Algoma Power Inc.
A FORTIS ONTARIO Company

October 29, 2020

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Long:

Re: EB-2020-0003 Algoma Power Inc. ("API") 2021 IRM Application
Interrogatory Responses

Please find attached API's responses to questions received from OEB Staff in the above-referenced proceeding.

Copies of the attached responses have also been provided to API's case manager.

Please direct any questions or concerns to the undersigned.

Sincerely,

Greg Beharriell

Digitally signed by Greg Beharriell
Date: 2020.10.29 07:33:20 -04'00'

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Manager, Regulatory Affairs
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Encl.

cc: Birgit Armstrong (OEB Staff)

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.

RESPONSE:

a) API confirms the accuracy of the billing determinants used on Tab 4. The revised IRM Rate Generator Model filed with these responses indicates “Yes” in cell J4 of Tab 4.

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.

RESPONSE:

API confirms that there were no immaterial adjustments made to DVA balances approved on a final basis.

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 application[1], 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.
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.

RESPONSE:

a) b) and c):

With respect to balances in API's 1588 and 1589 accounts for 2019, there are no adjusting entries required as API used the Board's February 21, 2019 Accounting Guidance (the "2019 Guidance") to establish the balances for clearance in this proceeding. In order to determine what, if any, adjusting entries would (in theory) be required in order to reconcile the 2019 account entries as determined by the 2019 Guidance with API's settlement process that was in place immediately prior to the issuance of the 2019 Guidance (the "Pre-2019 1588/1589 Settlement Process"), API would have to go through the exercise of applying the Pre-2019 1588/1589 Settlement Process to its 2019 data. Given that, as API understands it, the 2019 Guidance is to be used for the clearance of the 2019 balances in accounts 1588 and 1589, API assumes that it is not required to apply the Pre-2019 1588/1589 Settlement Process to its 2019 data in order to establish balances that it will not be claiming.

As noted in the interrogatory, API's initial review of the Board's new guidelines occurred during API's 2020 cost of service application process (EB-2019-0019), which culminated in a settlement of all issues including the final disposition of the December 31, 2018 balances in

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

API's 1588 and 1589 accounts. The December 31, 2018 account balances and dispositions approved in EB-2019-0019 were based in part on the December 31, 2017 account balances and dispositions approved by the Board on an interim basis as part of API's 2019 IRM application (EB-2018-0017), as well as the application of the Pre-2019 1588/1589 Settlement Process to 2018 activity, as documented in Exhibit 9 of EB-2019-0019. Because pre-2019 balances were approved on a final basis in EB-2019-0019, no adjusting entries were made to the 2017 and 2018 balances to reflect the 2019 Guidance. API's 2017 1588 and 1589 balances were disposed on a final basis through the (originally interim) rate riders established in API's 2019 IRM application, which riders expired on December 31, 2019. API's 2018 1588 and 1589 balances were disposed of on a final basis through the rate riders established in API's 2020 cost of service application, which riders expire on December 31, 2020.

In order to be responsive to Board's staff inquiry, however, with respect to what adjusting entries would have been made in order to reconcile the differences between Pre-2019 1588/1589 Settlement Process and the 2019 Guidance, API provides the following summary of its review of the differences between the two methodologies.

While API does not believe it uncovered any systemic issues during its review, API notes that the RPP settlements approach outlined in the 2019 Guidance varies from the Pre-2019 1588/1589 Settlement Process as follows:

- all GA amounts calculated in the RPP settlements process that were part of charge type 142/1142 on IESO invoice and posted to OEB 4707/1589 are now posted to OEB 4705/1588. Also, all Class B Global Adjustment amounts in charge type 148 on IESO invoices used to be posted to OEB 4707/1589; under the 2019 Guidance the RPP portion of the Class B Global Adjustment is now posted to 4705/1588;
- under the Pre-2019 1588/1589 Settlement Process API used the weighted-average energy price obtained from an independent 3rd party database, rather than following the calculation methodology now prescribed in the 2019 Guidance; and,
- the kWhs used in the RPP settlements process used to be based on billed loss adjusted kWhs, rather than ensuring that the aggregate of RPP and non-RPP kWhs agreed to total system load for the period being settled.

Notwithstanding that API's pre-2019 1588 and 1589 balances and related dispositions were approved on a final basis as described above, for the purposes of this interrogatory API has, for accounts 1588 and 1589, provided the variance between:

a) API's historically reported balances for 2017 and 2018 as approved originally on an interim basis in its 2019 IRM Application and then on a final basis in its 2020 COS application (i.e. balances calculated in accordance with the Pre-2019 1588/1589 Settlement Process), and
b) the balances calculated in accordance with the 2019 Guidance.

The table below outlines a summary of the adjustments that would need to be considered, for each of 2017 and 2018, in the 1588 and 1589 accounts in order to reconcile the balances as finally disposed of in API's 2020 COS Application and the alternate balances calculated using the Board's 2019 Guidance:

Year	Account	Adjustment Dr (Cr)
2017	1588	($176,627)
2017	1589	$181,269
2018	1588	($121,446)
2018	1589	$85,761

The following table compares the adjustments above with the materiality calculation of 0.5% of annual GA and Cost of Power costs outlined in the Accounts 1588 and 1589 Q&A's released July 11, 2019:

Year	Account	2.1.7 RRR $ Amount Filed	0.5% Materiality Calc	Variance in b) Above
2017	4705 – COP	$12,703,182	$63,516	($176,627)
2017	4707 - GA	$6,334,676	$31,673	$181,269
2018	4705 – COP	$13,063,802	$65,319	($121,446)
2018	4707 - GA	$6,344,676	$31,723	$85,761

As outlined in the table above, there are material differences that exist for both 2017 and 2018 related to Accounts 1588 and 1589 as between the application of the Pre-2019 1588/1589 Settlement Process and the 2019 Guidance to historical settlements.

As noted, API's pre-2019 1588 and 1589 balances were approved on a final basis as part of a comprehensive settlement in API's 2020 COS application (EB-2019-0019), with the balances having been disposed of through rate riders that expired on December 31, 2019 with respect to the 2017 balances and rate riders that will expire on December 31, 2020 with respect to the 2018 balances. Accordingly, API expects that, in the normal course, the adjustments outlined above are for informational purposes only and that the disposition of the 2017 and 2018 1588 and 1589 balances will remain final.

API Confirmed with OEB Staff that there is no Staff Question – 4

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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.

RESPONSE:

a)

i. API confirms that both non-interval and interval customers are billed at the GA 2nd estimate.

ii. For the year ending December 2019, API non-interval unbilled revenue was estimated based on the December 2019 GA 1st estimate, and these customers were billed in January 2020 based on the December 2019 GA 2nd estimate.

iii. Due to the time constraints associated with our month-end deadlines, imposed by our parent company, the unbilled report must run before the GA 2nd estimate for the current month is available.

iv. The unbilled revenue accrual is based on the best available information when it is prepared. To mitigate the risk associated with using the GA 1st estimate in our accrual, we have included year-end adjustments in our DVA submission for the current year and previous year, reconciling items 2(b) and 2(a) respectively.

v. Please refer to answer in 5 a) iii

b)

i. API calculated the current year reconciling item for unbilled revenue of ($1)K by comparing the December 2019 unbilled GA accrual to the GA billed revenue in January 2020 (related to December 2019 consumption). API confirms that the December GA 1st estimate and GA 2nd estimate were used to calculate the Class B GA accrual for December 2019 for non-interval and interval customers, respectively. In the following month, both non-interval and interval customers were billed based on the GA 2nd estimate for December.

   As consistent with the above, the prior year reconciling item for unbilled revenue of ($93)K was calculated by comparing the December 2018 unbilled GA accrual to the GA billed revenue in January 2019 (relating to December 2018 consumption). The GA accrual used in this calculation was based on the December GA 1st estimate and GA 2nd estimate for non-interval and interval customers, respectively. These corresponding customers were both billed in the following month based on the GA 2nd estimate for December.

ii. Please reference the attached Excel file “Table 1 & 2 for Staff-5 Response.xlsx” in relation to the following response:

   API identified an unresolved difference related the 2019 cumulative effect of the net billed GA and unbilled GA revenue reversal for non-interval Class B customers, even when reconciling items 2a and 2b have been taken into account. The attached calculation in Table 1 summarizes the effect of the net billed/unbilled reversal impact that exists throughout the 2019 year in both the general ledger and DVA worksheet, which is not accurately reflected in the current GA Analysis Workform. In the attached Table 2, API has summarized the simplified calculation of the net billed/unbilled revenue reversal impact that was captured in the current GA Analysis Workform.

Table 2 reconciles the adjustment required to remove the result of the simplified billed/unbilled calculation reflected in the Expected GA Variance in the Workform. In addition, the more accurate net billing impact per Table 1 has been included in the adjustment reconciliation. As a result of this additional analysis, $45k DR adjustment is required in the Workform. No adjustment is required in the general ledger/ DVA continuity as this reconciled difference is a net result of how the Expected GA Variance is calculated in the Workform vs. the actual billing/accrual impact throughout the year ending 2019.

The analysis reflected in both Table 1 and Table 2 reflect the cumulative net billed/unbilled GA differences from January - November 2019. Reconciling items 2(a) and 2(b) adjustments relate to year-end adjustments for the previous and current year, as such the cut-off months have correctly not been captured in the analysis.

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.

RESPONSE:

Included in the calculation of CT 148 of API's July 2019 IESO invoice, was embedded generation consumption which included the 2018 microFIT consumption true-up. Therefore, reconciling item in the GA Analysis Workform represents the GA impact of 2018 that was billed in 2019, related to embedded generation.

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.

RESPONSE:

a)
   i. API has reviewed the methodology used to determine the 0.80% adjustment factor and confirms that it is consistent with the methodology used in prior years.
   ii. API confirms that with a 0.80% RRRP Adjustment Factor, its 2021 RRRP funding requirement would be $14,209,192, subject to further Price Cap Adjustment.