



October 17, 2025

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Algoma Power Inc. ("API") - 2026 IRM Application Interrogatory Responses
(EB-2025-0054)**

As set out in the OEB's September 25, 2025 Procedural Order No. 1, please find attached API's responses to interrogatories from OEB staff.

API confirms that the responses do not include personal information as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*.

Please direct any questions or correspondence in this matter to the undersigned.

Sincerely,

Oana Stefan
Manager, Regulatory Affairs
RegulatoryAffairs@FortisOntario.com

Contents

1-Staff-1	3
Preamble:	3
Question(s):	3
Answer:	4
1-Staff-2	6
Preamble:	6
Question(s):	6
Answer:	6
1-Staff-3	9
Preamble:	9
Question(s):	9
Answer:	10
1-Staff-4	12
Preamble:	12
Question(s):	12
Answer:	12
1-Staff-5	14
Preamble:	14
Question(s):	14
Answer:	14
1-Staff-6	16
Preamble:	16
Question(s):	16
Answer:	16
1-Staff-7	18

Preamble:	18
Question(s):	18
Answer:	18
1-Staff-8	19
Preamble:	19
Question(s):	19
Answer:	19
1-Staff-9	20
Question(s):	20
Answer:	20

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.

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.

Answer:

a) API confirms it is proposing to dispose of the account balances in the DSTDR and ROE accounts as part of this Application, using the methodology proposed on pages 27-29 of the Application to calculate the balances. API confirms that there is no balance in the DLTD account as the Deemed LTDR was not applied in API's cost of capital calculations. API confirms that upon disposition, it requests to close these accounts.

b) The account balances have been assessed as follows (with references back to the Application for ease of reference):

- Impact of DSTDR has been assessed as a (\$81,104), consistent with the calculation in Tables 5 and 7 of the Application, resulting from a change from a DSTDR of 5.04% to 3.91%*, as applied to 4% of the 2025 Approved Rate Base
- Impact of ROE has been assessed as:
 - (\$179,434), consistent with the calculations in Tables 5 and 7, resulting from an ROE of 9.25% to 9.00%*, as applied to 40% of the 2025 Approved Rate Base;
 - PILS impact of (\$64,694) as outlined in Tables 6 and 7, resulting from the ROE change in the point above;

For a total of (\$325,232) in principal balances among the DSTDR and ROE accounts.

Additionally, API estimated 2025 interest of (\$10,261) for a total disposition among both accounts of (\$335,493) (see also Table 18 of Application).

** the updated DSTDR rate of 3.91% and ROE rate of 9.00% are consistent with the updated rates issued in the OEB's Decision and Order on March 27, 2025.*

API confirms that the rates implemented in 2025 used interim cost of capital parameters for the DSTDR and ROE, as outlined in the Draft Rate Order calculations (see DRO dated November 26, 2024, page 1 and page 8) following the Partial Decision and Order in API's 2025 COS. API also confirms there was no specific treatment previously approved by the OEB in regards to updates to address the Cost of Capital Decision.

Therefore, in line with the options presented by the OEB in its Cost of Capital Decision, API is proposing to dispose of the balances in the affected DVA accounts, and to amend base rates.

API confirms the accuracy of the account balances as outlined in the Application.

c) N/A- As outlined in the application, and confirmed above, API is proposing disposition in this Application.

d) N/A- As outlined in the application, and confirmed above, API is proposing disposition in this Application.

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.

Answer:

a)

Table 8 in the Application outlines the % change in Revenue Requirement of 0.97%, resulting from a \$325,232 decrease in revenue requirement

Table 8 – Revenue Requirement Adjustment Factor (for 2025 Cost of Capital)

2025 Approved Base Revenue Requirement- Using Interim Cost of Capital Parameters	\$ 33,687,290
2025 Updated Base Revenue Requirement- Using Final Cost of Capital Parameters	\$ 33,362,059
Difference in Revenue Requirement	-\$ 325,232
% Change in Revenue Requirement (Cost of Capital Adj Factor)	-0.97%

The Revenue Requirement changes are driven by the change in ROE and DSTDR has highlighted in Table 5 of the Application

ie: ROE change from 9.25% from DRO (interim) to 9.00% with OEB Decision and DSTDR from 5.04% from DRO (interim) to 3.91% with OEB Decision.

2025 Cost of Capital- Approved based on Interim ROE, STD Rates					2025 Cost of Capital- Updated for Final ROE, STD Rates					Revenue Requirement Impact
	(%)	(\$)	(%)	(\$)		(%)	(\$)	(%)	(\$)	
Debt					Debt					
Short-term Debt	4.00%	\$7,177,348	5.04%	\$361,738	Short-term Debt	4.00%	\$7,177,348	3.91%	\$280,634	(\$81,104)
Total Debt	60.00%	\$107,660,217	5.11%	\$5,505,563	Total Debt	60.00%	\$107,660,217	5.04%	\$5,424,459	(\$81,104)
Equity					Equity					
Common Equity	40.00%	\$71,773,478	9.25%	\$6,639,047	Common Equity	40.00%	\$71,773,478	9.00%	\$6,459,613	(\$179,434)
Preferred shares	0.00%	\$-	0.00%	\$-	Preferred shares	0.00%	\$-	0.00%	\$-	\$-
Total Equity	40.00%	\$71,773,478	9.25%	\$6,639,047	Total Equity	40.00%	\$71,773,478	9.00%	\$6,459,613	(\$179,434)
Total	100.00%	\$179,433,696	6.77%	\$12,144,610	Total	100.00%	\$179,433,696	6.62%	\$11,884,072	(\$260,538)

As outlined above, the (\$325,232) adjustment is comprised of the (\$81,104) reduction from the DSTDR, a (\$197,434) direct reduction from the ROE rate, and an indirect impact of (\$64,694) from the PILS impact of the ROE, as shown in Table 7 of the Application

Table 7 – 2025 Revenue Requirement, Adjusted for Generic Cost of Capital Proceeding

2025 Revenue Requirement- Approved based on Interim ROE, STD Rates				2025 Revenue Requirement - Updated for Final ROE, STD Rates				Revenue Requirement Impact
OM&A Expenses			\$ 15,348,227.01	OM&A Expenses			\$ 15,348,227.01	\$ -
Amortization/Depreciation			\$ 5,748,110.61	Amortization/Depreciation			\$ 5,748,110.61	\$ -
Property Taxes			\$ 260,000.00	Property Taxes			\$ 260,000.00	\$ -
Income Taxes (Grossed up)			\$972,797	Income Taxes (Grossed up)			\$908,103	(\$64,694)
Other Expenses				Other Expenses				\$ -
Return				Return				\$ -
Deemed Interest Expense			\$5,505,563	Deemed Interest Expense			\$5,424,459	(\$81,104)
Return on Deemed Equity			\$6,639,047	Return on Deemed Equity			\$6,459,613	(\$179,434)
Service Revenue Requirement (before Revenues)			\$ 34,473,744.26	Service Revenue Requirement (before Revenues)			\$ 34,148,512.75	(\$325,232)
Revenue Offsets			\$ 786,453.96	Revenue Offsets			\$ 786,453.96	\$ -
Base Revenue Requirement			\$ 33,687,290.30	Base Revenue Requirement			\$ 33,362,058.79	(\$325,232)

b) Confirmed, the 0.97% factor was applied consistently to the 2025 base revenue requirements allocated to each customer class (before RRRP adjustment). These class-specific revenue requirements are consistent with Table 18 in API's DRO dated November 26, 2024 as well as Page 46 of the DRO.

Table 9 – 2025 Revenue Requirement Adjustment for Cost of Capital

	2025 Approved Base Revenue per Class	2025 Cost of Capital Update RR Adjustment Factor	Adjusted Base Revenue Requirement per Class- Cost of Capital Adjustment	2025 Allocated BRR Adjustment
Residential - R1	\$ 22,482,502	-0.97%	\$ 22,265,446	-\$ 217,056
Residential - R2	\$ 7,474,952	-0.97%	\$ 7,402,786	-\$ 72,166
Seasonal	\$ 3,505,478	-0.97%	\$ 3,471,635	-\$ 33,843
Street Lighting	\$ 224,359	-0.97%	\$ 222,193	-\$ 2,166
Total	\$ 33,687,291		\$ 33,362,059	-\$ 325,232

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.

Answer:

- a) API is continuing to work on resolving the balances exceeding the threshold for both 1588 and 1589 for 2024. Although API has identified some potential reconciling items to date, the unreconciled balance still exceeds the +/- 1% threshold for both accounts. If timely resolution is achieved within this proceeding, API will advise OEB. If timely resolution is not achieved, API respectfully requests a deferral to request disposition of its 2024 balance until a future proceeding.
- b) API is asking for interim disposition rather than final disposition for the 2023 balances since 2024 balances are currently not within 1% threshold for 1588/1589. In the event that there are reconciling items identified for 2024 that may impact 2023 balances, API has taken the approach of requesting interim disposition of 1588/1589 for 2023 to allow for a potential adjustment to 2023. Given that the calculated total claim amounts for 1588/1589 2023 activity is not material, API is open to withdrawing its request for interim disposition of its 2023 balances while it continues to investigate 2024 reconciling items for these accounts.
- c) API has outlined the details of the credit residual balance as below. The difference is largely as a result of the increase in demand from the Residential R2 rate category during the year.

Rate Class	Amount Collected	Per DRO	Difference	% Difference
Residential R1	- 106,872.98	84,385.00	- 22,487.98	14%
Residential R2	- 604,793.79	471,135.00	- 133,658.79	86%
Seasonal	- 12,456.69	12,221.00	- 235.69	0%
Streetlight	- 955.99	1,329.00	373.01	0%
	- 725,079.45	569,070.00	- 156,009.45	
			1	
1	- 156,009.45			
	- 4,466.00	Projected Interest - per DVA continuity		
	- 160,475.45	Agrees to IR amount and Continuity		

- d) The billing determinants that led to higher-than forecast collections are as a result of higher than forecasted demand in the Residential R2 rate category as well as Residential R1 rate category to a lesser extent. The billing determinates for demand when calculating the original 1595 rate rider recoveries, are based on the most recent RRR data that was submitted to the OEB (in this case was based on 2020 billing determinants as remitted the RRR filing) which is pre-populated in the model by the OEB. This approach is standard practise when establishing rate rider calculations for IRM applications. API calculates regulated interested on its group 1 DVA account balances consistent with OEB methodology in that interest is calculated on the prescribed rate. In the case of overcollection in this 1595 account, the associated interest will also be refunded to its customers and this is reflected in the interest columns of the continuity schedule including the projected interest to the end of 2025.
- e) API identified the issue of higher-than-forecast collections when preparing to dispose of the 1595 (2022) balance. As described in d above, API follows standard practise as it relates to establishing rate rider calculations for its group 1 dispositions during IRM applications by using the most recently published RRR filing data, which is pre-populated in the model by the OEB. API intends to continue utilizing best practices per OEB guidance and use the OEB populated RRR data in its forecasting.

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.

Answer:

- a) To clarify, API's actual existing long term debt at the time of the settlement agreement was used to determine the long term debt rate underpinning the revenue requirement, and therefore the OEB's change in the 2025 deemed long term debt rate (between the interim rate and final) had no impact on the cost of capital calculations used in API's 2025 revenue requirement.

The component of the revenue requirement associated with long term debt was therefore, in effect, fixed at the time of the OEB's Decision accepting the settlement proposal, and not expected to be updated (whether with OEB deemed rates or other changes). The following references substantiate this understanding.

- The OEB approved API's Settlement Proposal in its Partial Decision and Order in EB-2024-0007 on November 19, 2024 (the "Partial Decision"). All issues except Issue 6.2 were fully settled in the Settlement Proposal, and Issue 6.2 has no impact on revenue requirement/cost of capital.
- API's Settlement Proposal on Issue 3.1 outlines that:

“the weighted average cost of Long-Term Debt does not require updating as it is based entirely on existing 3rd party fixed rate instruments.” (page 22 of Settlement Proposal)

- The Partial Decision confirms the OEB’s direction that only updates to the return on equity and short term debt rate would be subject to further updates (see p. 6 of the Partial Decision, and related references).

On this basis, API believes the 2025 debt continuity and coupons used are not relevant in this proceeding, as the long term debt rate was fixed at the rate used in API’s settlement, and the subsequent partial decision and order accepting the settlement.

Nevertheless, API confirms the weighted long term debt rate from the COS reflects API’s actual 2025 long term debt rates and levels.

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.

Answer:

- a) Please see table below summarizing the allocation of the principal and interest amounts among the RRRP (Residential R1 and Residential R2) and Non-RRRP classes (Seasonal and Street Lighting).

The DVA Balance of (\$325,232) is only the principal amount allocated to RRRP classes, excluding (\$10,261) of interest.

The R1 and R2 share of the credit consists of an allocated (\$289,222) in principal balance and (\$9,125) interest, for a total (\$298,347).

The remaining (\$36,009) principal, plus (\$1,136) interest, is proposed to be credited back to Seasonal and Street Lighting customers through rate riders.

From Table 18 in Application					Summary of Table 18- RRRP vs. non-RRRP Component		
	2025 Allocated BRR Adjustment	2025 Projected Interest	Allocated Balance	Disposition Methodology	Principal RRRP (R1&R2)/non RRRP (Seas.&Street L.) Adjustments	Interest RRRP (R1&R2)/non RRRP (Seas.&Street L.) Adjustments	Total RRRP (R1&R2)/non RRRP (Seas.&Street L.) Adjustments
Residential - R1	-\$217,056	-\$ 6,848	-\$223,904	RRRP Reduction			
Residential - R2	-\$ 72,166	-\$ 2,277	-\$ 74,443	RRRP Reduction	289,222	9,125	298,347
Seasonal	-\$ 33,843	-\$ 1,068	-\$ 34,911	Rate Rider- Per Customer			
Street Lighting	-\$ 2,166	-\$ 68	-\$ 2,234	Rate Rider - Per kWh	36,009	1,136	37,146
Total	-\$325,232	-\$ 10,261	-\$335,493		325,232	10,261	335,493

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.

Answer:

a) Please see the pros and cons listing below:

Pros	Cons
•Supports intergenerational equity by disposing of variance account credits on a more timely basis.	<i>unclear what cons exist</i>
•Information to assess the 2025 variance is now known, and no forecasting error for the account balances is expected.	
• Rate setting complexity is mitigated. Without rate adjustment, complexity increases by annually layering Cost of Capital calculations with IRM adjustments, Seasonal Rate Design changes, and RRRP adjustments (and any future relevant billing policy updates).	
•Proposal is consistent with opportunity outlined by OEB in the Cost of Capital Decision.	

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.

Answer:

a) API can confirm that Tab 3 (Continuity Schedule) of the Rate Generator Model reflects the Quarter 4 2025 OEB prescribed interest rate of 2.91%, and no updates are required.

Furthermore, API confirms the projected interest of (\$10,261) associated with the Cost of Capital (ROE and DSTDR) accounts was calculated using a Q4 interest rate of 2.91%, and therefore no updates to the disposition proposal for those account balances are required.

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.

Answer:

- a) API did not indicate a preferred hearing method as an oversight error. API confirms it would prefer a written hearing in this Application. API believes this process would be the most appropriate and efficient use of OEB and API time (and intervenors', though there are no intervenors registered in this case) and resources as the Application is expected to be relatively uncomplicated.

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.

Answer:

- a) API has updated the Rate Generator and Tariff/Bill Impact models to reflect the preliminary UTRs that were released by the OEB on October 9, 2025. The updated rates have been entered into the 2026 columns for the Uniform Transmission and Sub-Transmission rates on Tab 11 of the Rate Generator.

The resultant RTSRs have been entered into the RTSR for each rate class in the Tariff and Bill Impact models attached with these interrogatories.

API anticipates that further rate updates will be required prior to the finalization of rates in this Application, including the RRRP adjustment for 2026, the issuance of RPP rates for November 1, 2025, and potentially others.