the system in a deferral account under the Uniform System of Accounts.
 - d. Provide the OEB with a report on the amounts in the deferral account referred to in paragraph c.
2. Dubreuil Lumber Inc. shall continue to:
 - a. Surrender possession and control of its distribution system business including its distribution assets to Algoma Power Inc.
 - b. Not be entitled to any compensation from the Crown, the OEB or any person for being required to surrender possession and control of its distribution assets and business.
 - c. Continue to be responsible for meeting all requirements under its current licence until the transfer is complete.
3. The term of the interim electricity distribution licence is extended for period of six months to October 3, 2018.

DATED at Toronto April 3, 2018

ONTARIO ENERGY BOARD

Original Signed By

Brian Hewson
Vice President, Consumer Protection & Industry Performance



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

DECISION AND ORDER

EB-2018-0284

ALGOMA POWER INC.

An order for the extension of an interim distribution licence issued in relation to the operation of the distribution assets in the Township of Dubreuilville.

DUBREUIL LUMBER INC.

An order requiring Dubreuil Lumber Inc. to surrender possession and control of the electricity distribution system in the Township of Dubreuilville to Algoma Power Inc.

By delegation before: Brian Hewson
Vice President, Consumer Protection &
Industry Performance

October 3, 2018

DECISION AND ORDER

On April 4, 2017 the Ontario Energy Board (OEB) issued a Decision and Order (the Order) requiring Algoma Power Inc. (Algoma Power) to take possession and control of the distribution system assets owned by Dubreuil Lumber Inc. (DLI) in the Township of Dubreuilville. The Order also authorized the issuance of interim electricity distribution licence #ED-2017-0153 (the Interim Licence) to Algoma Power for the purpose of operating DLI's distribution assets. In accordance with the Order, Algoma Power filed a notice of transition on April 26, 2017 confirming that it had taken possession and control of the DLI distribution system and began serving the customers of DLI.

The Order and Interim Licence were issued under sections 59.(1) and 59.(2) of the *Ontario Energy Board Act, 1998* (OEB Act). A licence issued under these sections may not exceed a term of six months, unless it is extended by the OEB. The OEB hereby extends the Interim Licence from its current expiry date of October 3, 2018 for a further six months.

This Decision and Order is being issued by Delegated Authority without a hearing, pursuant to section 6 of the OEB Act.

Algoma Power was engaged in commercial discussions with DLI regarding the acquisition by Algoma Power of DLI's distribution system. The agreement with DLI has been reached and on September 24, 2018, Algoma Power and DLI filed an application¹ for leave of the OEB to sell DLI's distribution system to Algoma Power and to include the Township of Dubreuilville in Algoma Power's service territory.

As DLI remains the owner of its distribution assets until the OEB renders its decision in the MAADs application, the OEB requires that DLI shall, by October 26, 2018, have renewed its licence ED-2012-0074.

IT IS ORDERED THAT:

1. Algoma Power Inc. shall continue to:
 - a. Comply with the interim distribution licence shown in Appendix A, which authorizes Algoma Power Inc. to remain in possession and control of the

¹ EB-2018-0271

electricity distribution system owned and operated by Dubreuil Lumber Inc.

- b. Collect revenue from customers within the service area of Dubreuil Lumber Inc. based on the charges that are currently applied by Dubreuil Lumber Inc.
 - c. Record revenues collected from customers within the service area of Dubreuil Lumber Inc. and the costs of operation and maintenance of the system in a deferral account under the Uniform System of Accounts.
2. Dubreuil Lumber Inc. shall continue to:
- a. Surrender possession and control of its distribution system business including its distribution assets to Algoma Power Inc.
 - b. Not be entitled to any compensation from the Crown, the OEB or any person for being required to surrender possession and control of its distribution assets and business.
 - c. Continue to be responsible for meeting all requirements under its current licence until the transfer is complete.
3. The term of the interim electricity distribution licence is extended for period of six months to April 2, 2019 or until the final determination of the MAADs application EB-2018-0271, whichever is earlier.

DATED at Toronto October 3, 2018

ONTARIO ENERGY BOARD

Original Signed By

Brian Hewson
Vice President, Consumer Protection & Industry Performance

DECISION AND ORDER

EB-2019-0126

ALGOMA POWER INC.

An order for the extension of an interim distribution licence issued in relation to the operation of the distribution assets in the Township of Dubreuilville.

DUBREUIL LUMBER INC.

An order for the extension of the term of Dubreuil Lumber Inc.'s distribution licence ED-2012-0074.

By delegation before: Brian Hewson

Vice President, Consumer Protection &
Industry Performance

April 2, 2019

DECISION AND ORDER

On April 4, 2017 the Ontario Energy Board (OEB) issued a Decision and Order (the Order) requiring Algoma Power Inc. (Algoma Power) to take possession and control of the distribution system assets owned by Dubreuil Lumber Inc. (DLI) in the Township of Dubreuilville. The Order also authorized the issuance of interim electricity distribution licence ED-2017-0153 (Interim Licence) to Algoma Power for the purpose of operating DLI's distribution assets. In accordance with the Order, Algoma Power filed a notice of transition on April 26, 2017 confirming that it had taken possession and control of the DLI distribution system and began serving the customers of DLI.

The Order and Interim Licence were issued under sections 59.(1) and 59.(2) of the *Ontario Energy Board Act, 1998* (OEB Act). A licence issued under these sections may not exceed a term of six months, unless it is extended by the OEB. The Interim Licence has previously been extended by the OEB and is set to expire on April 2, 2019

This Decision and Order is being issued by Delegated Authority without a hearing, pursuant to section 6 of the OEB Act.

On September 24, 2018, Algoma Power and DLI filed an application¹ for leave of the OEB to sell DLI's distribution system to Algoma Power and to include the Township of Dubreuilville in Algoma Power's service territory (the MAADs application). The OEB has not yet rendered a decision in the MAADs application.

In order to maintain the reliability and quality of electricity supply to the Township of Dubreuilville, the OEB hereby extends the Interim Licence for a further six months on the terms as set out in this Decision and Order and the licence.

Further, as DLI remains the owner of its distribution system, the OEB orders that the term of DLI's distribution licence ED-2012-0074 is extended to October 2, 2019.

IT IS ORDERED THAT:

1. Algoma Power Inc. shall continue to:
 - a. Comply with the interim distribution licence shown in Appendix A, which authorizes Algoma Power Inc. to remain in possession and control of the electricity distribution system owned and operated by Dubreuil Lumber Inc.

¹ EB-2018-0271

- b. Collect revenue from customers within the service area of Dubreuil Lumber Inc. based on the charges that are currently applied by Dubreuil Lumber Inc.
 - c. Record revenues collected from customers within the service area of Dubreuil Lumber Inc. and the costs of operation and maintenance of the system in a deferral account under the Uniform System of Accounts.
- 2. Dubreuil Lumber Inc. shall continue to:
 - a. Surrender possession and control of its distribution system business including its distribution assets to Algoma Power Inc.
 - b. Not be entitled to any compensation from the Crown, the OEB or any person for being required to surrender possession and control of its distribution assets and business.
 - c. Continue to be responsible for meeting all requirements under its current licence until the transfer is complete.
- 3. The term of the Algoma Power Inc.'s interim electricity distribution licence is extended for period of six months to October 2, 2019.
- 4. The term of the Dubreuil Lumber Inc.'s distribution licence ED-2012-0074 is extended for period of six months to October 2, 2019.

DATED at Toronto April 2, 2019

ONTARIO ENERGY BOARD

Original Signed By

Brian Hewson
Vice President, Consumer Protection & Industry Performance



EB-2018-0271

**Dubreuil Lumber Inc.
Algoma Power Inc.**

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

**DECISION ON CONFIDENTIALITY AND PROCEDURAL ORDER NO. 2
February 6, 2019**

Dubreuil Lumber Inc. (DLI) and Algoma Power Inc. (API) (collectively, the Applicants) filed an application on September 24, 2018 under Sections 74, 77, 78, and 86 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B) (the Act), for leave to sell DLI's distribution system to API, and for API to incorporate that system into its existing regulated distribution business. The Applicants are asking for the Ontario Energy Board (OEB) to approve:

- DLI's proposed sale of its electricity distribution system, substantially in its entirety, to API pursuant to Section 86(1)(a) of the Act
- Cancellation of DLI's Electricity Distribution Licence¹ pursuant to Section 77(5) of the Act
- Cancellation of API's Interim Distribution Licence² to operate DLI's distribution system pursuant to Section 77(5) of the Act
- Amendment of API's Electricity Distribution Licence³ pursuant to Section 74(1) of the Act, by:
 - Adding the Township of Dubreuilville to the description of the service area in which API is authorized to distribute and sell electricity

¹ ED-2012-0074

² ED-2017-0153

³ ED-2009-0072

-
- Adding a condition to provide API with limited relief from regulatory liability for circumstances arising from its acquisition
 - The partial disposition of the balance recorded in API's OEB-approved Interim Distribution Licence Deferral Account from DLI customers pursuant to Section 78(2) of the Act
 - The establishment of a new deferral account to record transaction and integration costs incurred by API, for recovery from all API customers after the acquisition, in lieu of a deferred rate rebasing period, pursuant to Section 78(2)
 - The classification of customers acquired by API in the DLI service area in accordance with API's existing rate classes upon the closing of the proposed transaction, after which they may be billed in accordance with API's approved tariff of rates and charges
 - The endorsement by the OEB of API's proposed approach to allocating costs attributable to the DLI service area to be used, at the time of API's next rebasing, primarily to API's R1 and R2 rate classes, which are eligible for Rural or Remote Rate Protection

On January 3, 2019, the OEB issued Procedural Order No. 1, in which the OEB established an interrogatory process for the amalgamation application. Interrogatories from OEB staff were filed and served on the Applicants on January 15, 2019. The Applicants' responses were received by the OEB on January 28, 2019.

The Applicants requested confidential treatment of certain information filed in response to an interrogatory from OEB staff. The OEB's Decision on Confidentiality and further procedural steps are set out below.

Decision on Confidentiality

In the cover letter to its January 28, 2019 interrogatory responses, the Applicants advised that certain information had been redacted. Specifically, the Applicants redacted information relating to API's measures to address the OEB's cybersecurity requirements in response to OEB Staff Interrogatory No. 9(a).

The public version of the response to OEB Staff Interrogatory No. 9(a) that was filed electronically on the OEB's Regulatory Electronic Submission System was redacted. A confidential, unredacted version of the response was provided to the OEB in

accordance with the OEB's *Practice Direction on Confidential Filings* (Practice Direction).

Findings

The OEB has considered the Applicants' request for confidential treatment of its response to OEB Staff Interrogatory No. 9(a). The OEB finds that this information should remain confidential. The OEB will not require public disclosure of the redacted information in response to OEB Staff Interrogatory No. 9(a) relating to API's measures to address the OEB's cybersecurity requirements.

Procedural Steps

The OEB has determined that the application will proceed by way of a written hearing.

The OEB considers it necessary to make provision for the following matters related to this proceeding. The OEB may issue further procedural orders from time to time.

IT IS THEREFORE ORDERED THAT:

1. OEB staff shall file its submission and deliver it to the Applicants on or before **February 21, 2019**.
2. The Applicants shall file their reply submission(s), if any, with the OEB on or before **March 7, 2019**.

All filings to the OEB must quote the file numbers, **EB-2018-0271** and be made electronically in searchable/unrestricted PDF format through the OEB's web portal at <https://www.pes.oeb.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.oeb.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD or USB in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Valerie Bennett, at Valerie.Bennett@oeb.ca and OEB Counsel, James Sidlofsky, at James.Sidlofsky@oeb.ca.

ADDRESS

Ontario Energy Board
P.O. Box 2319
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E-mail: BoardSec@oeb.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, **February 6, 2019**

ONTARIO ENERGY BOARD

Original signed by

Kristen Walli
Board Secretary

DECISION AND ORDER

EB-2018-0271

ALGOMA POWER INC. AND DUBREUIL LUMBER INC.

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

BEFORE: **Cathy Spoel**
 Presiding Member

Lynne Anderson
Member

April 4, 2019

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1 INTRODUCTION AND SUMMARY

This is the Decision and Order of the Ontario Energy Board (OEB) regarding an application (Application) filed by Dubreuil Lumber Inc. (Dubreuil) and Algoma Power Inc. (Algoma) (collectively, the Applicants). The transaction proposed by the Applicants is for OEB approval for Dubreuil to sell its distribution system to Algoma, and for Algoma to incorporate that system into its existing regulated distribution business (Proposed Transaction), and to deal with licensing and rate-related matters associated with the Proposed Transaction.

The request for approval of the sale was made pursuant to Section 86 of the *Ontario Energy Board Act, 1998*¹ (OEB Act) which states that no transmitter or distributor, without first obtaining from the OEB an order granting leave, shall, sell, lease or otherwise dispose of its transmission or distribution system as an entirety or substantially as an entirety.

Algoma is a licensed electricity distributor that owns and operates the electricity distribution system in the Algoma District of Ontario while Dubreuil is a licensed electricity distributor that owns the electricity distribution system in the Township of Dubreuilville (Dubreuilville). Currently, Algoma operates the Dubreuil distribution system pursuant to an Interim Distribution Licence issued under Section 59 of the OEB Act.

Algoma was appointed as the interim operator of the Dubreuil distribution system on April 4, 2017 after Dubreuil advised the OEB that it would not be able to continue providing distribution service beyond April 27, 2017 due to financial and staffing issues.² The Dubreuil distribution system has never been rate-regulated by the OEB. Given the unique context and considerations of Algoma being the interim operator of the Dubreuil distribution system, the Application differs from typical mergers, acquisitions, amalgamations and divestitures (MAADs) applications. The OEB considered this context in reaching its findings.

Algoma is also seeking OEB approval, pursuant to Section 78 of the OEB Act, for the classification of customers in the acquired Dubreuil service area in accordance with Algoma's existing rate classes upon the closing of the Proposed Transaction. Customers in the former Dubreuil service area would then be billed in accordance with Algoma's approved Tariff of Rates and Charges. Algoma is also requesting approval for recovery of a portion of the capital and operating costs Algoma has incurred as the

¹ S.O. 1998, c. 15 Schedule B

² Order EB-2017-0153, April 4, 2017. Included in the Application as Exhibit C/Tab 2/Attachment 1/Appendix A

interim operator of Dubreuil's system; these costs are currently tracked in a deferral account approved by the OEB when Algoma was appointed as the interim operator of Dubreuil's system.

Additionally, Algoma requests the amendment of Algoma's Electricity Distribution Licence to include Dubreuilville and to add a condition to provide Algoma with limited relief from regulatory liability for circumstances arising from acquisition of the Dubreuil distribution system. Related requests were also made for the cancellation of Dubreuil's Electricity Distribution Licence and Algoma's Interim Distribution Licence to operate Dubreuil's distribution system. Requests on licensing matters are made pursuant to Sections 74 and 77 of the OEB Act.

Algoma proposes not to adopt a deferred rebasing period after acquiring the Dubreuil distribution system. Instead, Algoma plans to apply to rebase its rates, through a cost of service application for 2020, in accordance with the normal five-year schedule for the OEB's current Price Cap Incentive Rate-setting (Price Cap IR) approach. Finally, Algoma requests approval for the establishment of a new deferral account to record transaction and integration costs incurred by Algoma, for recovery from all Algoma customers after the acquisition, in lieu of a deferred rebasing period.

The OEB has applied the "no harm" test in assessing the Application in the context of the unique circumstances of this Application, and has concluded that the Proposed Transaction meets the test. The OEB therefore approves the sale of Dubreuil's distribution system to Algoma. The OEB also approves the additional requests made by the Applicants with certain conditions, with the exception of Algoma's proposed approach to cost allocation applicable to its next rebasing rate application.

2 APPLICATION AND PROCEEDING OVERVIEW

2.1 The Applicants

Algoma, a wholly owned subsidiary of FortisOntario Inc., has a distribution system that serves 11,554 customers.³ Algoma is licensed to provide electricity distribution services in numerous townships in the Algoma District of Ontario as well as north and east of the City of Sault Ste. Marie.

Dubreuil, a wholly owned subsidiary of Lucky Star Holdings Inc., has a distribution system that serves approximately 309 Residential and 44 Commercial/Industrial customers. Dubreuil owned and operated its distribution system, which served Dubreuilville, from 2012 to 2017. On April 4, 2017, Algoma was appointed the interim operator of the Dubreuil distribution system due to Dubreuil being unable to provide distribution services as a result of financial and staffing issues.

2.2 The Application

To facilitate the transaction, Algoma will pay Dubreuil a purchase price of \$45,000 and will assume certain liabilities. The Applicants seek OEB approval under Section 86 of the OEB Act for Dubreuil's proposed sale of its electricity distribution system, substantially in its entirety, to Algoma.⁴

The Applicants also seek OEB approval for the following:

- Cancellation of Dubreuil's Electricity Distribution Licence⁵ pursuant to Section 77(5) of the OEB Act
- Cancellation of Algoma's Interim Distribution Licence⁶ to operate Dubreuil's distribution system pursuant to Section 77(5) of the OEB Act
- Amendment of Algoma's Electricity Distribution Licence⁷ pursuant to Section 74(1) of the OEB Act by:

³ Customer count by rate class, as of June 30, 2018.

⁴ The Asset Purchase Agreement has specifically excluded the Rue des Pins Substation, assets used or related to the lumber business of Dubreuil, and any Dubreuil customer-owned secondary assets. No employees, fleet, office facilities, or IT systems are included in the proposed transaction. See also Exhibit D/Tab 1/Schedule 1/p. 1.

⁵ ED-2012-0074

⁶ ED-2017-0153

⁷ ED-2009-0072

- Adding Dubreuilville to the description of the service area in which Algoma is authorized to distribute and sell electricity
 - Adding a condition to provide Algoma with limited relief from regulatory liability for circumstances arising from its acquisition
- The partial disposition of the balance recorded in Algoma's OEB-approved Interim Distribution Licence Deferral Account from Dubreuil customers pursuant to Section 78(2) of the OEB Act
- The establishment of a new deferral account to record transaction and integration costs incurred by Algoma, for recovery from all Algoma customers after the acquisition, in lieu of a deferred rate rebasing period, pursuant to Section 78(2) of the OEB Act
- The classification of customers acquired by Algoma in the Dubreuil service area in accordance with Algoma's existing rate classes upon the closing of the Proposed Transaction, after which they would be billed in accordance with Algoma's approved Tariff of Rates and Charges
- The endorsement by the OEB of Algoma's proposed approach to allocating costs attributable to the Dubreuil service area to be used, at the time of Algoma's next rebasing, primarily to R1 and R2 rate classes, which are eligible for Rural or Remote Electricity Rate Protection

Algoma proposes not to adopt a deferred rebasing period. Instead, Algoma plans to rebase its rates, through a cost of service application for 2020, in accordance with the normal five-year schedule for the OEB's current Price Cap IR rate adjustment approach. This will enable Algoma to reset its rates for all Algoma customers based on updated cost and load forecasts, including the addition of Dubreuil customers and associated demand, capital and operating costs; an updated Distribution System Plan; and updated cost allocation and rate design data and proposals.

2.3 The Process

The OEB issued a Notice of Application on November 28, 2018 inviting interested parties to register as intervenors or to file letters of comment with the OEB. No applications for intervenor status or letters of comment were received. On January 3, 2019, the OEB issued Procedural Order No. 1, in which it made provisions for interrogatories by OEB staff and responses from the Applicants.

The Applicants' responses to interrogatories were received by the OEB on January 28, 2019, and included one redacted response. A confidential, unredacted version of the

response was provided to the OEB in accordance with the OEB's *Practice Direction on Confidential Filings*.

In the Decision on Confidentiality and Procedural Order No. 2, issued February 6, 2019, the OEB determined that the OEB would not require public disclosure of the redacted interrogatory response, and that the application would proceed by way of a written hearing. The OEB established a schedule for the filing of an OEB staff submission and a reply submission from the Applicants. OEB staff filed its submission on February 21, 2019, and the Applicants filed their reply submission on March 7, 2019.

3 STRUCTURE OF THE DECISION

Section 5 of this Decision and Order pertains to matters associated with the MAADs elements of the Application while Section 6 pertains to rates-related matters. Sections 7 and 8 address the regulatory liability and rates implementation issues, respectively.

As highlighted in the *Handbook to Electricity Distributor and Transmitter Consolidations* (MAADs Handbook),⁸ rate-setting following a consolidation will not be addressed in a consolidation application unless the application possesses a rate proposal that is an integral aspect of the consolidation.⁹ Due to the unique circumstances of this Application, certain rates matters proposed by the Applicants are addressed in this Decision and Order.

⁸ https://www.oeb.ca/oeb/Documents/Regulatory/OEB_Handbook_Consolidation.pdf, January 19, 2016

⁹ MAADs Handbook, p. 11

4 HISTORICAL CONTEXT AND UNIQUE CONSIDERATIONS OF THE APPLICATION

4.1 Algoma Appointed Interim Operator of the Dubreuil Distribution System

Dubreuilville was established in the early 1960s as a company town by Dubreuil Brothers Limited (DBL). In connection with its lumber operations, and to supply Dubreuilville with electricity, DBL developed, owned and operated Dubreuilville's electricity distribution system. The shares of DBL were amalgamated into Dubreuil Forest Products Limited (DFPL) in 1989.¹⁰ However, in 2011, DFPL filed for bankruptcy, which resulted in the assets associated with the distribution system being transferred to Dubreuil. On March 5, 2012, the OEB issued an Electricity Distribution Licence to Dubreuil¹¹ for a term of one year. This licence, which was renewed annually until 2017, authorized Dubreuil to own and operate the distribution system in Dubreuilville.

The OEB received letters from Dubreuil on December 29, 2016 and February 17, 2017, advising that Dubreuil would not be able to continue providing distribution service beyond April 27, 2017 due to financial and staffing issues. On April 4, 2017, the OEB appointed Algoma as the interim operator for the Dubreuil service area, and issued Algoma an Interim Distribution Licence for this purpose.¹² Dubreuil was required to surrender possession and control of its distribution system. When issuing Algoma the Interim Distribution Licence, the OEB noted in its Order that, for Dubreuil to avoid falling into non-compliance with Section 57(a) of the OEB Act, Dubreuil shall renew its licence or dispose of its ownership interest in the Dubreuil distribution system (whether through sale or transfer of its assets) to another licensed electricity distributor. Further, the OEB indicated that it was appointing an interim operator because Dubreuil was likely to fail to meet its obligations related to the supply of electricity to its customers, and that it had selected Algoma because Algoma was Dubreuil's host distributor and had experience working with Dubreuil.

The OEB has since extended the term of the Interim Distribution Licence for additional six month periods, most recently¹³ extending the term to October 2, 2019.

As part of the April 4, 2017 Order, Algoma was required to provide the OEB with a Notice of Transition Report and a 60 Day Status Report. The purpose of these reports

¹⁰ Exhibit C/Tab 2/Schedule 1/p. 1

¹¹ ED-2012-0074

¹² EB-2017-0153, *op. cit.*

¹³ EB-2019-0126

was to provide the OEB with updates on the actions taken by Algoma to assume operational control of the Dubreuil distribution system. The reports highlighted concerns relating to metering and billing, health, safety and the environment, regulatory compliance, asset management, and reliability.¹⁴ Since being appointed the interim operator, Algoma has been addressing concerns outlined in the Notice of Transition Report and 60 Day Status Report in an effort to bring the Dubreuil distribution system into regulatory compliance.

4.2 Dubreuil Rates

The rates for Dubreuil have never been regulated by the OEB. Dubreuil was a customer of Algoma and was charged Algoma's rates as applicable to Dubreuil as a Residential R2 customer.¹⁵ Dubreuil, in turn, determined rates for customers in Dubreuilville so that it would recover the allocated portion of the bill charged to it by Algoma, as well as Dubreuil's own estimated system capital and operating costs, based on the metered consumption of each customer within Dubreuilville. Therefore, as Algoma's distribution rates, transmission rates and commodity costs changed, Dubreuil's rates also changed over time.

While Dubreuil's rates were not regulated by the OEB, documentation provided by Algoma states the following:¹⁶

[Dubreuil] has historically distributed electricity for a price that is no greater than that required to recover all reasonable costs, and has never had its distribution rates approved by the OEB. Distribution rates for [Dubreuil] customers have been determined on a monthly basis, in consideration of the total delivery charges and metered kWh indicated on [Dubreuil]'s invoice from [Algoma]. An additional fixed charge of \$23.76 and a variable rate of \$0.015/kWh have historically been added to the calculated distribution rate to cover [Dubreuil]'s own costs related to operation and maintenance of its distribution system. [Algoma] has continued to apply this historical rate-setting methodology on behalf of [Dubreuil] as required

¹⁴ Exhibit B/Tab 1/Schedule 1/p. 6

¹⁵ Demand-billed commercial customers of Algoma, including Dubreuil, are classified as Residential R2 in accordance with Ontario Regulation 445/07 to qualify for Rural and Remote Rate Protection. They would be classified as General Service > 50 kW customers if served by most other Ontario distributors.

¹⁶ Exhibit F/Tab 1/Schedule 1/p. 3

by the OEB [in the April 4, 2017 Order appointing [Algoma] as the interim operator].

There are two other aspects of Dubreuil's rate-setting which distinguish it from rate-regulated distributors in Ontario:

1. Dubreuil did not unbundle its rates in the same way that rate-regulated Ontario electricity distributors did, whereby the distribution component of the bill was separated from transmission and commodity components. However, Dubreuil did establish fixed and variable rates (to recover Dubreuil distribution charges as well as commodity, upstream transmission and distribution charges, and regulatory charges from Algoma), and maintained different billing categories for Residential and Commercial customers.¹⁷
2. Dubreuil was not subject to Ontario Regulation (O. Reg.) 424/06 and associated regulations (on the Smart Metering initiative in Ontario), and did not replace conventional meters with smart meters, as was required of all rate-regulated Ontario electricity distributors.

Dubreuil was treated as a customer of Algoma subject to Rural or Remote Electricity Rate Protection (RRRP),¹⁸ similar to Algoma's own Residential and General Service < 50 kW customers,¹⁹ in accordance with O. Reg. 442/01. Dubreuil's approach to allocating those charges and passing them on to other Residential and Commercial customers in Dubreuilville meant that all customers were implicitly afforded RRRP treatment.

¹⁷ Exhibit F/Tab 2/Schedule 1, p. 1

¹⁸ Per O. Reg. 445/07. See Exhibit C/Tab 1/Schedule 1/p. 5

¹⁹ Algoma's customer classes R1(i) and R1(ii), respectively.

5 DECISION ON AMALGAMATION

5.1 “No Harm” Test

In the assessment of MAADs applications since 2005, the OEB has applied the “no harm” test. The “no harm” test considers whether the proposed transaction will have an adverse effect on the attainment of the OEB’s statutory objectives. Where a proposed transaction is determined to have a positive or neutral effect on the attainment of these objectives, the OEB will approve the application. The OEB has applied the “no harm” test in assessing this Application considering the circumstances of the Proposed Transaction.

The OEB’s statutory objectives in carrying out its responsibilities in relation to electricity are set out in Section 1 of the OEB Act:

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
 - 1.1 To promote the education of consumers.
2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.
3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer’s economic circumstances.
4. To facilitate the implementation of a smart grid in Ontario.
5. To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

Algoma stated that it prepared the Application in accordance with the OEB’s *Filing Requirements for Consolidation Applications* in the MAADs Handbook.

Algoma requested that the OEB focus specifically on different elements of its statutory objectives than it would for typical consolidation transactions, given the unique circumstances of the Application. In particular, Algoma proposed that the focus of the

“no harm” test be on the objectives of reliability, quality of service and financial viability.²⁰

Findings

The OEB concludes that the Proposed Transaction meets the “no harm” test. The OEB agrees that this is a unique circumstance and assessed the transaction on the basis of its specific circumstances.

The OEB appointed Algoma the interim operator for the Dubreuil service area upon receipt of correspondence from Dubreuil that it would not be able to continue providing distribution service beyond April 27, 2017 due to financial and staffing issues. The correspondence confirmed that Dubreuil did not intend to apply for an extension of its existing licence and that it was agreeable to surrendering its existing licence. Dubreuil's distribution system is embedded within Algoma's distribution system. No other licensed electricity distributor has emerged or been identified as having an interest in acquiring the Dubreuil distribution system. The OEB considered this context in reaching its findings.

The OEB grants leave to Dubreuil to sell its electricity distribution system to Algoma. In addition, effective upon the closing of the Proposed Transaction, the OEB approves:

- The cancellation of Dubreuil's Electricity Distribution Licence (ED-2012-0074)
- The cancellation of Algoma's Interim Electricity Distribution Licence (ED-2017-0153)
- An amendment to Algoma's Electricity Distribution Licence by:
 - Adding Dubreuilville to the service area description
 - Adding a condition to provide Algoma with limited relief from regulatory liability, as determined in Section 7 of this Decision and Order

Algoma shall notify the OEB of the closing date of the Proposed Transaction so that the licensing changes can be made.

In determining that the Proposed Transaction meets the “no harm” test, the OEB has focused on the objectives that are of most direct relevance to the impact of the proposed transaction; namely, reliability and quality of electricity service, financial

²⁰ Applicants' Reply Submission, p. 4

viability and price. The OEB also took into consideration its other objectives. Each of these objectives is discussed in the sections that follow.

5.2 Reliability and Quality of Electricity Service

The MAADs Handbook requires consolidating utilities to indicate the impact that the proposed transaction will have on customers with respect to the quality and reliability of electricity service. In considering the impact of a proposed transaction on the quality and reliability of electricity service, and whether the “no harm” test has been met, the OEB is informed by, among other things, the metrics provided by the distributor in its annual reporting to the OEB and published in its annual scorecard.²¹

Following review of Algoma’s 2013 to 2017 System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) statistics, OEB staff noted that Algoma’s current and historical reliability metrics are fairly consistent based on the recent historical trend of Algoma’s performance. Dubreuil has not filed Reporting and Record Keeping Requirements (RRR) information with the OEB, and therefore no SAIDI or SAIFI statistics for Dubreuil were available for review.

Algoma emphasized that significant improvements²² in service reliability and quality have been made to the Dubreuil distribution system in the period since it became the interim operator in 2017. Most notably, through its response to an OEB staff interrogatory, Algoma outlined how it addressed unmetered and incorrectly metered loads which has reduced system losses in the Dubreuil distribution system. Algoma noted that system losses have been reduced from 26% in 2017 to 15% in 2018.²³

Based on the evidence filed, OEB staff submitted that Algoma can be expected to reasonably maintain and likely enhance the service quality and reliability of the Dubreuil distribution system. OEB staff submitted that the Proposed Transaction met the “no harm” test with regard to service quality and reliability.²⁴

²¹ MAADs Handbook, p. 4

²² For instance, decommissioning of the Rue des Pins Substation reduces the risk of extended outages to customers formerly served by this substation and addresses system loss and power quality issues related to operating the substation in an open-delta configuration.

²³ Response to Interrogatory OEB Staff-14

²⁴ OEB Staff Submission, p. 14

Findings

The OEB is satisfied that the Proposed Transaction will not only lead to no adverse impact with respect to the reliability and quality of service, but should lead to improvements in these areas for Dubreuil customers.

The Application notes that “[Algoma] is able to provide 24/7 on-call response from its Wawa work centre to address power outages, immediate safety concerns, and other operational emergencies in the Township of Dubreuilville”.²⁵ This should enhance services to customers.

Algoma stated that there has been insufficient reinvestment in the Dubreuil distribution system and there are significant deficiencies. The OEB anticipates that reliability and quality of service will be enhanced as Algoma invests in the Dubreuil distribution system.

5.3 Financial Viability

The MAADs Handbook indicates that the impact of a proposed transaction on the acquiring utility’s financial viability for an acquisition, or on the financial viability of the consolidated entity in the case of a merger, will be assessed. The OEB’s primary considerations in this regard are:

- The effect of the purchase price, including any premium paid above historic (book) value of the assets involved
- The financing of incremental costs (transaction and integration costs) to implement the consolidation transaction²⁶

OEB staff submitted that the Proposed Transaction is not expected to have a negative impact on Algoma’s financial viability.²⁷ The purchase price to be paid by Algoma for the acquisition of the Dubreuil distribution system is \$45,000 and the assumption of certain liabilities. OEB staff submitted that the purchase price is a nominal amount for which Algoma is not seeking cost recovery and therefore will not negatively impact the financial viability of Algoma. Further, OEB staff noted that Algoma has incurred, and will

²⁵ Exhibit E/Tab 2/Schedule 1/pp. 6-7

²⁶ MAADs Handbook, p. 8

²⁷ OEB staff submission, p. 15

continue to incur, significant costs to remediate and operate Dubreuil's distribution system.

Findings

The OEB finds that the Proposed Transaction meets the "no harm" test with respect to financial viability of both Algoma and the electricity industry. Due to financial and staffing issues, Dubreuil was no longer able to continue operations, which was a risk to the viability of its system. The OEB accepts Algoma's assertion that it has the necessary financial resources to invest in Dubreuil's distribution system in a manner that is cost-effective and avoids duplication.

5.4 Price

In order to demonstrate "no harm," applicants are typically required to show that there is a reasonable expectation based on underlying cost structures that the costs to serve customers following a consolidation will be no higher than they would otherwise have been.²⁸ With respect to price, the Applicants stated in the Application that applying the typical "no harm" test would be inappropriate given the OEB's determination that Dubreuil was likely to fail in meeting its obligation to supply electricity to customers in Dubreuilville and that continued operation of the system by Dubreuil is not a viable option.²⁹ The Applicants noted that due to the historical condition and compliance issues of Dubreuil's distribution system, Algoma has been making and will continue to make, investments and improvements in the Dubreuil distribution system. It was also stated that Dubreuil did not file RRR information with the OEB or segregate financial records of its non-regulated business activities from those of its distribution business.³⁰ As a result, the Applicants were unable to provide a comparative analysis of the historical cost structures of Algoma and Dubreuil.

Algoma proposed not to adopt a deferred rebasing period in the Application as allowed for in the MAADs Handbook. Instead, Algoma plans to apply to rebase its rates, through a cost of service application for 2020, in accordance with the normal five-year schedule for the OEB's current Price Cap IR rate adjustment approach.

To address OEB requirements related to cost structures, Algoma noted that it will be able to implement investments and improvements to the Dubreuil service area more

²⁸ MAADs Handbook, p. 7

²⁹ Exhibit E/Tab1/Schedule 1/p.3

³⁰ Exhibit E/Tab 2/Schedule 1/p. 1

efficiently and at a lower cost upon acquiring the Dubreuil distribution system than it would as the interim operator. In response to an OEB staff interrogatory, the Applicants provided estimates of incremental costs associated with inefficiencies in the event the Proposed Transaction did not proceed. It was estimated that incremental one-time costs would total \$23,000 while incremental annual costs would total \$192,000.³¹

In its submission, OEB staff highlighted the unique circumstances underpinning the Proposed Transaction. Further, OEB staff accepted the business case set out by Algoma that the transaction will be cost effective and efficient overall.³² OEB staff submitted that, in its first cost of service application following the sale of the Dubreuil distribution system, Algoma will be in a position to demonstrate any savings and efficiencies that have resulted from the acquisition.³³

Findings

The OEB is satisfied that the Proposed Transaction will result in underlying costs of service that are no greater than they would have been with Algoma continuing as the interim operator. On that basis, the “no harm” test is satisfied.

Algoma has stated that it will implement the necessary investments and operational improvements more efficiently and at a lower cost once it has acquired the assets than it could have as the interim operator. If it remained as the interim operator, Algoma identified additional costs that would be incurred to administer service agreements and allocate third-party costs between Algoma and Dubreuil.

Algoma stated that Dubreuil has been faced with significant challenges with respect to regulatory compliance and was facing a number of requirements for investment in its distribution system. The OEB recognizes that investments need to be made regardless of who owns the distribution system.

Algoma stated that it has incurred material costs as the interim operator to address critical deficiencies in the Dubreuil system. Algoma also identified further investment needed to bring the Dubreuil system in line with current regulatory, environmental, safety and technical standards.

The evidence showed that if the Proposed Transaction is approved, the bill impacts to customers of Dubreuil are a decrease of \$18.35 (-12.4%) per month for typical residential customers, and an increase of \$20.16 (+6.3%) per month for a typical small

³¹ Response to Interrogatory OEB Staff-11

³² OEB Staff Submission, p. 12

³³ OEB Staff Submission, p. 12

commercial customer.³⁴ It is on this basis that the OEB is accepting that the “no harm” test has been met related to price.

However, these bill impacts compare the electricity bills following the Proposed Transaction with the bills that would have been charged with Algoma as the interim operator. The bill impacts do not compare future bills against the amount customers are currently paying, as customers are not currently paying for Algoma’s costs as the interim operator. The OEB discusses this issue under Section 6.2 of this Decision and Order.

5.5 Other Statutory Objectives

The OEB Act includes statutory objectives related to the promotion of Conservation and Demand Management (CDM), implementation of a smart grid, promotion of renewable energy sources and education of consumers. In the Application, Algoma advised that it engages its customers through a variety of methods, such as surveys, bill inserts, social media, engagement activities, safety campaigns, and CDM initiatives.³⁵ Dubreuil’s existing customers have been incorporated into a number of Algoma’s existing customer engagement and education efforts, such as newsletters, surveys, and “Your Kilowatt Hour” sessions. Algoma expects that the cost of these activities will be lower in the future as a result of the Proposed Transaction.

In response to an OEB staff interrogatory, the Applicants highlighted consumer education efforts including how Algoma held a meeting with the Council of Dubreuilville followed by a town hall session for residents of Dubreuilville to describe the status of the completed and planned investments to address compliance and reliability issues in the Dubreuil distribution system.³⁶

Currently, the Dubreuil distribution system does not have any smart meter infrastructure. Instead, meters are read manually and billed using mechanical style meters.³⁷ Algoma has recommended, as outlined in the 60-Day Report filed with the OEB, that existing electromechanical meters be replaced with smart meters to bring the existing metering assets into compliance and prepare the system for the eventual implementation of advanced metering infrastructure. Through the Proposed

³⁴ Response to OEB staff IR 7. Residential customers using 750 kWh per month and commercial customer using 2,000 kWh per month.

³⁵ Exhibit E/Tab 2/Schedule 1/p. 7

³⁶ Response to Interrogatory OEB Staff-16, and Schedule 16

³⁷ Exhibit E/Tab 2/Schedule 1/p. 9

Transaction, Algoma will be able to fully integrate the Dubreuil distribution system assets whereas as an interim operator, the full integration of smart-grid related technologies may be complicated.

There have been no historical connections of distributed generation in the Dubreuil distribution system; however, Algoma expects that it will be able to accommodate any future requests for connection. Algoma also expects that as a result of the Proposed Transaction, barriers associated with connection will be reduced due to Algoma's ability to manage the acquired assets as part of its distribution system.³⁸

Findings

The OEB does not typically focus on these other statutory objectives in assessing the "no harm" test. This is because the OEB has implemented a number of instruments, such as codes and licences, and has ongoing performance monitoring, to ensure that all regulated distributors meet their obligations.

The OEB accepts that achievement of these objectives will be improved when Algoma becomes the licensed distributor owning and operating the system in Dubreuilville. As a non-rate regulated distributor, neither Dubreuil's licence nor Algoma's interim licence includes all of the typical conditions for an electricity distributor, such as a requirement to make CDM programs available to customers. The OEB concludes that Algoma will be better positioned to deliver on public policy goals for the electricity customers in Dubreuilville.

³⁸ Exhibit E/Tab 2/Schedule 1/p. 10

6 DECISION ON RATE PROPOSALS

As part of the Proposed Transaction, Algoma also requested that the OEB:

- Determine that customers in the Dubreuil service area (Acquired Customers) be classified in accordance with Algoma's existing rate classes and be billed in accordance with Algoma's approved Tariff of Rates and Charges
- Approve the disposition of the balance recorded in Algoma's Interim Distribution Licence Deferral Account
- Establish a new deferral account to record the transaction and integration costs incurred by Algoma as result of the Proposed Transaction
- Endorse its proposed approach to allocating costs attributable to the Dubreuil service area

The OEB addresses each of these requests in the sections that follow.

6.1 Classification of Customers

The Applicants noted that Dubreuil has historically distributed electricity for a price that is no greater than that required to recover all reasonable costs and that distribution rates for Dubreuil have never been approved by the OEB.³⁹ As a result of this rate setting approach, the Applicants stated that Dubreuil rates are insufficient to recover the costs associated with remediating the Dubreuil distribution system.

Current customers of Algoma are afforded rate protection under the RRRP plan. Dubreuil is a Residential R2 customer of Algoma; therefore, customers in Dubreuilville have indirectly received the benefit of RRRP when the Algoma bill is allocated among Dubreuil's customers. Algoma proposes that Dubreuil's Residential customers would be migrated to Algoma's R1(i) rate class and Dubreuil's Commercial customers would be initially migrated to the R1(ii) rate class.⁴⁰ On that basis, they would be eligible for rate protection under the RRRP.

³⁹ Exhibit F/Tab 1/Schedule 1/p. 3

⁴⁰ Customers that are treated as residential under O. Reg. 445/07, with a demand less than 50 kW and billed on an energy basis

O. Reg. 198/17, which includes further rate relief under the Distribution Rate Protection (DRP) program, states:

A consumer who has an account with [Algoma] that falls within the R1 residential-rate classification, if he or she resides continuously at the service address to which the account relates for at least eight months of the year.

Once Residential customers of Dubreuil become part of Algoma, they become eligible for the DRP program.

In their reply submission, the Applicants stated that they suspect a small number of Commercial customers in Dubreuilville may have monthly peak demands that are consistently greater than 50 kW. However, due to the lack of an accurate record of historical demand for customers in Dubreuilville, it would be difficult for Algoma to determine which Commercial customers to migrate to Algoma's R2 rate class. Algoma advised that as part of the meter replacement program that it is currently executing, it will be able to collect the necessary peak demand data going forward and determine which customers, if any, should be migrated to the R2 rate class at a later date.⁴¹ Due to these circumstances, Algoma submitted that the proposed approach to rates for the Acquired Customers, and the resulting bill impacts, are reasonable.⁴²

OEB staff submitted that it takes no issue with the assignment of Dubreuil's Residential and all Commercial customers to Algoma's R1 and R2 rate classes. OEB staff submitted that while the request to change rates at the time of the acquisition is not standard, it agrees with Algoma that the unique circumstances of the Proposed Transaction warrant unique consideration.⁴³

The Applicants clarified, through their reply submission, certain matters pertaining to OEB staff's submission regarding the classification of customers as R1 and R2. The Applicants highlighted that "...all of [Algoma]'s commercial and industrial customers, regardless of demand, are required by O. Reg. 445/07 to be treated as though they are residential-rate class customers for the purpose of RRRP eligibility."⁴⁴ As a result, the Applicants noted that Algoma's Commercial and Industrial customers are either classified as R1(ii)⁴⁵ or R2⁴⁶. Due to this, the Applicants submitted that, while there would be future bill impacts for Dubreuil customers arising from reclassification between

⁴¹ Applicants' Reply Submission, p. 15

⁴² *Ibid.*, p. 16

⁴³ OEB Staff Submission, p. 27

⁴⁴ Applicants' Reply Submission, p. 17

⁴⁵ Customers with an average demand < 50 kW that are billed based on energy

⁴⁶ Customers with an average demand > 50kW that are billed based on demand

demand billing and energy billing at the 50 kW threshold, these changes would not be the result of changes in RRRP eligibility.⁴⁷

Findings

The OEB approves Algoma's proposal to classify the Acquired Customers in accordance with Algoma's existing rate classes.

A customer class is a group of customers who use a similar amount of energy, or use energy in a similar way (for example, residential customers). A utility's total costs are divided among the customer classes to set rates. The cost to serve each customer in a particular class is similar, and therefore it is fair for all customers in a class to pay the same rate.⁴⁸

Based on Algoma's description of its service area and that of Dubreuil, the OEB agrees that the Acquired Customers are similar to Algoma's existing customers and can be included in Algoma's existing rate classes. Given the OEB's finding that the Acquired Customers will be included in Algoma's customer classes, those that fall within the R1 class will be eligible for the DRP.

6.2 Disposition of Interim Licence Deferral Account

Upon the closing of the Proposed Transaction, Algoma proposed to recover the following costs, currently being recorded in the Interim Licence Deferral Account⁴⁹, from all Acquired Customers through a monthly fixed rate rider:

- 50% of the 2017 total of OM&A, Cost of Power and Billed Revenue
- 100% of the 2018-2019 total of [actual and forecasted] OM&A, Cost of Power and Billed Revenue
- Amortization expense and return on capital for the 2017-2019 period
- Tax impacts associated with the above costs

⁴⁷ Applicants' Reply Submission, p. 17

⁴⁸ *Handbook to Utility Rate Applications*, Appendix 2: Glossary of Terms, p. ii

⁴⁹ EB-2017-0152, *op. cit.* The deferral account was established in item 1c. of the OEB Order appointing Algoma as the interim operator of Dubreuil.

- The net impact of the simple interest calculated on cumulative OM&A and amortization expense offset by the simple interest calculated on revenues from the resulting rate rider⁵⁰

Algoma further proposed that the disposition be approved on an interim basis, and that the costs be recovered over a six year period. Algoma calculated the amount of the disposition to be \$283,662 (including interest) and the rate rider to be \$11.16 per customer per month.⁵¹

OEB staff submitted that Algoma's proposal for partial disposition of the balance in the account on an interim basis through the proposed rate rider is reasonable. OEB staff also submitted that partial disposition at this time, on an interim basis, may serve to mitigate bill impacts faced by Dubreuil customers now and at the time of Algoma's next application to rebase rates.

Findings

The OEB approves disposition on an interim basis of a partial balance in the deferral account as proposed by Algoma, subject to any mitigation that may be required, as discussed below. Algoma has stated that the six-year disposition results in a reasonable bill impact. The bill impacts provided by Algoma compare the electricity bills following the Proposed Transaction with the bills that would have been charged with Algoma as the interim operator. As noted by the OEB in Section 5.4 of this Decision and Order, the bill impacts do not compare the proposed bills against what customers are currently paying. The OEB can therefore not readily assess whether the actual bill impact is reasonable.

In its responses to interrogatories, Algoma provided a table of the delivery rates charged by Algoma for the 20 months from May 2017 to December 2018 under its interim licence.⁵² The table shows how the charges change month by month to recover the delivery charges to Dubreuil. For the OEB to confirm the actual bill impacts to customers, the OEB requires Algoma to file a draft rate order that includes:

1. A calculation of the average total bill from January 1, 2018 to December 31, 2018 in the Dubreuil service area for a residential customer using 750 kWh per month and a commercial customer using 2,000 kWh per month

⁵⁰ Exhibit F/Tab 3/Schedule 1/p. 3

⁵¹ Exhibit F/Tab 3/Schedule 1 and the Algoma-Dubreuil Rate Rider Model filed in support of the Application.

⁵² Response to Interrogatory OEB Staff-3, Schedule 3(a)

2. The bill impact for a residential customer using 750 kWh per month and a commercial customer using 2,000 kWh per month from the 2018 average total bill to the total bill at Algoma's proposed rates (inclusive of the DRP)
3. If the bill impact is greater than 10%, file a rate mitigation plan, including Algoma's recommendation on whether there should be further mitigation beyond what Algoma proposed in its Application.

Upon review of these bill impacts, the OEB will make a final determination on the amount to be recovered on interim basis, and the time period for that recovery. The residual balance will remain in this deferral account until final disposition is complete.

6.3 Establishment of New Deferral Account

Algoma has stated that it will not have an opportunity to recover its transaction and integration costs through efficiencies because investments in the Dubreuil distribution system will be required to ensure compliance with regulatory requirements.

Algoma has proposed the establishment of a new Transaction and Integration Costs Deferral Account with an effective date for the account of April 4, 2017.⁵³ The transaction and integration costs proposed to be recorded in Algoma's new deferral account would be separate from the amounts Algoma has been permitted to record in the Interim Distribution Licence Deferral Account. Algoma included a Draft Accounting Order No. 1508 in support of this request.

In its submission, OEB staff acknowledged that synergies are not a key driver of the Proposed Transaction. However, OEB staff did submit that integration of Dubreuil's distribution system into Algoma's system should result in some synergies that may be relatively small, corresponding to the small increase in customers and assets for Algoma.⁵⁴

OEB staff also submitted that Algoma's proposal for the new deferral account was reasonable.

⁵³ Corresponding with the date that Algoma was appointed as the interim operator of Dubreuil by Order EB-2017-0153 and then establishment of the Interim Licence Deferral Account.

⁵⁴ OEB Staff Submission, pp. 28-29

Findings

The OEB approves the establishment of a new Transaction and Integration Costs Deferral Account effective September 24, 2018, the date on which this application was filed. Algoma had requested the new account be effective April 4, 2017. Establishing the account for a prior year would give rise to a retroactive adjustment that is generally not permitted.

The MAADs Handbook states that, “Incremental transaction and integration costs are not generally recoverable through rates”. Instead, 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.

6.4 Allocating Costs

In the Application, Algoma requests “that the OEB endorse its proposed approach of allocating costs attributable to the Dubreuil service area, at the time of [Algoma]’s next rebasing, primarily to [Algoma]’s R1 and R2 rate classes, which are eligible for Rural or Remote Electricity Rate Protection”.⁵⁵

In its submission, OEB staff considered Algoma’s request to be a request for a blanket endorsement of Algoma’s approach to its next cost allocation study. OEB staff submitted that Algoma should be proposing an approach that considers all of its existing customers (especially low volume customers), including its Acquired Customers, when allocating costs attributable to the Dubreuil service area. OEB staff noted that the OEB has already directed Algoma to file an updated cost allocation study in Algoma’s next cost of service application, and the specific details of Algoma’s cost allocation should be reviewed at that time.⁵⁶

The Applicants, through their reply submission, submitted that Algoma had only requested “that the current panel endorse the planned approach for allocating specific costs arising from the Proposed Transaction [emphasis in original]”⁵⁷, and not a blanket endorsement. The Applicants clarified the proposed approach in that “any costs that are added to [Algoma]’s revenue requirement at the time of its 2020 rebasing, which are a

⁵⁵ Exhibit B/Tab 1/Schedule 1/p. 4

⁵⁶ OEB Staff Submission, p. 33

⁵⁷ Applicants’ Reply Submission, p. 21

direct result of the interim operation and acquisition of [Dubreuil]'s distribution system, would be directly allocated primarily to [Algoma]'s R1 and R2 rate classes."⁵⁸

The Applicants further noted that while some customers may experience bill impacts as a result of Algoma's next cost allocation study, in order to satisfy the "no harm" test in the current proceeding, there cannot be future impacts to Algoma's legacy customers resulting from the Proposed Transaction. The Applicants submitted that their proposed approach would allow these costs to be integrated with Algoma's revenue requirement in a manner that ensures there will be no harm to Algoma's existing customers, but does not affect or pre-judge any other aspect of Algoma's next cost allocation study.

Findings

The OEB does not approve Algoma's proposed approach to allocating costs attributable to the Dubreuil service area in this proceeding. This is a matter that should be determined by the OEB panel hearing the rebasing rate application in which the allocated costs will be reviewed. However, the OEB agrees with Algoma that its approach to integrating Dubreuil costs into Algoma's revenue requirement should be done in a manner that ensures there is no harm to Algoma's existing customers.

⁵⁸ Applicants' Reply Submission, p. 20

7 REGULATORY LIABILITY

The Application requested that the OEB add a condition in Algoma's Electricity Distribution Licence to provide Algoma with limited relief from regulatory liability for circumstances arising from the acquisition of the Dubreuil distribution system, similar to a provision included in its Interim Electricity Distribution Licence.

Algoma noted that any specific circumstances or defects that Algoma may be inheriting through the Proposed Transaction are not and cannot be fully known at this time. If the OEB were to allow a specified time period for compliance, Algoma suggested that the OEB do so by including the requested licence condition, with a stipulation that the condition expires on a certain date, subject to the opportunity for Algoma to apply to the OEB to extend the expiry date if needed.⁵⁹

In its submission, OEB staff submitted that allowing Algoma a specified period in which to achieve compliance is reasonable, but noted that it would not be appropriate for the OEB to agree to "refrain" from carrying out its compliance and enforcement responsibilities under the OEB Act with regard to the Dubreuil distribution system. OEB staff noted that the licence provision highlighted by Algoma only applies to interim licensees, but that once the transfer of the Dubreuil distribution system to Algoma is complete, no other party other than Algoma would be liable for compliance with the OEB's codes and licence conditions. However, OEB staff submitted that it supports the inclusion of a condition in the amended Algoma Electricity Distribution Licence that would allow Algoma time to bring the Dubreuil distribution system into compliance with OEB Code provisions in a manner more consistent with the OEB's compliance and enforcement role under the OEB Act.

In its reply submission, Algoma indicated several concerns it had with OEB staff's recommendation. Algoma further stressed that while the public interest would be supported by the Proposed Transaction, the loss of liability protection creates a disincentive for Algoma to complete the Proposed Transaction. Algoma explained that its proposed licence condition would not preclude the OEB from investigating and requiring the resolution of compliance matters that could arise in respect of the Dubreuil distribution system and its customers.

Algoma, instead, proposed, that the following language be included as the condition in its Electricity Distribution Licence as follows:⁶⁰

⁵⁹ Response to Interrogatory OEB Staff-12

⁶⁰ Applicants' Reply Submission, pp. 6-7

The Board will refrain from enforcing regulatory requirements that are within its control insofar as such requirements relate to circumstances or defects inherited by the Licensee through its acquisition of the distribution system formerly owned by Dubreuil Lumber Inc. (as set out in former Electricity Distributor Licence ED-2012-0074 and Interim Electricity Distributor Licence ED-2017-0153) provided, however, that upon becoming aware of any such circumstance or defect relating to the acquired [Dubreuil] system [Algoma] shall take reasonable steps to address those circumstances or defects within a reasonable period.

Algoma suggested an expiry date of December 31, 2024 in which to achieve compliance in response to an OEB staff interrogatory; this proposal was supported by both OEB staff and the Applicants in their respective submissions.

Findings

The OEB accepts Algoma's proposal for the condition providing limited relief from regulatory liability in matters that are within the OEB's control. The OEB will grant this relief until December 31, 2024, coinciding with the end of Algoma's next five-year planning cycle and rate-setting. The OEB agrees with Algoma that this condition does not preclude the OEB from investigating and requiring resolution of any compliance matters.

However, it is important for the OEB to have information on any matters that Algoma has identified as being out of compliance. As the interim operator, Algoma filed with the OEB a Notice of Transition which stated:

Finally, through its initial meetings and discussions with [Dubreuil], and the development of the transition plan proposed herein, [Algoma] has noted a number of areas in which [Dubreuil] is not currently compliant with the various Codes referred to in Section 6 of the Licence. While [Algoma] will undertake all reasonable efforts to ensure compliance, it notes that additional costs and/or transition time may be required in order to achieve full compliance in some cases.⁶¹

The OEB requires Algoma to file a Compliance Plan with the OEB by April 1, 2021. This deadline provides two years for Algoma to complete a thorough assessment of the Dubreuil system, and to integrate the Acquired Customers into Algoma's system. This Compliance Plan shall describe all circumstances in which Algoma has found a matter

⁶¹ Notice of Transition, April 26, 2017, EB-2017-0153, p. 3

that is not in compliance with regulatory requirements, and its plan for addressing these matters.

8 IMPLEMENTATION ISSUES

The OEB directs Algoma to file a draft rate order for rates to be implemented upon completion of the Proposed Transaction based on the effective dates determined in this Decision and Order. In the draft rate order, Algoma is directed to include the calculations, and rate mitigation plan if necessary, as required by Section 6.2 of this Decision. Further, the OEB directs Algoma to revise its draft accounting order for the Transaction and Integration Costs Deferral Account to reflect an effective date of September 24, 2018, as noted in Section 6.3 of this Decision.

The Proposed Transaction will result in a major transition for the electricity customers of the Dubreuil service area. The OEB expects Algoma to develop and implement a communications plan to ensure the customers understand their service relationship with Algoma and their electricity bills. Algoma should report back on the execution of this communications plan in its next rebasing application.

Furthermore, in preparing for its next rebasing application, Algoma should engage with the Acquired Customers to ensure their feedback is considered in Algoma's future plans.

The OEB also directs Algoma to file a Compliance Plan with the OEB by April 1, 2021 in which it describes all circumstances in which Algoma has found a matter that is not in compliance with regulatory requirements, and its plan for addressing these matters.

9 CONCLUSION

The OEB is satisfied that the Proposed Transaction meets the “no harm” test. The OEB therefore approves Dubreuil’s sale of its distribution system to Algoma.

The OEB also approves the following requests:

- The cancellation of Dubreuil’s Electricity Distribution Licence (ED-2012-0074)
- The cancellation of Algoma’s Interim Electricity Distribution Licence (ED-2017-0153)
- An amendment to Algoma’s Electricity Distribution Licence by:
 - Adding Dubreuilville to the service area description
 - Adding a condition to provide Algoma with limited relief from regulatory liability
- Algoma’s proposal to classify the Acquired Customers in accordance with Algoma’s existing rate classes
- Disposition on an interim basis of a partial balance in the Interim Licence Deferral Account as proposed by Algoma, subject to any mitigation that may be required, and continuation of this account until the final disposition is complete
- The establishment of a new Transaction and Integration Costs Deferral Account effective September 24, 2018, the date on which the Application was filed
- Algoma’s proposal for the condition providing limited relief from regulatory liability within OEB’s control
 - The OEB is granting this relief until December 31, 2024
 - Algoma is required to file a Compliance Plan with the OEB by April 1, 2021

The OEB denies the following request:

- Endorsement of Algoma’s proposed approach to allocating costs attributable to the Dubreuil service area in this proceeding

The OEB is establishing a condition of approval requiring the Applicants to notify the OEB of the completion of the acquisition. Once this notice is provided to the OEB, Dubreuil’s Electricity Distribution Licence and Algoma’s Interim Electricity Distribution

Licence will be cancelled following the amendment of Algoma's Electricity Distribution Licence.

10 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Dubreuil Lumber Inc. is granted leave to sell its distribution system to Algoma Power Inc.
2. The leave granted in paragraph 1 shall expire 18 months from the date of this Decision and Order. If the transaction has not been completed by that date, a new application will be required in order for the transaction to proceed.
3. Algoma Power Inc. shall notify the OEB of the completion of the transaction referred to in paragraph 1 above.
4. Once the notice referred to in paragraph 3 has been provided to the OEB, the OEB will amend the Electricity Distribution Licence of Algoma Power Inc. to include the Township of Dubreuilville to the description of the service area in which Algoma Power Inc. is authorized to distribute and sell electricity.
5. When the OEB issues the amended Electricity Distribution Licence to Algoma Power Inc., it will cancel the Algoma Power Inc.'s Interim Distribution Licence (ED-2017-0153) and will also cancel Dubreuil Lumber Inc.'s Electricity Distribution Licence (ED-2012-0074).
6. Algoma Power Inc. shall file a draft rate order, including all supporting documentation reflecting this Decision and Order, no later than **April 18, 2019**.
7. Algoma Power Inc. shall file a revised draft accounting order for the Transaction and Integration Costs Deferral Account with the OEB no later than **April 18, 2019**.
8. OEB staff shall file any comments on the draft rate order and draft accounting order with the OEB, and forward to Algoma Power Inc. no later than **May 3, 2019**.
9. Algoma Power Inc. shall file with the OEB any comments in response to OEB staff comments on the draft rate order and draft accounting order no later than **May 17, 2019**.
10. Algoma Power Inc. shall file a Compliance Plan with the OEB by April 1, 2021 in which it describes all circumstances in which Algoma Power Inc. has found a matter

that is not in compliance with regulatory requirements, and its plan for addressing these matters.

11. Algoma Power Inc. shall pay the OEB's costs of, and incidental to, this proceeding immediately upon receipt of the OEB's invoice.

DATED at Toronto April 4, 2019

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

FINAL RATE ORDER

EB-2018-0271

ALGOMA POWER INC. AND DUBREUIL LUMBER INC.

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

BEFORE: **Cathy Spoel**
 Presiding Member

Lynne Anderson
 Member

June 13, 2019

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1 INTRODUCTION AND SUMMARY

This is the Final Rate Order of the Ontario Energy Board (OEB) regarding an application (Application) filed by Dubreuil Lumber Inc. (Dubreuil) and Algoma Power Inc. (Algoma) (collectively, the Applicants). The Applicants requested that the OEB approve Dubreuil's sale of its distribution system to Algoma, and Algoma's incorporation of that system into its existing regulated distribution business (Proposed Transaction), and to deal with associated licensing and rate-related matters.

On April 4, 2019, the OEB issued its Decision and Order approving the sale of Dubreuil's distribution system to Algoma, and certain additional requests, subject to the conditions and exceptions set out in the Decision and Order. The Decision and Order also established a process for the Applicants to file a draft rate order (DRO) with a revised draft accounting order, and required the Applicants to file a calculation of actual bill impacts of the transaction on customers in the Dubreuil service area, as well as a rate mitigation plan if the bill impact exceeded 10%.

In response to the OEB's Decision and Order, Algoma filed with the OEB a DRO with a revised draft accounting order on April 18, 2019, including a calculation of bill impacts and a rate mitigation plan. On May 3, 2019, OEB staff filed a submission on the DRO in which OEB staff addressed points raised in Algoma's DRO, but largely expressed support for Algoma's DRO and revised draft accounting order. Algoma filed its reply submission on May 18, 2019.

The OEB has determined that there is no reason for balances to be transferred from the Interim Licence Deferral Account (ILDA), established while Algoma was the interim operator of Dubreuil's distribution system, to the Transition and Integration Costs Deferral Account (TICDA). The ILDA shall continue to exist, until the final determination on disposition of the balance. The purpose of the TICDA is to record only transaction and integration costs incurred from September 24, 2018 onwards.

With respect to rate impacts, the OEB approves the rate mitigation plan. The OEB also finds that the draft accounting order filed by Algoma is consistent with the Decision and Order in this proceeding.

2 DRAFT RATE ORDER

On April 18, 2019, Algoma filed a DRO that reflected the April 4, 2019 Decision and Order. In the DRO, Algoma sought clarification and interpretation of certain aspects of the OEB's Decision and Order, and made a proposal for implementing its understanding of the Decision and Order. Algoma also provided alternatives, along with explanations of the options, for consideration by the OEB.

Algoma explained that it requested approval in its Application to establish the TICDA with an effective date of April 4, 2017 to coincide with the licensing order¹ that required Algoma to take possession and control of the Dubreuil distribution system, and at which time Algoma commenced negotiations with Dubreuil that ultimately led to the Proposed Transaction. Algoma noted that the OEB's decision to approve its TICDA with an effective date of September 24, 2018, instead of the requested April 4, 2017, raised a number of concerns with respect to the transfer and cost recovery of balances in the ILDA that was established by the licensing order.

Proposed Transfer of \$383K from ILDA to TICDA

The Application included a request for partial disposition of the ILDA, on an interim basis, through a rate rider charged to acquired DLI customers. However, Algoma also proposed to transfer \$383K (reflecting 50% of the 2017 non-capital costs and a number of "one-time" costs² it incurred as interim operator of Dubreuil's distribution system) from the ILDA to TICDA for disposition as part of Algoma's next rebasing application.

Algoma interpreted the OEB's April 4, 2019 Decision and Order as providing that, even if some of the costs underpinning the proposed \$383K transfer were incurred prior to September 24, 2018, this transfer would not amount to a retroactive adjustment because these costs had already been recorded in an established deferral account (the ILDA).

Alternatively, if the OEB did not permit the \$383K to be transferred between the accounts, Algoma would find it acceptable to interpret the Decision and Order to mean that Algoma may request approval to clear that balance from the ILDA, instead of transferring it to the TICDA, and seek disposition at the next rebasing application with the same proposed treatment as the balance in the TICDA. Algoma noted that it viewed this approach to have the same outcome as its proposed interpretation of the Decision

¹ EB-2017-0153

² Exhibit F, Tab 3, Schedule 1, p. 2

and Order, but to be less desirable as it may require Algoma to apply two different cost disposition methods to the ILDA.

Transaction Costs

In the DRO, Algoma noted that the OEB agreed with Algoma on the appropriateness of allowing Algoma to recover its transaction and integration costs through the use of a deferral account.³ Algoma proposed transferring the transaction and integration costs already recorded to date in the ILDA, including the \$71K for transaction costs incurred before September 24, 2018, to the TICDA.

OEB Staff Submission on the DRO

OEB staff submitted that there are three paths that could be taken to address the transaction cost matter. First, the OEB could confirm its finding on this matter to remove the transaction costs incurred before the effective date of the new account. Second, the OEB could seek further submissions from parties as to the nature and scope of the ILDA, and the nature and scope of the operational and transaction costs that were incurred in 2017 and 2018. The OEB could then issue a supplemental decision before issuing the Final Rate Order for this case. The third option was that all transaction-related costs incurred prior to September 24, 2018 be treated similarly to operation and maintenance costs that Algoma incurred as part of operating Dubreuil's system per the April 4, 2017 Order, for purposes of finalizing this Rate Order. This matter could then be tested and determined in Algoma's subsequent 2020 cost of service rate case.

OEB staff also submitted that a finding that pre-September 24, 2018 costs would be non-recoverable may impose costs on Algoma's shareholder and legacy ratepayers, even though these are not the parties that materially caused or benefitted from the Proposed Transaction. OEB staff suggested that, if the OEB wished, this matter could be tested in the proceeding for Algoma's subsequent rate case.

Reply Submission

In its reply submission, Algoma agreed with OEB staff's third option to treat all transaction-related costs incurred prior to September 24, 2018 similar to operations and maintenance costs that Algoma incurred as the interim operator of Dubreuil's distribution system, and that this matter could be tested and determined in Algoma's subsequent 2020 cost of service rate case.

³ DRO, April 18, 2019, p. 10.

Findings

While the OEB finds the \$383K incurred by Algoma for 2017 non-capital and one-time costs to be reasonable, and therefore recoverable by Algoma, the timing and mechanism for recovery will be determined in a future proceeding. The OEB sees no reason why this balance should be transferred from the ILDA to the TICDA. The ILDA shall continue to exist until the final determination on disposition of the balance. The purpose of the TICDA is to record only transaction and integration costs.

In terms of transaction costs, the \$71K of costs incurred before September 24, 2018 should continue to remain in the ILDA and a decision on how it is disposed can be made by the panel in the EB-2019-0019 rates proceeding, which can review the prudence of the costs. This is essentially the third option put forward by OEB staff, which Algoma supports, except that the OEB finds that the amount will remain in the ILDA and not be transferred to the TICDA.

Algoma is relying on the presence of the ILDA to make the argument that recovery of the \$71K is prudent, and the panel for the EB-2019-0019 rates proceeding can make that determination. There was insufficient evidence on the record on the timing and nature of the transaction and integration costs to make a final determination on the prudence of the costs in this proceeding.

3 BILL IMPACTS AND BILL MITIGATION PROPOSAL

As requested in the April 4, 2019 Decision and Order, Algoma provided bill impact information in the DRO comparing 2018 average bills to bills at the rates proposed by Algoma. Algoma also proposed a rate mitigation plan since some customers would experience a bill impact of more than 10%.

Algoma explained in the DRO that Dubreuil's historical billing practice was to calculate a rate to pass the total costs of the Delivery line of its bulk-metered bill through to individual customers, on a monthly basis, inherently including any rate riders. This rate experienced significant volatility over the past five years, and using the average 2018 bills as a baseline results in the highest possible bill impact compared to any other period in the 2015 to 2019 timeframe.

For this reason, Algoma provided three calculations of bill impacts based on the following scenarios:

- The 2018 average bill (average pass-through delivery rate of $-\$0.0079/\text{kWh}$) – bill impacts of 28.85% to 42.70% for residential customers, and 40.27% for commercial customers
- The May to December 2017 average bill, i.e. the portion of 2017 during which Algoma was the interim operator (average pass through of $\$0.0250/\text{kWh}$) – bill impacts of 2.41% to 17.92% for residential customers, and 9.20% for commercial customers
- The average March 2019 bill, i.e., the most recent month (average pass through delivery rate of $\$0.0064/\text{kWh}$) – bill impacts of 15.85% to 30.76% for residential customers, and 24.83% for commercial customers

Algoma proposed a monthly fixed rate rider to recover, on an interim basis, the partial disposition of the ILDA from Dubreuil customers. The fixed rate rider would be an amount of $\$11.16/\text{month}$ for a period of six years. Algoma noted that it had considered the bill impacts on Dubreuil customers of the partial disposition of the ILDA on an interim basis, and submitted that its proposed fixed rate rider includes the following mitigation measures:

- Only the return of (depreciation) and return on capital is being recovered for the 2017-2019 period, with the undepreciated capital cost to form part of Algoma's 2020 rate base

- A significant portion of non-capital costs currently in the ILDA were proposed to be transferred to the TICDA, to be recovered as part of Algoma's 2020 revenue requirement
- The proposed 6-year recovery period reduces the level of the rate rider for most Residential and General Service (GS) Dubreuil customers

Algoma also advised that the fixed rate rider was presented at a town hall meeting for Dubreuil customers. Further, there were no interventions or letters of comment filed in this proceeding.

Algoma also proposed an alternative calculation for recovery of the amount via a variable (per kWh) rate rider which would lessen the bill impact on Low Volume customers, but differs from what was communicated at the town hall meeting.

Algoma did not support delaying recovery in order to mitigate bill impacts in the immediate future or lengthening the recovery period for the interim rate rider.

OEB Staff Submission

OEB staff submitted that it considers Algoma's provision of the alternative bill impacts for consideration by the OEB to be appropriate based on Algoma's explanations for the rate volatility. OEB staff noted that, in all three scenarios, at least some customers have a bill impact of more than 10%.

OEB staff supported Algoma's proposed mitigation plan and the fixed rate rider of \$11.16/month for a period of six years.

Findings

With respect to the rate impact, the OEB notes that Algoma had a town hall meeting to explain the proposed fixed rate rider. The OEB also notes that the rates charged by Dubreuil were not sufficient to cover the costs of operating the system. The mitigation plan is approved.

4 DRAFT ACCOUNTING ORDER

The April 4, 2019 Decision and Order in this proceeding authorized the establishment of a new TICDA effective September 24, 2018, the date on which the Application was filed.

On April 18, 2019, Algoma filed its revised draft accounting order showing an effective date of September 24, 2018. OEB staff submitted that the draft accounting order was reasonable and compliant with the OEB's Decision and Order, subject to the OEB's findings on Algoma's proposals on the DRO.

Findings

The OEB finds that the draft accounting order filed by Algoma is consistent with the Decision and Order in this proceeding. A Final Accounting Order is attached as Schedule B.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Algoma Power Inc. 2019 Tariff of Rates and Charges, attached as Schedule A of this Final Rate Order, is approved effective July 1, 2019 and is approved on a final basis, with the exception of the Rate Rider for Partial Disposition of Interim Licence Deferral Account which is approved on an interim basis and is only applicable to customers in the Township of Dubreuilville upon completion of the approved Proposed Transaction as discussed in item 2 below.
2. Algoma Power Inc. shall charge the approved 2019 Tariff of Rates and Charges attached as Schedule A to this Final Rate Order, including the Rate Rider for Partial Disposition of Interim Licence Deferral Account approved on an interim basis, to customers in the Township of Dubreuilville upon completion of the proposed transaction in accordance with items 3, 4 and 5 of the April 4, 2019 Decision and Order.
3. The approved Accounting Order for API is attached as Schedule B of this Final Rate Order.

DATED at Toronto June 13, 2019

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

SCHEDULE A
FINAL RATE ORDER
ALGOMA POWER INC. AND DUBREUIL LUMBER INC.
EB-2018-0271
JUNE 13, 2019

Algoma Power Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date July 1, 2019
This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2018-0017
EB-2018-0271

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 Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge - Applicable only to customers that meet criteria (i) above	\$	42.23
Service Charge - Applicable only to customers that meet criteria (ii) above	\$	25.64
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Rate Rider for Partial Disposition of Interim Licence Deferral Account - effective until June 30, 2025		
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	\$/kWh	(0.0078)
Applicable only for Non-RPP Customers - Approved on an Interim Basis		
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019	\$/kWh	(0.0011)
Approved on an Interim Basis		
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	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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

EB-2018-0017
EB-2018-0271

RESIDENTIAL R2 SERVICE CLASSIFICATION

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

APPLICATION

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

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

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

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

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 Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	659.94
Distribution Volumetric Rate	\$/kW	3.4194
Rate Rider for Partial Disposition of Interim Licence Deferral Account - effective until June 30, 2025 Applicable only for customers in the Township of Dubreuilville	\$	11.16
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 Applicable only for Non-RPP Customers - Approved on an Interim Basis	\$/kWh	(0.0078)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 Approved on an Interim Basis	\$/kW	(0.4880)
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kW	(0.8010)
Retail Transmission Rate - Network Service Rate	\$/kW	2.5066
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.2787

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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

EB-2018-0017
EB-2018-0271

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 Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

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

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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

EB-2018-0017
EB-2018-0271

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 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 - Approved on an Interim Basis	\$/kWh	(0.0078)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 Approved on an Interim Basis	\$/kWh	(0.0011)
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate - Network Service Rate	\$/kW	1.8150
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.6438

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

Algoma Power Inc.
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EB-2018-0017
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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 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)

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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 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 (see Note below)

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

Other

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

Note: Ontario Energy Board Rate Order EB-2017-0183, issued on March 14, 2019, identifies changes to the Non-Payment of Account Service Charges effective July 1, 2019

Algoma Power Inc.
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EB-2018-0017
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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.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly fixed charge, per retailer	\$	40.00
Monthly variable charge, per customer, per retailer	\$/cust.	1.00
Distributor-consolidated billing monthly charge, per customer, per retailer	\$/cust.	0.60
Retailer-consolidated billing monthly credit, per customer, per retailer	\$/cust.	(0.60)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.50
Processing fee, per request, applied to the requesting party	\$	1.00
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)	\$	4.00
Notice of switch letter charge, per letter (unless the distributor has opted out of applying the charge as per the Ontario Energy Board's Decision and Order EB-2015-0304, issued on February 14, 2019)	\$	2.00

LOSS FACTORS

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

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

SCHEDULE B

FINAL RATE ORDER

ALGOMA POWER INC. AND DUBREUIL LUMBER IINC.

EB-2018-0271

JUNE 13, 2019

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:

USofA #	Account Description
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.

USofA #	Account Description
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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.

USofA #	Account Description
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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”.