An Application

By

Algoma Power Inc.

To Adjust

Electricity Distribution Rates

&

Rural and Remote Rate Protection Funding

Effective January 1, 2023

EB-2022-0014

Filed: August 10, 2022

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A: Certification of Evidence

B: 2023 IRM Rate Generator
(Incl. Additional Bill Impact Workform for R1(ii))

C: GA Analysis Workform

D: Current Tariff of Rates and Charges

E: Proposed Tariff of Rates and Charges

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, C. S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF an Application by Algoma Power Inc. for an Order or Orders pursuant to Section 78 of the *Ontario Energy Board Act, 1998* approving or fixing just and reasonable rates, Rural and Remote Rate Protection funding and other service charges for the distribution of electricity.

APPLICATION

1. The applicant is Algoma Power Inc. ("API" or the "Applicant"), a licensed distributor (ED-2009-0072) that owns and operates electricity distribution systems in the Algoma District of Ontario. API is an Ontario corporation with its head office in Sault Ste. Marie, and is a wholly-owned subsidiary of FortisOntario Inc.

2. API hereby applies to the Ontario Energy Board (the "Board" or the "OEB"), pursuant to section 78 of the *Ontario Energy Board Act, 1998* as amended (the "OEB Act") for an Order or Orders approving its proposed electricity distribution rates and other charges, effective January 1, 2023.

3. Effective January 1, 2022 in the matter of EB-2021-0006, the Board approved electricity distribution rates for API's electricity distribution customers.

4. This application has been prepared in a manner to facilitate the Board's expectation expressed in its Order and Decision in the matter of EB-2009-0278

in respect of the Rural and Remote Rate Protection ("RRRP") factor with an annual change in distribution rates and RRRP funding; and, to apply the principles of incentive regulation.

5. API is seeking approval for electricity distribution rates using the OEB's 2023 IRM Rate Generator Model, supplemented by an API-specific model that calculates the distribution rate adjustments and required RRRP funding applicable to API's unique circumstances. API confirms that pre-populated values and billing determinants in the models as filed are accurate.

6. In this Application, API is applying to the Board to change the amount it charges for the delivery of electricity as follows:
   - A Residential RPP customer consuming 750 kWh per month would experience a total bill increase of $4.94 or 3.72%
   - A small general service customer consuming 2000 kWh would experience a total bill increase of $16.00 or 4.57%

7. The persons affected by this Application are the ratepayers of API's service territory. It is impractical to set out their names and addresses because they are too numerous.

8. The Applicant confirms that the application and related documents will be published on its website (www.algomapower.com)

9. The Applicant requests that, pursuant to Section 32.01 of the OEB's *Rules of Practice and Procedure*, this proceeding be conducted by way of written hearing.

10. The Applicant requests that a copy of all documents filed with the OEB in this proceeding be served on the Applicant, by email, as follows:

Glen King
Vice President Finance & Chief Financial Officer
Algoma Power Inc.
Phone: (905) 871-0330 x3643

Email Address: regulatoryaffairs@fortisontario.com

11. In addition to the written evidence provided herein, the following live Microsoft Excel models have been filed in conjunction with the Application:

- 2023_IRM-Rate-Generator-Model_20220616_API.xlsb
- 2023_GA_Analysis_Workform_20220527_API.xlsb
- API_IRM_2023 Rate Design Model_20220805.xlsx
- API_2023_Proposed Tariff_20220804.xlsx
- 2023_IRM_Checklist_API_20220805.xlsx
- API_2023_ACM_Model_1.0_20220527.xlsm
- 2023_Generic_LRAMVA_Workform_1.0_20220804_API.xlsx
- 2017 Final Verified Annual LDC CDM Program Results_Algoma Power Inc._Report_20180629.xlsx
- API LRAM Projects Submitted_20220809.xlsx
- Participation and Cost Report - Algoma Power Inc. - 2019 04.xlsx

MANAGER'S SUMMARY

PREAMBLE

On November 11, 2010, the Ontario Energy Board (the "Board") issued its Decision and Order in the matter of EB-2009-0278; an application by Algoma Power Inc. ("API") for an order approving just and reasonable rates and other charges for the distribution of electricity to be effective July 1, 2010 and January 1, 2011.

A key aspect of the Decision and Order in EB-2009-0278 was the Board's stated intention to calculate a Rural and Remote Rate Protection factor annually for API in order to calculate the annual change in distribution rates and Rural or Remote Electricity Rate Protection ("RRRP") funding. In its findings the Board stated:

> *"The Board intends to calculate an RRRP adjustment factor annually for Algoma Power, with rates and the RRRP amount for the rate year affected accordingly. Every year the Board will communicate the RRRP adjustment factor to Algoma Power to ensure that it is reflected in Algoma Power's rates application. Should Algoma Power not file either an IRM or a cost of service application, the Board will on its own motion initiate a proceeding in this regard."*[1]

In that context, API filed its first incentive regulation ("IR") application, EB-2011-0152, which proposed a form of IR that combines aspects of the Incentive Regulation Mechanism ("IRM") with the adjustment of electricity distribution rates contemplated in O. Reg. 442/01. The Board issued its final Decision and Order in the matter of EB-2011-0152 on March 6, 2012.

This Application is consistent with the Board's Decisions in the matter of EB-2009-0278 and in the matter of EB-2011-0152. In all other respects, this Application was prepared in accordance with Chapter 3, Incentive Rate Setting Applications, of the Board's Filing Requirements for Electricity Distribution Rate Applications – 2021 Edition for 2022 Rate Applications, dated June 24, 2021 (the "Filing Requirements").

[1] Decision and Order, EB-2009-0278, November 11, 2010, p.8

API's proposed distribution rates and RRRP funding for the 2023 rate year are based on the calculations performed in the API 2023 Rate Design Model (the "API Rate Model"). All other rates and charges referenced in this Manager's Summary and included in the accompanying 2023 Proposed Tariff of Rates and Charges are based on the output of the OEB's 2023 IRM Rate Generator Model (the "2023 IRM Model" or the "Model"). API worked with OEB staff to allow the distribution rates calculated by the API Rate Model to be directly input at Tab 16 of the 2023 IRM model in order to use that Model to produce accurate tariffs and bill impacts in the required format.

The following table summarizes API's 2023 proposed distribution rates, as compared to its current approved rates. The proposed 2023 rates reflect the 2023 RRRP Adjustment or Price Cap Adjustment as required, as well as the 2023 adjustment for transition to fixed rates for residential (R1(i)) and seasonal customers.

Table 1 – Distribution Rate Summary

Rate Class	Current MFC	Current Volumetric Charge	Proposed MFC	Proposed Volumetric Charge	% Chg MFC	% Chg Volumetric Chg
Residential R1(i)	$56.77	$0.0040	$62.20	$0.0000	9.57%	-100.00%
Residential R1(ii)	$27.01	$0.0380	$27.90	$0.0392	3.30%	3.16%
Residential R2	$695.07	$3.6015	$717.87	$3.7196	3.28%	3.28%
Seasonal	$69.46	$0.0818	$75.34	$0.0598	8.47%	-26.89%
Street Lighting	$1.94	$0.3129	$1.99	$0.3213	2.58%	2.68%
microFIT	$4.55		$4.55		0.00%	

APPLICABILITY OF RATE ADJUSTMENT MECHANISMS BY CLASS

API has four customer classifications:

i. Residential 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*.

RESIDENTIAL – R1

- This classification 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.

RESIDENTIAL – R2

- 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.

ii. Seasonal Customer 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.

iii. 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 OEB street lighting load shape template.

iv. microFIT Generator 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.

API's electricity distribution rates for Residential Service Classification (both Residential – R1 and Residential – R2) are adjusted in accordance with O. Reg. 442/01. The electricity distribution rates for these classes are adjusted in line with the average of rate adjustments of select rate classes of other distributors in the most recent rate orders, as calculated by the Board (the "RRRP Adjustment Factor"). API is submitting this Application with a placeholder 2023 RRRP Adjustment Factor of 3.28%, based on the final 2022 RRRP Adjustment Factor. API acknowledges that the Board will determine the actual RRRP Adjustment Factor for 2023 electricity distribution rates in due course and that the API Rate Model and the 2023 IRM Model will then be updated accordingly.

The electricity distribution rates for the Seasonal Customer Service Classification and the Street Lighting Service Classification are not subject to the restrictions of O. Reg. 442/01 and will be determined in a manner consistent with a price cap form of incentive regulation. API is submitting this Application with a placeholder price cap adjustment of 2.70%. This is based on the 2022 rate-setting parameters; an inflation factor of 3.3%, a productivity factor of 0.0%, and a stretch factor of 0.6%. API acknowledges that the API Rate Model will require updates to reflect the 2023 price cap parameters, once available.

On April 2, 2015, the Board issued the Board Policy, "*A New Residential Rate Design for Residential Electricity Customers*"; EB-2012-0410. Under this policy, electricity distributors are to structure residential rates so that all the costs for distribution service are collected through a fixed monthly charge. Due to the manner in which the Residential customer class is structured at API, specific measures have been taken in this Application in order to comply with this policy. API also continues to apply this policy to its Seasonal rate class, in accordance with the Board's findings in API's 2016 IRM application.[2]

The following table summarizes the applicability of each rate adjustment mechanism to each of API's rate classes.

Table 2 – Applicability of Rate Adjustment Mechanisms

Rate Class [Description]	RRRP Adjustment Factor (O.Reg. 442/01)	Price Cap IR Adjustment Factor	Residential Rate Design Transition
R1(i) [Traditional Residential]	X		X
R1(ii) [Deemed Residential - Demand <50 kW][3]	X		
R2 [Deemed Residential - Demand >50 kW][4]	X		
Seasonal [Occupancy < 8 months/year]		X	X
Street Lighting		X	
microFIT			

[2] Decision and Order, EB-2015-0051, dated December 10, 2015, page 11
[3] The R1(ii) rate class includes customer that would be classified as GS<50 or USL in the absence of O.Reg. 442/01
[4] The R2 rate class includes customers that would be classified as GS>50 in the absence of O.Reg. 442/01

API's R1 residential customers are eligible for Distribution Rate Protection (DRP) under O. Reg 198/17 s. 2(1)2. Customers eligible for DRP will have a cap on the maximum monthly base distribution charge. However, as DRP does not affect API's rate design it is not discussed further in this application.

ELEMENTS OF THE APPLICATION

This 2023 4th Generation Incentive Rate-setting Application, includes discussion of the items listed below, with the relevant section of the Filing Requirements included in parentheses where applicable:

- 2023 Rate Design, including:
  - Price cap adjustment for 2023 rates (3.2.1)
  - RRRP Adjustment for Residential classes
  - Residential Rate Design Transition (3.2.3)
- Retail Transmission Service Rates (3.2.4)
- Review and disposition of Group 1 DVA balances (3.2.5)
- LRAMVA (3.2.6)
- Tax changes (3.2.7)
- Advanced Capital Module (3.3.1)
- Bill Impacts

For greater clarity, this Application does not include any claims, changes, requests or proposals in relation to any of the following items:

- Revenue-to-cost ratio adjustments (3.2.2)
- Z-factor claims (3.2.8)
- Incremental Capital Module (3.3.2)
- 'Eligible Investments' (3.3.3)

2023 RATE DESIGN

In API's 2020 cost of service proceeding, EB-2019-0019, the Board approved the following allocation of class revenues and revenue-to-cost ("R/C") ratios as the basis of the electricity distribution rates effective January 1, 2020.

Table 3 – Approved Revenue Allocation and Revenue-to-Cost Ratios

EB-2019-0019 Approved Revenue to Cost Ratios				
	Allocation of Service Revenue Requirement	**Misc. Revenue**	**LF X Proposed Rates**	**Approved R/C Ratio**
Residential - R1	16,904,988	328,512	17,362,031	104.65%
Residential - R2	5,043,434	83,044	4,634,806	93.54%
Seasonal	3,391,922	72,716	2,825,243	85.44%
Street Lighting	169,968	4,519	199,443	120.00%
Total	**25,510,313**	**488,791**	**25,021,522**	

Since the 2020 approved R/C ratios are within the OEB's policy range for each rate class, no adjustments to these ratios were required during API's 2021-2024 IRM term.

Table 4 below shows the approved rate design for the electricity distribution rates effective January 1, 2020, using equivalent electricity distribution rates. Equivalent electricity distribution rates are those rates required for API to recover its base revenue requirement in the absence of RRRP funding.

Table 4 – 2020 Approved Rate Design (Equivalent Rates)

Equivalent Distribution Rates Required to Recover the Approved 2020 Base Revenue Requirement in the absence of RRRP Funding (See EB-2019-0019: Sheet 3 of API Rate Design Model and Sheet 13 of RRWF)												
2020 Accepted Equivalent Electricity Distribution Rates												
			Billing Determinant		F/V Split		Distribution Rates		Revenues			
Customer Class	**Metric**	**Average # of Customers**	**kWh**	**kW**	**Fixed Allocation**	**Variable Allocation**	**Monthly Service Charge**	**Variable Charge**	**Fixed**	**Variable**	**Transformer Ownership Allowance**	**Revenue Less Transformer Ownership**
Residential - R1	kWh	9,113	113,337,066		64.12%	35.88%	101.80	0.0550	11,132,252	6,233,539		17,365,790
Residential - R2	kW	37		248,605	12.01%	87.99%	1,244.17	16.8475	556,625	4,188,371	(110,188)	4,634,809
Seasonal	kWh	2,960	5,874,372		68.90%	31.10%	54.80	0.1496	1,946,618	878,806		2,825,424
Street Lighting	kWh	1,128	581,104		12.62%	87.38%	1.86	0.2999	25,168	174,273		199,441
Total		**13,238**							**$13,660,663**	**$11,474,989**	**($110,188)**	**$25,025,464**

Base Revenue Requirement:	25,021,522
Difference (Rounding):	3,942
% Difference:	0.016%

The first step in API's Annual Price Cap Index Adjustment and 2023 Rate Design is to index the 2020 class-specific revenues by the price cap adjustment factors (2021 final, 2022 final, and 2023 placeholders). This step is necessary to determine the indexed 2023 revenue requirement for the R1 and R2 rate classes, allowing the RRRP Adjustment Factor to be applied, and RRRP funding to be calculated. Tables 5a, 5b, and 5c below show the calculation of the 2021, 2022, and 2023 price cap adjustment factor, while Tables 6a, 6b, and 6c show the results of applying this factor to the approved 2020 revenues shown in Table 4. The indexing adjustment is applied to both fixed and variable revenues such that the fixed/variable splits remain as accepted in EB-2019-0019.

Table 5a – 2021 Price Cap Adjustment

Price Cap for 2021 Electricity Distribution Rates		
Price Cap Metric	**Status**	**Value**
Inflation Factor	Final	2.20%
Productivity Factor	Final	0.00%
Stretch Factor	Assigned	0.60%
Price Cap Index	**Calculated**	**1.60%**

Table 5b – 2022 Price Cap Adjustment

Price Cap for 2022 Electricity Distribution Rates		
Price Cap Metric	**Status**	**Value**
Inflation Factor	Final	3.30%
Productivity Factor	Final	0.00%
Stretch Factor	Assigned	0.60%
Price Cap Index	**Calculated**	**2.70%**

Table 5c – 2023 Price Cap Adjustment

Price Cap for 2023 Electricity Distribution Rates		
Price Cap Metric	**Status**	**Value**
Inflation Factor	Placeholder	3.30%
Productivity Factor	Placeholder	0.00%
Stretch Factor	Placeholder	0.60%
Price Cap Index	**Calculated**	**2.70%**

Table 6a – 2021 Indexed Revenue

IRM Indexed Revenue for 2021 (Using the 2021 Price-Cap Index)			
Customer Class	Revenues		
	Fixed	Variable	Total Revenue
Residential - R1	11,310,368	6,333,275	17,643,643
Residential - R2	565,531	4,143,434	4,708,965
Seasonal	1,977,764	892,867	2,870,631
Street Lighting	25,571	177,062	202,632
Total	**13,879,234**	**11,546,638**	**25,425,872**

Table 6b – 2022 Indexed Revenue

IRM Indexed Revenue for 2022 (Using the 2022 Price-Cap Index)			
Customer Class	Revenues		
	Fixed	Variable	Total Revenue
Residential - R1	11,615,748	6,504,274	18,120,021
Residential - R2	580,800	4,255,307	4,836,108
Seasonal	2,031,164	916,974	2,948,138
Street Lighting	26,261	181,842	208,103
Total	**14,253,973**	**11,858,398**	**26,112,370**

Table 6c – 2023 Indexed Revenue

IRM Indexed Revenue for 2023 (Using the 2022 Price-Cap Index)			
Customer Class	Revenues		
	Fixed	Variable	Total Revenue
Residential - R1	11,929,373	6,679,889	18,609,262
Residential - R2	596,482	4,370,200	4,966,682
Seasonal	2,086,005	941,733	3,027,738
Street Lighting	26,970	186,752	213,722
Total	**14,638,830**	**12,178,574**	**26,817,404**

In Table 7 below, the 2022 approved electricity distribution rates for the Residential – R1 and Residential – R2 customers classes have been indexed by the placeholder 2023 RRRP Adjustment Factor of 3.28%. This approach is consistent with O. Reg. 442/01 and past OEB decisions on API's IRM applications. API's R1 Class has been divided into two subclasses, as outlined under the "Applicability of Rate Adjustment Mechanisms by Class" section of this Application. The establishment of two subclasses within the R1 rate class was first required in API's 2016 IRM Application (EB-2015-0051), in order to appropriately comply with the Board's policy in relation to the transition to fully fixed distribution rates for traditional residential customers. API has maintained the same customer counts and billing determinants for the revenue calculation for each rate class that were approved in its 2020 cost of service application.

The 2023 calculated revenue from the R1 and R2 rate classes is then compared with the Test Year revenue requirement allocated to these two classes, following the application of the 2023 price cap index described previously. The difference between the revenue calculated from RRRP-adjusted rates, and the Residential revenue requirement adjusted by the price cap index, is the RRRP funding required for 2023.

The 2023 revenue requirement allocated to these two classes, prior to adjustments associated with the ACM, is $23,575,944; the sum of $18,609,262 and $4,966,682 from Table 6c. The revenue recoverable through rates is derived using the 2020 Test Year approved billing determinants and the 2023 proposed rates (which are the 2022 approved rates indexed by the placeholder RRRP Adjustment factor). The difference, which includes ACM rate rider revenue allocated to residential rate classes, is compensated by the RRRP funding amount of $16,522,606, as shown in Table 7.

Table 7 – Determination of R1 and R2 2023 Distribution Rates and RRRP Funding

Revenue Component	R1	R2	Total R1+R2
Indexed Revenue Attributable to Residential Rate Classes for 2023	18,609,262	4,966,682	**23,575,944**
ACM Rate Rider Revenue Allocated to Residential Rate Classes for 2023	1,255,336	335,008	**1,590,344**
Total	**19,864,598**	**5,301,690**	**25,166,288**

2023 Application of Rate Indexing Methodology											
Delivery Charges Indexed by Simple Average of Other LDC Increases in Current Year											
Simple Average Increase in Delivery Charge for 2023 using the 2022 Board Calculated RRRP Adjustment Factor											3.28%
Customer Class	Metric	Average # of Customers	Billing Determinant		F/V Split		Distribution Rates		Revenue		
			kWh	kW	Fixed Allocation	Variable Allocation	Monthly Service Charge	Variable Charge	Fixed	Variable	Total Revenue
Residential - R1 (i)	kWh	8116	84,857,056		94.3%	5.7%	58.63	0.0041	5,709,762	347,914	6,057,676
Residential - R1 (ii)	kWh	997	28,480,011		23.0%	77.0%	27.90	0.0392	333,901	1,116,416	1,450,318
Residential - R2	kW	37		248,605	25.8%	74.2%	717.87	3.7196	321,165	924,711	1,245,876
Transformer Ownership Allowance (not indexed) - Attributable to the Residential - R2 class											(110,188)
The Rural and Remote Rate Protection Amount Required for 2023											**$ 16,522,606**

In EB-2019-0019, the OEB approved API's proposal to recover the portion of ACM revenue allocated to the RRRP-eligible rate classes through revenue requirement adjustments during the IRM period rather than through ACM rate riders.[5] API has therefore designed its IRM rate design model to incorporate the required adjustments during its 2021-2024 IRM term within this Application. ACM is discussed in the Advanced Capital Module Section later in this application.

Table 8 provides the calculation of the Seasonal and Street Lighting class electricity distribution rates for 2023, applying the 2.70% 2023 price cap adjustment factor to the 2022 approved rates for these rate classes. Since these rate classes are not subject to RRRP funding, and no R/C ratio adjustments are required, many of the additional rate design steps included in API's 2016-2019 IRM applications are no longer required for these rate classes. The ongoing transition to a fixed rate for API's seasonal class is discussed in the following section of this Application.

Table 8 – 2023 Rate Adjustments – Seasonal and Street Lighting

2023 Distribution Base Rate Determination for Non-RRRP Rate Classes										
Customer Class	Metric	Average # of Customers	kWh	2022 Approved Rates		2023 Indexed Rates		Revenues		
				Monthly Service Charge	Variable Charge	Monthly Service Charge	Variable Charge	Fixed	Variable	Total Revenue
Seasonal	kWh	2,960	5,874,372	69.46	0.0818	71.34	0.0840	2,534,156	493,447	3,027,603
Street Lighting	kWh	1,128	581,104	1.94	0.3129	1.99	0.3213	26,927	186,709	213,636

[5] EB-2019-0019, Settlement Proposal, p.61

RESIDENTIAL RATE DESIGN TRANSITION

On April 2, 2015, the Board issued the Board Policy, *"A New Residential Rate Design for Residential Electricity Customers"*; EB-2012-0410. Under this policy, electricity distributors are to structure residential rates so that all the costs for distribution service are collected through a fixed monthly charge.

Residential Rate Transition – R1, subclass (i)

As described above, API's R1 class was divided into two subclasses of customers in EB-2015-0051 in order to comply with the Board Policy.

The first section of Table 9 shows the 2023 revenue calculations for R1(i) rate class following the application of the 2023 RRRP adjustment factor. This information is consistent with Table 7 above.

Table 9 – Revenue Decoupling: R1(i) Rate Class

Rate Class	Customers/ Connections		Test Year Consumption	Proposed Rates		Proposed Revenues			Existing Split	
		Average number of Customers		Monthly Service Charge	Volumetric	Fixed	Variable	Total	Fixed	Variable
			kWh		kWh	$	$	$		
R1(i)	Customers	8,116	84,857,056	$ 58.63	$ 0.0041	5,709,762	347,914	6,057,676	94.3%	5.7%

Revenue Decoupling - R1 (i)

	2023	2024
Initial Monthly Service Charge (post IRM adjustment for 2023)	$ 58.63	$ 62.20
Monthly Service Charge to Achieve 100% Recovery	$ 62.20	
Monthly Service Charge Increment	$ 3.57	$ -
Proposed Monthly Service Charge	$ 62.20	$ 62.20

2023 Proposed R1(i) Rates - Calculate Volumetric Rate Based on Change in F/V Split

Rate Class	Customers/ Connections		Test Year Consumption	Proposed Rates		Proposed Revenues			F/V Split	
		Average number of Customers		Monthly Service Charge	Volumetric	Fixed	Variable	Total	Fixed	Variable
			kWh		kWh	$	$	$		
R1 (i)	Customers	8,116	84,857,056	$ 62.20	$ -	6,057,676	-	6,057,676	100.0%	0.0%

Revenue Reconciliation - Volumetric Rate Rounded to 4th Decimal Place

Rate Class	Customers/ Connections		Test Year Consumption	Proposed Rates		Proposed Revenues		
		Average number of Customers		Monthly Service Charge	Volumetric	Fixed	Variable	Total
			kWh		kWh	$	$	$
R1 (i)	Customers	8,116	84,857,056	$ 62.20	$ -	6,057,676	-	6,057,676

Difference due to Rounding of Volumetric Rate:	**$**	0	0	0
	%	0.0000%	#DIV/0!	0.0000%

The section of Table 9 titled "Residential Decoupling – R1 (i)" follows the guidelines related to the Board's Policy for transition to fully fixed rates, is consistent with adjustments made in API's 2016-2019 IRM applications, is consistent with the OEB's decision in API's 2020 cost of service application,[6] and was applied for and approved for API's 2021 and 2022 IRM applications. [7] The resultant rate design for API's R1 (i) rate class shown in the lower section of Table 9. 2023 will be the final year of transition to a fully fixed rate for this rate class.

API has determined, based on 2019 data, that 10% of its residential customers consume 300 kWh or less on a monthly basis. To determine this level of consumption at the tenth percentile, API used a full data set of all customers with a complete twelve-month billing cycle for the period of January 1 to December 31, 2019. Using Excel's percentile function, the twelve-month consumption at the tenth percentile was 3599 kWh per year or 300 kWh per month. As noted in the Bill Impact section of the Application, the total bill impact at the tenth percentile consumption of 300 kWh for a residential customer is an increase of $1.97, or 2.6%, and as a result, API has not proposed any form of bill impact mitigation for the residential class.

Residential Rate Transition – Seasonal Class

In its Decision and Order in the matter of EB-2015-0051, the Board found that:

> *"Algoma Power shall apply the rate design policy to its Seasonal customer class and transition to a fully fixed rate over a nine year period; eight years at $4, and the residual increase over the ninth year"*[8]

The first section of Table 10 shows the data associated with the Seasonal rate class following the application of the 2023 price cap index. This information is consistent with Table 8 above.

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[6] Page 44 of the Settlement Proposal approved in EB-2019-0019 indicates that API's residential customers would transition to a fully fixed rate in 2023.
[7] EB-2020-0003 and EB-2021-0006.
[8] Decision and Order, EB-2015-0051, December 10, 2015, p.11

Table 10 – Revenue Decoupling: Seasonal Rate Class

Rate Class	Customers/ Connections		Test Year Consumption	Proposed Rates		Proposed Revenues			Existing Split	
		Average number of Customers		Monthly Service Charge	Volumetric	Fixed	Variable	Total	Fixed	Variable
			kWh		kWh	$	$	$		
Seasonal	Customers	2,960	5,874,372	$ 71.34	$ 0.0840	2,534,156	493,447	3,027,603	83.7%	16.3%

Revenue Decoupling - Seasonal

	2023	2024	2025	2026	2027
Initial Monthly Service Charge (post IRM adjustment for 2023)	$ 71.34	$ 75.34	$ 79.34	$ 83.34	$ 85.23
Monthly Service Charge to Achieve 100% Recovery	$ 85.23				
Monthly Service Charge Increment	$ 4.00	$ 4.00	$ 4.00	$ 1.89	$ -
Proposed Monthly Service Charge	$ 75.34	$ 79.34	$ 83.34	$ 85.23	$ 85.23

2023 Proposed Seasonal Rates - Calculate Volumetric Rate Based on Change in F/V Split

Rate Class	Customers/ Connections		Test Year Consumption	Proposed Rates		Proposed Revenues			F/V Split	
		Average number of Customers		Monthly Service Charge	Volumetric	Fixed	Variable	Total	Fixed	Variable
			kWh		kWh	$	$	$		
Seasonal	Customers	2,960	5,874,372	$ 75.34	$ 0.0598	2,676,245	351,358	3,027,603	88.4%	11.6%

Revenue Reconciliation - Volumetric Rate Rounded to 4th Decimal Place

Rate Class	Customers/ Connections		Test Year Consumption	Proposed Rates		Proposed Revenues		
		Average number of Customers		Monthly Service Charge	Volumetric	Fixed	Variable	Total
			kWh		kWh	$	$	$
Seasonal	Customers	2,960	5,874,372	$ 75.34	$ 0.0598	2,676,245	351,287	3,027,532

Difference due to Rounding of Volumetric Rate:	**$**	0	-71	-71
	%	0.0000%	-0.0202%	-0.0023%

The section of Table 10 titled "Revenue Decoupling - Seasonal" follows the guidelines related to the Board's Policy for transition to fully fixed rates. API proposes to continue implementing annual increments of $4 to the monthly service charge, which will achieve fully fixed rates in the 2026 rate year, consistent with the OEB's decision in API's 2020 cost of service application.[9] The resultant rate design for API's Seasonal class is shown in the lower section of Table 10.

API has determined, based on 2019 data, that 10% of its seasonal customers consume 15 kWh or less on a monthly basis. To determine this level of consumption at the tenth percentile, API used a full data set of all customers with a complete twelve-month billing cycle for the period of January 1 to December 31, 2019. Using Excel's percentile function, the twelve-month consumption at the tenth percentile was 181 kWh per year or 15 kWh

[9] Page 44 of the Settlement Proposal approved in EB-2019-0019 indicates that API's seasonal customers would transition to a fully fixed rate by approximately 2026.

per month. As noted in the Bill Impact section of the Application, the total bill impact for a Seasonal customer consuming 50 kWh[10] per month is an increase of $7.04, or 8.52%.

RETAIL TRANSMISSION SERVICE RATES ("RTSR")

API is proposing 2023 Retail Transmission Service Rates ("RTSR") that are compliant with the Board's Guideline G-2008-0001, Revision 4.0, dated June 28, 2012. API's proposed 2023 RTSR rates are calculated in Tabs 10-15 of the 2023 IRM Model. An electronic version of the Model has been filed with this Application, and a print version of the Model has been provided in Schedule "B" to this Application.

API's proposed RTSR effective January 1, 2023 are shown below.

Table 11 – RTSR Summary

Service Classification	2022 Approved	2023 Proposed	UOM
Residential - R1			
Retail Transmission Rate - Network Service Rate	0.0092	0.0105	$/kWh
Retail Transmission Rate - Line and Connection Service Rate	0.0067	0.0073	$/kWh
Residential - R2			
Retail Transmission Rate - Network Service Rate	3.5086	3.9978	$/kW
Retail Transmission Rate - Line and Connection Service Rate	2.5439	2.7668	$/kW
Seasonal			
Retail Transmission Rate - Network Service Rate	0.0092	0.0105	$/kWh
Retail Transmission Rate - Line and Connection Service Rate	0.0067	0.0073	$/kWh
Street Lighting			
Retail Transmission Rate - Network Service Rate	2.5406	2.8948	$/kW
Retail Transmission Rate - Line and Connection Service Rate	1.8351	1.9959	$/kW

Proposed RTSRs are higher than the 2022 Approved RTSRs because the total forecast RTSRs billed amounts are less than API's forecast wholesale transmission costs, resulting in an increase between Current and "Adjusted" RTSRs.

[10] In accordance with the Filing Requirements, API has calculated the bill impact at the 10th percentile to a minimum of 50 kWh per month.

REVIEW AND DISPOSITION OF GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In accordance with the Filing Requirements, API verified pre-populated values and otherwise populated the relevant Group 1 Deferral and Variance Accounts ("DVA") tabs within the 2023 IRM Rate Generator Model. A print version of the DVA Workform is provided in Schedule "B" to this Application.

In the table below, the threshold test using the Group 1 Sub-Total (including Account 1589 - Global Adjustment), yields a value of $0.0036 per kWh which does exceed the threshold set out in Chapter 3.

Table 12 – Threshold Test

Threshold Test	
Total Claim (including Account 1568)	$943,301
Total Claim for Threshold Test (All Group 1 Accounts)	$891,552
Threshold Test (Total claim per kWh) [2]	$0.0036

Currently, the threshold test has been met and the default is that Group 1 account balances will be disposed. If you are requesting not to dispose of the Group 1 account balances, please select NO and provide detailed reasons in the manager's summary.	YES

As the threshold has been exceeded API is requesting disposition of its Group 1 accounts within this Application.

The following table details the reconciliation of the DVA Workform with API RRR filings as at December 31, 2021.

Table 13 – Reconciliation of DVA Workform to RRR Filings

Explanation of Variances Between 2.1.7 RRR Filing and DVA WorkForm
Algoma Power Inc
EB-2022-0014
Balances as at December 31, 2021

Group 1 Accounts	Account Number	Per DVA Work Form	Per 2.1.7 Filing	Difference	
LV Variance Account	1550	-	-	-	
Smart Metering Entity Charge Variance	1551	(13,781)	(13,780)	1	
RSVA - Wholesale Market Service Charge (exclude CBR below)	1580	36,365	18,211	(18,154)	A
Variance WMS – Sub-account CBR Class A	1580	-	-	-	
Variance WMS – Sub-account CBR Class B	1580	(18,154)	(18,154)	-	
RSVA - Retail Transmission Network Charge	1584	514,939	514,939	-	
RSVA - Retail Transmission Connection Charge	1586	135,035	135,035	-	
RSVA - Power (excluding Global Adjustment)	1588	600,416	504,801	(95,615)	B
RSVA - Global Adjustment	1589	101,743	113,921	12,178	C
Disposition and Recovery/Refund of Regulatory Balances (2016 and pre-2016)	1595	283,455	283,455	-	D
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595	-	-	-	
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	43,278	43,278	-	
Disposition and Recovery/Refund of Regulatory Balances (2019)	1595	47,677	47,678	1	
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	92,742	92,743	1	
Disposition and Recovery/Refund of Regulatory Balances (2021)	1595	(46,257)	(46,256)	1	
		1,777,458	**1,675,871**	**(101,590)**	

Notes:

A Balance in 2.1.7 filing includes CBR Class B balance which is reported separately in DVA Work Form.

B Variance relates to:

	Differences Explained
IESO CT 142 and 148 true-up of commodity and GA charges based on actual RPP volumes	(66,039)
2021 MicroFit + FIT true-up	26,423
Difference between December 2021 unbilled revenue accrual and billed actual	(56,000)
Difference between December 2021 IESO CT 101 accrual and billed actual	-
	(95,616)
Per above	(95,615)
Unexplained difference	(1)

C Variance relates to:

	Differences Explained
IESO CT 148 true-up of GA charges based on actual RPP/non-RPP volumes	(10,824)
Difference between December 2021 unbilled revenue accrual and billed actual	23,000
	12,176
Per above	12,178
Unexplained difference	(2)

D Balance per 1595 (2016 and pre-2016) of Group 1 Accounts in 2.1.7 2021 OEB RRR filing: 283,455
Per Above: 283,455
Difference: -

Disposition and Recovery/Refund of Regulatory Balances (2016 and pre-2016) represents a placeholder for Disposition and Recovery/Refund of Regulatory Balances (2010).
In the Board's Decision in the matter of EB-2009-0278, the Board approved disposition of a Seasonal customer class deferral account which had arisen from an earlier Board Order; EB-2007-0744 issued to API's predecessor, Great Lakes Power Limited. API presented a plan in its 2011 electricity distribution rate application, EB-2009-0278 to dispose of the accumulated balance in the account as at December 31, 2009. The plan was described as follows:

The 2010 Seasonal Customer Rate Mitigation Plan	
EB-2007-0744 Mitigated Amount of Revenue Requirement	829,600
Accumulated Balance of Deferral Account as of December 31, 2009	1,935,733
2010 Forecast of Energy Throughput in the Seasonal Class – kWh	12,622,297
Forecasted Term of the Deferral Account Recovery (Years)	5
Rate Rider to Clear the Deferral in Five Years - $/kWh	0.0307

In the eleven month period from December 31, 2009 to December 1, 2010, the implementation date, the deferral amount associated with the Seasonal rate class accumulated an additional $760,467 beyond the amount designated to be disposed. To approve and start to recover this additional amount, API proposed to extend the sunset date on the current rate rider which was set to expire November 30, 2015 to June 30, 2019 in EB-2014-0055 and this was approved in the Final Rate Order dated February 2, 2015. Given the projected significant residual balance once the new sunset date of June 30, 2019 had passed, API requested continuation of the rate rider in its 2020 COS proceeding, which was subsequently approved and will be in effect from January 1, 2020 until December 31, 2023.

Adjustments to DVA Balances

API has not made any material adjustments to DVA balances that were previously approved by the Board on a final basis in both Cost of Service ("CoS") and IRM proceedings (i.e. balances that were adjusted subsequent to the balance sheet date that were cleared in the most recent rates proceeding).

1595 Residual Balances

API is requesting disposition of its 1595 (2019) residual account balance as two years have passed since the expiry date of the rate riders which was December 31, 2019. API confirms that the residual balance of $48,360 is not material. API confirms that residual balances in Account 1595 Sub-accounts for each vintage year have only been disposed once.

Global Adjustment

API had both Class A and Class B customers throughout the period requested for disposition within this Application, including a transitional customer. Therefore, the relevant tabs have been completed within the 2023 IRM Rate Generator Model to ensure appropriate allocation of Group 1 DVA balances and calculation of rate riders.

In accordance with the Filing Requirements, API has completed the GA Analysis Workform. An electronic copy of the Workform has been filed in conjunction with this Application, and a print version of the Workform has been provided in Schedule "C" to this Application. Unexplained discrepancies are not within the +/- 1% threshold of total annual IESO GA charges, and the Account 1588 balance relative to cost of power exceeds the +/- 1% threshold as well. See Disposition of DVA Balances section for further comments. API noted in its Workform that the GA rate used for unbilled revenue is not the same as the one used for billed revenue (2nd Estimate). Due to the timing in which the unbilled reports are run in the system, the 1st GA estimate is used for all non-interval customers and for interval customers, the 2nd GA estimate is used. This is a consistent approach taken as compared to prior years.

Commodity Accounts 1588 and 1589

API confirms that it has followed the accounting guidance related to Accounts 1588 Power, and 1589 RSVA Global Adjustment as laid out in the OEB letter issued on February 21, 2019. The transactions recorded in these accounts during 2021 were accounted for accordance with this guidance.

Certification of Evidence

A certification has been provided in Schedule "A" to this Application.

Capacity Based Recovery (CBR)

API has followed the accounting guidance on disposition of CBR variances. The relevant tabs have been completed within the 2023 IRM Model to ensure appropriate allocation of the CBR balance being request for disposition within this Application.

Disposition of DVA Balances

API confirms that it is requesting to dispose of its Group 1 balances.

With respect to accounts 1588/89 for the year 2021, the variances exceed the Board's threshold of 1% such that API is expected to provide an explanation as to the driver of those variances. While API continues to investigate the driver of the variances for the year 2021 and the application has been filed on the basis of the disposition of the 2021 balances for accounts 1588 and 1589, no explanation can be provided at this time. Accordingly, API proposes the following in the context of this application:

a) API will continue to investigate the driver of the variances in accounts 1588 and 1589 for the year 2021 and bring forward any explanations it may identify during the course of this proceeding and, if such explanations are satisfactory to the Board, seek to have these accounts disposed of as contemplated in API's application as filed; or

b) should API be unable to bring forward an explanation for the variances that are acceptable to the Board within the timeframe of this proceeding, the request to dispose of

accounts 1588 and 1589 for the year 2021 will be withdrawn and API will bring the accounts forward for disposition in its application for 2024 rates.

API has used the same allocation methodology as used in previous proceedings to assign Group 1 balances to its rate classes.

In consideration of the recommendation outlined the Filing Requirements along with assessing bill impacts, API has proposed a one-year disposition period. Rate rider calculations can be found in the electronic copy of the 2023 IRM Rate Generator Model that has been submitted with this Application. A print version of the Model has been provided in Schedule "B" to this Application.

LRAMVA

API's most recent disposition of LRAMVA balances in its 2020 cost of service application (EB-2019-0019) covered lost revenue due to CDM activity during the 2015-2017 period. In that application, API provided an update of 2015-2018 actual energy savings resulting from the Conservation First Framework ("CFF"), as well as a forecast of 2019 and 2020 energy savings, as summarized in the following table.

Table 14 – CFF Energy Savings by Year 2015-2020

Year	2020 Persisting Energy Savings (kWh)
2015	1,077,279
2016	1,427,961
2017	2,232,142
2018	752,898
2019	155,593
2020	5,397,745
Total	**11,043,618**

API is requesting disposition of its account 1568 LRAMVA balances for the period of 2018 to 2021 with this application. All LRAMVA balances have been calculated in compliance

with the requirements set out by the Board in EB-2014-0278 issued on December 19, 2014.

API received Board approval of an LRAM amount of $430,620 in its 2020 cost of service application (EB-2019-0019), which covered lost revenue due to CDM activity during the 2015-2017 period.

API was unable to dispose of all remaining CFF-related LRAMVA balances in its 2022 IRM application (EB-2021-0006) as there was one large outstanding project waiting to be completed. That project is now completed and included in the 2018-2021 LRAMVA balance for disposition. API has completed the OEB's LRAMVA workform which has been filed in Excel format as part of this application.

Table 15 – LRAMVA Claim Summary

Rate Class	LRAMVA 2018-2021 Principle	LRAMVA 2018-2021 Interest	2022 Interest Forecast	Total LRAMVA Claim
Residential R1	12,090	508	181	12,779
Seasonal	(5,928)	(13)	(89)	(6,030)
Residential R2	48,216	93	722	49,031
Street Lighting	1,827	4	27	1,858
TOTAL	**56,206**	**592**	**841**	**57,639**

Table 16 – LRAMVA Rate Rider Calculation (12-Month Disposition Period)

Rate Class	Total LRAMVA Claim	Billing Unit	Total Metered Units	Account 1568 Rate Rider
Residential R1	12,779	kWh	119,751,063	0.0001
Seasonal	(6,030)	kWh	6,424,168	(0.0009)
Residential R2	49,031	kW	251,732	0.1948
Street Lighting	1,858	kWh	594,156	0.0031
TOTAL	**57,639**			

Verification of Energy and Demand Savings and Allocation of Energy and Demand Savings by Rate Class

Data used for the 2018 energy and demand savings was obtained from the April 15, 2019 IESO Participant and Cost report and then adjusted to net savings using the Net to Gross values for each program published in the IESO 2018 Residential and Business Program Evaluation Reports.

Persistence of the 2018 energy and demand savings into the 2019 and 2020 years are based on the gross energy and demand savings listed in the April 15, 2019 IESO Participant and Cost Report. The persistent savings were then adjusted to net energy and demand savings using the Program Net to Gross values from the IESO 2018 Residential and Business Program Evaluation Reports.

Data used for the 2019 energy and demand savings for the Heating and Cooling Program are provided using the same methodology for the 2018 program year using the same April 15, 2019 IESO Participant and Cost Report. Data used for the 2019 Retrofit Program was derived from a Detailed Project Participant Report obtained from the IESO. Net energy and demand savings are calculated using the net to gross published values listed IESO 2019 Business Program Evaluation Report.

To obtain the 2020 data used in this filing, API used the Retrofit Program Detailed Project Participant Report obtained from the IESO for the 2020 CFF Program year. Gross energy and demand savings were adjusted to net savings based on Net to Gross values published in the IESO 2020 Business Program Evaluation Report. A separate 2019 and 2020 Retrofit Detailed Project Participant listing including the gross and net energy and demand savings has been submitted with this filing.

Persistence of the 2019 and 2020 Retrofit energy and demand savings was determined by cross referencing the installed measures for each Retrofit Project to the expected useful life of the measure listed in the IESO April 2020 Measures and Assumptions Listing.

The allocation of energy and demand savings for the 2019 and 2020 Retrofit program are based on the participation of customers and their associated rate class using the Detailed Project summary for 2019 and 2020. For 2018 the allocation of savings was determined

by breakdown of energy savings by rate class of historical participants in the Retrofit Program.

TAX CHANGES

In relation to Bill C-97, which provides for a first-year increase in Capital Cost Allowance ("CCA") deductions on eligible capital assets acquired after November 20, 2018, API has recorded the impacts of CCA rule changes in Account 1592, in accordance with the OEB's July 25, 2019 letter. API addressed this topic in its 2020 CoS and is no longer recording the impact of this rule change in 1592 effective January 1, 2020. API will seek final disposition of the amounts accumulated in 1592 in its 2025 CoS application.

No other legislated tax changes result in changes from the tax rates embedded in API's approved distribution rates, therefore Tabs 8 and 9 of the IRM Model have not been populated.

ADVANCED CAPITAL MODULE ("ACM")

Approved ACM Projects

API received approval for two ACM projects in its 2020 cost of service application (EB-2019-0019):

1) Investments at the Echo River TS, in the amount of $7.5 million, with a proposed in-service date of 2021, subject to a requirement to file certain additional information at the time of its next rebasing; and,
2) Construction of a new Sault Ste. Marie facility, in the amount of $12.69 million, with a proposed in-service date of 2022.

ACM Cost Recovery in Consideration of RRRP Funding

In EB-2019-0019, API received approval for alternate funding treatment for its ACM projects, in consideration of the RRRP framework. API's approved ACM funding treatment allows the majority of API's customers to receive the benefit of RRRP and/or Distribution

Rate Protection in the context of ACM cost recovery, while allowing API to recover its incremental revenue requirement during non-rebasing years with bill impacts that approximate a situation where the project costs had been included in base rates. The approved funding treatment is summarized as follows:

1) API's incremental revenue requirement associated with the ACM projects, as calculated using the OEB's ACM/ICM Model, will be allocated to each rate class in accordance with the cost allocation calculations in the OEB's ACM/ICM Model;
2) the portion the incremental revenue requirement allocated to the RRRP-eligible rate classes (i.e. R1 and R2) will be recovered through revenue requirement adjustments during the IRM period, which will result in a corresponding increase to API's RRRP funding requirement, rather than recovery through ACM rate riders for these rate classes; and,
3) the portion the incremental revenue requirement allocated to API's non-RRRP-eligible rate classes (i.e. Seasonal and Street Lighting) will be recovered through ACM rate riders in the normal course.

As discussed in the 2023 Rate Design section of this Application, API has added functionality to the API Rate Model to incorporate any incremental ACM revenue requirement allocated to the R1 and R2 rate classes.

Based on the means test for ACM recovery, API qualifies to recover costs. API's most recent ROE, for 2021, was 9.38%, which is within 300 basis points of the approved ROE of 8.52%.[11]

Status of Approved ACM Projects

<u>Echo River TS</u>

In November 2019, API entered into a SIA/CIA and Connection Cost Estimate Agreement with Hydro One related to investments at the Echo River TS. At that time, both parties

[11] API's RRR 2.1.5.6

continued to target a late 2021 in-service date. As noted in API's last IRM application, the expected in-service date is 2023.

The forecasted project cost is $8.01 million. This is approximately 7% higher than the $7.50 million in costs forecasted at the time of API's 2020 cost of service application. The increased cost is associated with a slightly higher than anticipated transformer cost and completion of the distribution study.

API has received the cost estimates from Hydro One and completed a study of an distribution based alternative that is comparable to the proposed Transmission project. In accordance with the conditions of the EB-2019-0019 Settlement Proposal, API finalized its business case comparing the economics of the transmission alternative to the distribution alternative and, consistent with the results of that analysis, will continue to proceed with the transmission alternative as originally planned. In May 2021, API executed a Capital Cost Recovery Agreement (CCRA) with Hydro One for the purchase and installation of a second transformer at the Echo River TS. The transformer is expected to be delivered in Q3 of 2022, and work will proceed for a mid-2023 in-service date. API therefore remains on schedule to request ACM cost recovery for this project starting in its 2023 rate year.

Sault Ste. Marie Facility

API has an approved ACM rate rider and incremental RRRP funding in place for $12.69 million for the Sault Ste. Marie Facility project. The expected in-service date remains as 2022. The total expected costs of $15.68 million are within +/- 30% of the $14.12 million costs estimated in the 2020 cost of service application. As noted in API's 2022 IRM application, API intends to include the actual cost of the Sault Ste. Marie facility in rate base at its next rebasing application with the prudence of the incremental project costs over $12.69 million to be assessed at that time.

In API's 2022 IRM application decision, OEB staff's view was "that it would be consistent with the settlement proposal to assess the prudence of the actual cost for this project in

Algoma Power's next cost of service proceeding. In addition, it would also allow the OEB to consider the actual project costs and the net book value to be included in rate base."

THE GOUDREAU EAST 44KV PROJECT

API notes that for the purpose of the ACM Model its forecast capital expenditures are $25.954M. Relative to the forecast capital expenditures in API's last filed Distribution Plan this is a large variance, driven primarily by two factors; first, the recognition of the capital spending related to the Echo River TS as it is placed into service in 2023, and second, the addition of a new, large, capital project scheduled to go into service in 2023.

In Q1 2022, API and two customers, one existing and one new, signed an offer to connect to provide 8MW of incremental capacity in the Goudreau area of API's service territory (the "Goudreau East 44kV Project"). The capital expenditure for the Goudreau East 44kV Project to be placed into service in 2023 is approximately $8.01M; along with the approximately $8.01M of expenditures for the Echo River TS as detailed above, these two projects increase the capital expenditures to be placed in service in 2023 by over $16M.

The Goudreau East 44kV Project is comprised of the design, supply, construction, installation, commissioning, and energization of approximately 11.2 kilometers of new and replacement 44 kV distribution lines, as well as related facilities, and to remove approximately 9.1 kilometers of existing facilities, along the #4 Circuit between the upstream Distributor tap location east of Goudreau, Ontario (referred to as the Goudreau Tap) and the Demarcation Points between the Distributor's Distribution System and each of the Customers' facilities.

An electrical diagram and project area map of the work is shown below.

Figure 1: High Level System Topology and Demarcation Point Configuration

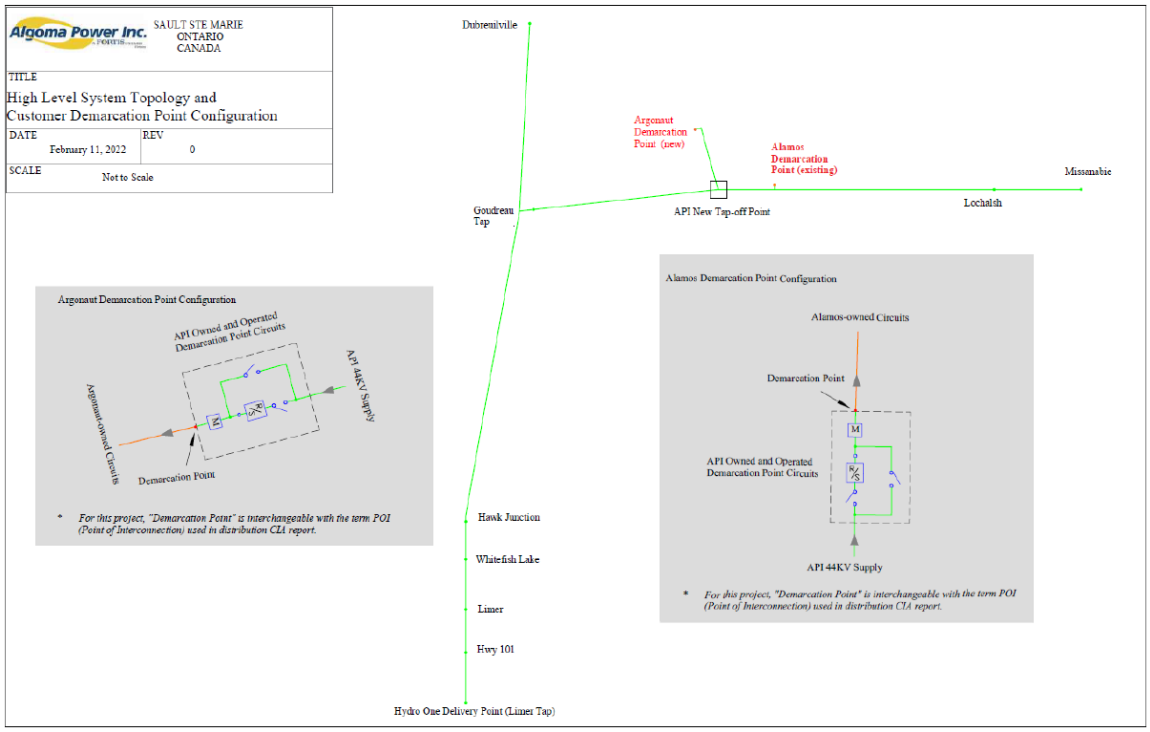

Figure 2: Project Map

Due to the timing of the request, this work was not forecast in API's 2020 cost of service application and did not appear in the Distribution System Plan filed in support of that application. API notes that the nature and scope of the Goudreau East 44kV Project is such that while it would qualify for consideration under the OEB's Incremental Capital Module, API has not elected to seek such relief in this proceeding. However, as the Goudreau East 44kV Project has a large impact on API's overall capital spending to be placed into service in 2023 and was not comtemplated in API's last filed Distribution System Plan API believes it appropriate to provide details about the project in this filing.

Notes on ACM Model

In the ACM model API applied the same methodology it did for 2022 rates. API used current forecasts for each year (or in the case of 2021, actual net capital expenditures) then removed capital expenditures associated with the ACM projects and added the ACM expenditures back in the year the ACM project goes into service. In other words, the multi-year capital expenditures for API's ACM projects have been included within the year each project goes into service, since that is the year that is relevant in terms of the impact that spending has on API's capital funding requirements, an approach that was approved by the OEB in API's 2022 application as it related to ACM treatment for the SSM facility. API also took the same approach with the other significant multi-year project currently underway, the Goudreau East 44kV Expansion Project.

This was done to align the project spending and project additions for multi-year projects in a way that avoids double-counting.

For further clarity and details of the "capex" entries used in tab 9b of the ACM model are shown below by year, which row E reflecting the in service date for API's ACM spending:

		Prior Years Project Spending	2021	2022	2023
A	Capital Expenditure		$21,523	$26,891	$13,812
B	Adjustment for SSM Facility	$476	-$6,130	$6,606	$0
C	Adjustment for Echo River TS	$560	-$3,759	-$3,691	$8,010
D	Adjustment for Goudreau East 44kV Expansion Project	$0	$0	-$4,132	$4,132
E=ΣA,B,C,D	Capex Input for ACM Model		$11,635	$25,674	$25,954

As can be seen in the table above and as was approved in API's 2022 application the entire multiyear capital spend for the SSM Facility was recognized in 2022 for the purposes of the OEB"s ACM Model. Similarly, API has shifted all the spending for the Echo River TS and Goudreau East 44kV Expansion Project into 2023, the year those projects are forecast to go into service.

BILL IMPACT SUMMARY

A summary of total bill impacts is provided in Table 20 below. Further detail on these bill impacts can be found at Tab 20 in the electronic copy of the 2023 IRM Model and in the Additional Bill Impact Workform for the R1(ii) rate class that have been submitted with this Application. A print version of the Model and Additional Bill Impact Workform has been provided in Schedule "B" to this Application.

Table 20 – Bill Impact Summary

RATE CLASSES / CATEGORIES *(eg: Residential TOU, Residential Retailer)*	Consumption (kWh)	Demand (kW)	Units	Total Bill			
				2022	2023	Change 2022 to 2023	
						$	%
Residential R1(i) - TOU - 10th percentile	300	-	kWh	$ 74.70	$ 76.67	$ 1.97	2.6%
Residential R1(i) - TOU - OEB Typical	750	-	kWh	$ 132.69	$ 137.62	$ 4.94	3.7%
Residential R1(ii) - TOU	2,000	-	kWh	$ 350.20	$ 366.20	$ 16.00	4.6%
Residential R2 - Non-RPP	90,000	225	kW	$16,238.24	$13,756.18	$ (2,482.06)	-15.3%
Seasonal - TOU - 10th percentile	50	-	kWh	$ 82.58	$ 89.64	$ 7.06	8.5%
Seasonal - TOU - OEB Typical	750	-	kW	$ 249.26	$ 245.34	$ (3.92)	-1.6%
Street Lighting - Non-RPP	3,228	9	kW	$ 513.48	$ 401.93	$ (111.55)	-21.7%

Notes on Tabs 19 and 20 of IRM Model

API notes that it has made modifications to the tariff produced by Tab 19 of the IRM Model[12] and the bill impact calculations produced by Tab 20 of the IRM Model[13], as summarized in Table 16 below.

When the IRM Model is updated to reflect the final price cap adjustment parameters and RRRP Adjustment Factor, and Tab 20 is subsequently updated, the above manual changes may be over-written by the updates. Tab 20 of the Model will need to be verified at that time to ensure that the above adjustments are incorporated.

[12] These modifications are reflected in the file "API_2022_Proposed_Tariff_20220804.xlsx", which was initially created from the IRM Model Tab 19 output.
[13] The IRM Model filed with the Application was saved after these changes were made, however if the "Update" button functionality in Tab 20 is used by OEB staff, these changes will be overwritten.

Table 21 – Modifications to Tariff and Bill Impacts

Description of Issue	Modifications to Tariff	Modifications to Tab 20
Apart from the differentiation of monthly service charges and volumetric rates to allow the transition to a fully fixed rate for R1(i) customers, API's rate design process, and all other calculations in the IRM Model, consider R1(i) and R1(ii) customers as a consolidated rate class.	Input the rates applicable to the R1(i) subclass on Tab 16. These rates auto-populated for both R1(i) and R1(ii) on Tab 19. In the Proposed Tariff (Schedule E and Live Excel), distribution rates applicable to R1(ii) customers were manually replaced with the R1(ii) rates calculated in the API Rate Design Model.	The bill impacts for R1(i) customers were calculated in Tab 20, using the R1 selection. An Additional Bill Impact – R1(ii) workform was filed, using the same format and calculations as Tab 20 of the IRM Model.
API's tariff contains a fixed rate rider of $11.16 per month for the R1 and R2 rate classes, however this rate rider only applies to a very small subset of API's customers located in the township of Dubreuilville.	N/A.	Removed the rate rider of $11.16 from the generic bill impact calculations so that the total bill amounts are more reflective of the majority of API's customers. API notes that the total bill impact will be the same for customers in Dubreuilville, since the rate rider does not change from 2022 to 2023.
The Smart Meter Entity Charge of $0.43 per month is added by default to any rate classes labelled as "Residential", but not to any other classes. For API, this charge does not apply to its Residential – R2 rate class, but does apply to its Seasonal rate class.	N/A.	Zeroed out the charge for the Residential – R2 bill impact. Added the $0.43 charge to any Seasonal bill impact calculations.