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BY EMAIL

October 3, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ritchie Murray:

**Re: Algoma Power Inc.
Application for 2026 Electricity Distribution Rates
Ontario Energy Board (OEB) File Number: EB-2025-0054**

In accordance with Procedural Order No.1, please find attached the Ontario Energy Board staff interrogatories in the above proceeding. The applicant has been copied on this filing.

Algoma Power Inc.'s responses to interrogatories are due by October 17, 2025.

Any questions relating to this letter should be directed to Oluwole (Wolly) Bibiresanmi at Oluwole.Bibiresanmi@oeb.ca or at 437-880-4352. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Oluwole (Wolly) Bibiresanmi
Advisor, Incentive Rate-setting

**OEB Staff Interrogatories
Algoma Power Inc.
EB-2025-0054**

Please note, Algoma Power Inc.(Algoma Power) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

1-Staff-1

Letter and Accounting Order Establishing a Variance Account

Ref 1: EB-2024-0063, OEB Letter, July 26, 2024

Ref 2: EB-2024-0063, OEB Letter, October 31, 2024

Ref 3: EB-2024-0063, Decision and Order, March 27, 2025, p. 92

Preamble:

On July 26, 2024, the OEB issued a Letter and Accounting Order establishing a variance account for the deemed short-term debt rate (DSTDR) related to the generic proceeding on cost of capital and other matters.

On October 31, 2024, the OEB issued a Letter and Accounting Orders establishing two variance accounts. One is the account regarding the return on equity (ROE), and the other is the account regarding deemed long-term debt rate (DLTDR), both related to the generic proceeding on cost of capital and other matters.

On March 27, 2025, the OEB issued its decision and order for the above-noted generic proceeding. The OEB addressed the variance accounts established by the above-noted Accounting Order and states:

Utilities that implemented rates in 2025 using interim cost of capital parameters were granted variance accounts to record the difference between the revenue requirement at interim and final cost of capital parameters. The OEB will consider the disposition of these balances in both IRM and Custom IR update rate applications. The OEB will also consider applications to amend base rates to reflect any changes in revenue requirement for 2025, but only if there was no specific treatment previously approved by the OEB for the 2025 rate application. This approach will allow the variance accounts for 2025 to be disposed and closed.

Any adjustment to base rates should use only data from the final approved revenue requirement calculation and billing determinants (no updated forecast).

Question(s):

- a) Please explain whether Algoma Power is planning to dispose of and close the variance accounts relating to the DSTDR, DLTDR, and ROE, as applicable, as part of its incentive rate-setting mechanism application for 2026 rates.
- b) If yes, please explain how the requirements of the OEB's March 27, 2025, decision and Accounting Orders have been addressed in the current application to dispose of these variance account(s) and confirm the accuracy of the balances in such variance accounts.
- c) If no, please explain when Algoma Power plans to dispose of these variance account(s).
- d) If no, please explain how Algoma Power plans to mitigate generating significant balances in the variance account(s) and minimize intergenerational equity.

1-Staff-2

Cost of Capital Adjustments

Ref: Manager's Summary, pp. 15-19

Preamble:

Algoma Power proposes to adjust the 2025 base revenue requirement allocations uniformly across fixed and variable components, in alignment with the Cost of Capital Decision, using a calculated adjustment factor that reflects the percentage change in the approved revenue requirement, ensuring consistency in rate design and RRRP funding calculations for 2026.

Question(s):

- a) Please provide the percentage change in the cost of capital that triggered the adjustment, along with supportive explanations.
- b) Please explain if Algoma Power applied the adjustment factor uniformly across all rate classes. If not, please provide explanation to support any deviations.

1-Staff-3

Accounts 1595, 1588 and 1589 Disposition

Ref: Manager's Summary, pp. 26 and 31

Preamble:

Algoma Power has requested disposition of Account 1595 sub-accounts for 2022, following the expiry of related rate riders on December 31, 2022. Audited financial statements for 2023 and 2024 confirm a credit residual balance of (\$160,476), attributed to higher-than-expected collections due to elevated billing determinants. Algoma Power also identified that one rate rider under Account 1595 (2021) the LRAMVA (2020) for Seasonal and Street Lighting classes expired in 2023. Algoma Power proposes to include the resulting net credit balance in its 2027 IRM Group 1 disposition request, with regulatory interest continuing to accrue.

In addition, Algoma Power states that:

“Accounts 1588 and 1589, interim disposition of 2023 activity (including adjustments) was included while 2024 activity was excluded as it is still being reviewed”

Question(s):

- a) Please clarify the specific reconciling items contributing to the 2024 Account 1588 balance exceeding the +/-1% threshold and provide a timeline for resolution.
- b) Please explain how Algoma Power planned to ensure that interim disposition of 2023 balances do not conflict with unresolved 2024 impacts.
- c) Please provide detailed reconciliation and explanation supporting the credit residual balance of (\$160,476).
- d) Please explain the billing determinants that led to higher-than-forecast collections and confirm whether any applicable interest amounts will be refunded to ratepayers.
- e) Please describe how Algoma Power identified the issue of higher-than-forecast collections, and outline the corrective procedures implemented to prevent recurrence.

1-Staff-4

Long Term Cost of Debt

Ref: Manager's Summary, p. 16.

Preamble:

In Table 5 there is no impact on the revenue requirement from the long-term cost of debt because Algoma Power used its actual cost of long-term debt parameters instead of the OEB's deemed cost of long-term debt parameters.

Question(s):

- a) Please confirm that Algoma Power's cost of debt remained unchanged at the time the final cost of capital parameters were published by providing a 2025 debt continuity and coupons used.

1-Staff-5

RRRP Adjustment and Variance Account Credit Allocation – 2025 Residential Rates

Ref: Manager's Summary, pp. 11-12.

Preamble:

Algoma Power states that the 2025 approved electricity distribution rates for the Residential – R1 and Residential – R2 customers classes have been indexed by the placeholder 2026 RRRP Adjustment Factor of 4.75%.

Algoma Power has assessed a component of the Variance Account balances which are owing as a RRRP offset, amounting to a \$298,347 credit of the \$325,232 credit it assessed relating to the update of the short-term debt and return on equity parameters.

Question(s):

- a) Please provide a reconciliation schedule bridging the total 2025 Cost of Capital DVA balance of \$325,232 credit to the R1 and R2 share of \$298,347 credit.

1-Staff-6

Updated Cost of Capital Impacts and OEB Guidance on 2025 Variance Accounts

Ref 1: Manager's Summary, p. 7

Ref 2: EB-2024-0063, Cost of Capital Decision, p. 92

Preamble:

In Reference 1, Algoma Power included proposals in its Rate Design Model to adjust the cost of capital and PILS components of the revenue requirement to reflect the updated cost of capital parameters with the January 1, 2026, rate adjustments.

Algoma Power noted that the corresponding adjusted 2025 base revenue requirement is \$33,362,059.

Algoma Power has calculated a principal credit of \$325,232 for 2025 in the newly established variance accounts, which is owed to its ratepayers and the RRRP.

In Reference 2, the OEB stated that it will consider the disposition of these balances in both IRM and Custom IR update rate applications. The OEB will also consider applications to amend base rates to reflect any changes in revenue requirement for 2025, but only if there was no specific treatment previously approved by the OEB for the 2025 rate application. This approach will allow the variance accounts for 2025 to be disposed and closed.

Question(s):

- a) Please provide Algoma Power's view on the pros and cons of its approach to adjust its 2025 base revenue requirement over the approach of not adjusting its 2025 base revenue requirement and continuing to record entries within the generic cost of capital related DVAs until its next rebasing application.

1-Staff-7

Inflation Rate Changes

Ref: Rate Generator Model, Continuity Schedule (Tab 3)

Preamble:

On September 11, 2025, the OEB published the 2025 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

- a) Please confirm that Tab 3 (Continuity Schedule) of the Rate Generator Model for each rate zone reflects the Quarter 4 2025 OEB-prescribed interest rate of 2.91%. If not, please update, as necessary.

1-Staff-8

Hearing Method

Ref: Chapter 3 of the OEB Filing Requirements

Preamble:

In Reference, Algoma Power the OEB Filing Requirements for 2026 IRM typically outline procedural details, including whether applications will be processed by written or oral hearing.

Question(s):

- a) Please clarify why Algoma Power did not indicate a preferred hearing method (written or oral) in its application.

1-Staff-9

Question(s):

- a) In the instance the OEB releases any updated rates / charges (e.g., 2026 Uniform Transmission Rates) before Algoma Power provides its responses to OEB staff's interrogatories, please update the Rate Generator Model (and any other models), as applicable, and identify the rates / charges that were updated.