

OEB Staff Questions

Algoma Power Inc.

EB-2020-0003

Staff Question – 1

Ref: Rate Generator, Tab 4, Billing Det. for Def-Var Balances, cell J4

- a) Please confirm the accuracy of the billing determinants used on tab 4 in cell J4.

Staff Question – 2

Ref: Manager's Summary, Page 21

Algoma Power indicates that it has not made material adjustments to DVA balances that were approved by the OEB on a final basis. Please explain if any immaterial adjustments Algoma Power were made to DVA balances approved on a final basis and the rationale for these adjustments.

Staff Question – 3

Ref: Manager's Summary, Page 22

Algoma Power indicates that 2019 transactions have been accounted for in accordance with the Feb. 21, 2019 Accounting Guidance. In the interrogatory responses provided in Algoma Power's 2020 cost of service rate application¹, it states the following:

In parallel with this proceeding, API continues to make progress on its review of the new accounting guidance released on February 21, 2019 and is striving to meet the August 31, 2019 deadline set out within the letter outlined in the Preamble above. Based on review completed to date, API believes that there will not be any material adjusting entries that will be required for either the 2019 year-to-date or 2018 1588 and 1589 values reported.

- a) Please discuss the results of the review and discuss whether any systemic issues were noted.

¹ IRR 9-Staff-70, Page 113, EB-2019-0019, filed August 14, 2019

- b) Please confirm whether there were any material adjusting entries made as a result of the Feb. 21, 2019 Accounting Guidance.
- c) If there were material adjusting entries made, for each entry, please provide a description of the entry, the amount and the reason for the adjustment.

Staff Question – 5

Ref: Manager's Summary, page 22

Algoma Power indicates that GA rate used for unbilled revenue accrual is not the same as the one used for billed revenue (2nd Estimate) for non-interval customers.

- a) Algoma Power indicated that the GA first estimate is used for all non-interval customers and the GA second estimate is used for interval customers for unbilled revenue calculations.
 - i. Please confirm that both non-interval and interval customers are billed at the GA 2nd estimate. If not confirmed, please explain what GA rates the non-interval and interval customers are billed at.
 - ii. Please confirm that for non-interval customers, at year-end 2019, unbilled revenues were estimated based on the January 2020 GA first estimate, but when non-interval customers are billed in 2020, they were billed based on the December 2020 GA second estimate.
 - iii. If confirmed, please explain why the GA first estimate is used for unbilled revenue purposes when the customers will not be billed at the GA first estimate.
 - iv. Please explain how Algoma Power's unbilled revenue approach would result in reasonable accuracy.
 - v. Page 13 of the Feb. 21, 2019 Accounting Guidance states "The GA price used for unbilled revenue purposes must be at the same price for which customers will ultimately be invoiced". Please explain why Algoma Power's unbilled revenue approach for non-interval customers depart from this guidance.
- b) Algoma Power indicates that the different GA rates used for non-interval customers for unbilled revenues could be contributing partially to the unresolved variance in the GA Analysis Workform. It states that year-end adjustments have been added to the reconciling items section to help to mitigate this variance. In the GA Analysis Workform, there are reconciling items 2a for (\$93k) and 2b (\$1) for prior year and current year unbilled to actual billed revenue differences.
 - i. Please explain how Algoma Power has calculated the amounts for the reconciling items, including what GA rate is used.
 - ii. Please confirm that after reconciling items 2a and 2b have been taken into account, the use of a different GA rate for unbilled revenues would not

impact the unresolved difference that is currently remaining in the GA Analysis Workform.

Staff Question – 6

Ref: GA Analysis Workform

In the GA Analysis Workform for 2019, there is a reconciling item for microFIT/FIT 2018 true-up. Per page 40 of the Feb. 21, 2019 Accounting Guidance,

The amounts paid to EGs at the contract price should be recorded in Account 4705, Power Purchased. The settlement amount on the IESO invoice under CT 1412 is also to be recorded in Account 4705, Power Purchased. After recording both of the entries, the distributor's Account 4705 would show power purchased at the wholesale market price (or spot price) for quantities received under FIT or microFIT contracts.

MicroFIT transactions are ultimately recorded in Account 1588. Please explain how it impacts GA and why it is a reconciling item in the GA Analysis Workform.

Staff Question – 7

Ref: RRRP Adjustment Factor

- a) OEB staff has calculated an updated RRRP adjustment factor of 0.80% based on calculating the simple average annual rate change for distributors for the Residential and GS<50 kW customer rate classes (see schedule A attached).
 - i. Please review and confirm the methodology used.
 - ii. When applied to Algoma Power's Rate Design Model, Algoma Power's RRRP amount required for 2021 increases by \$14,209,192 (subject to further Price Cap Adjustment. Please confirm.