



**Ontario Energy Board
Commission de l'énergie de l'Ontario**

DECISION AND RATE ORDER

EB-2015-0051

ALGOMA POWER INC.

Application for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2016.

BEFORE: Allison Duff
Presiding Member

Victoria Christie
Member

December 10, 2015

1 INTRODUCTION AND SUMMARY

Algoma Power Inc. (Algoma Power) serves about 12,000 electricity customers, mostly residential and commercial, in the Algoma District of Ontario. As a licenced and rate-regulated distributor in Ontario, the company must receive the Ontario Energy Board's approval for the rates it charges to distribute electricity to its customers and the amount of funding it will receive through the Rural or Remote Rate Protection (RRRP) plan.

Algoma Power filed an application with the OEB on August 14, 2015, to seek approval for changes to its distribution rates to be effective January 1, 2016. The OEB has established three different rate-setting methods for distributors. Algoma Power selected the Price Cap Incentive rate-setting (Price Cap IR) plan option to adjust its distribution rates. The Price Cap IR method has a five-year term. In the first year, rates are set through a cost of service rebasing application. Algoma Power last appeared before the OEB with a cost of service application for 2015 in the EB-2014-0055 proceeding. In the other four years, there is a mechanistic adjustment to rates based on inflation and the OEB's assessment of a distributor's efficiency.

This is the OEB's Decision with respect to Algoma Power's application. The following issues are addressed in this Decision and Order.

- Price Cap Index Rate-Setting and Rural or Remote Electricity Rate Protection
- Regulatory Charges
- Revenue to Cost Ratio Adjustments
- Retail Transmission Service Rates
- Review and Disposition of Group 1 Deferral and Variance Accounts
- Residential Rate Design
- Implementation and Order

In accordance with the OEB-approved parameters for inflation and productivity for 2016, Algoma Power applied for a rate increase of 1.50%. The 1.50% applies to distribution rates (fixed and variable charges) uniformly for the Seasonal and Street Lighting customer classes. Algoma Power proposed to increase rates for the R-1 and R-2 customer classes using a RRRP adjustment factor of 1.80%. The rates and charges in Schedule B are not adjusted.

Algoma Power also applied to change the composition of its distribution service rates for its residential customers. Currently, residential distribution rates include a fixed monthly charge and a variable usage charge. However, the OEB issued a new policy to change residential rates to a fully fixed rate structure.

As a result of a provincial regulation regarding rate assistance for low-density service areas, Algoma's residential class uniquely includes not just typical residential customers, but also general service and unmetered scattered load customers. Consistent with the OEB's policy intent, the fixed monthly charge has only been adjusted for traditional residential customers in 2016; and the variable-usage rate that applies to them is also commensurately lower. The amount of revenue the distributor is expected to collect from "traditional" residential customers, and from the Residential – R1 class overall, will not be affected by this change. Only the proportion of revenue collected through variable and fixed charges will be altered. Consistent with the OEB policy, Algoma will be required to apply the changes from fixed to variable rates to the Seasonal Customer classification.

The OEB approves the adjustments to Algoma Power's application as calculated through this proceeding.

2 THE PROCESS

The OEB follows a standard, streamlined process for incentive rate-setting (IR) applications under a Price Cap IR plan.

In this case, Algoma Power provided written evidence and completed its own rate model to support its application on August 14, 2015. OEB staff, the Vulnerable Energy Consumers Coalition (VECC) and the Algoma Coalition (the Coalition) also participated in the proceeding. Questions were asked and answers were provided by Algoma Power to clarify and correct the evidence. Finally Algoma Power, OEB staff, VECC and the Coalition made submissions to the OEB regarding Algoma Power's application and proposals.

3 ORGANIZATION OF THE DECISION

The OEB has organized this Decision into sections, reflecting the issues that the OEB has considered in making its findings¹. Each section covers the OEB's reasons for approving or denying the proposals included in the application and affecting 2016 rates. The last section addresses the steps to implement the final rates that flow from this Decision.

¹ See list of issues in the Introduction, p.1

4 PRICE CAP INCENTIVE RATE-SETTING AND RURAL OR REMOTE ELECTRICITY RATE PROTECTION

The Price Cap IR adjustment follows an OEB-approved formula that includes components for inflation and the OEB's expectations of efficiency and productivity gains². The components in the formula are also approved by the OEB annually.

The formula is an *inflation minus X-factor* rate adjustment, which is intended to incent innovation and efficiency. Based on its established formula³, the OEB has set the inflation factor for 2016 rates at 2.1%.

The X-factors for individual distributors have two parts: a productivity element based on historical analysis of industry cost performance and a stretch factor that represents a distributor's efficiency relative to its expected costs. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors an incentive to improve efficiency or else face the prospect of declining net income.

Based on industry conditions over the historical study period, the productivity factor has been set at zero percent. A stretch factor is assigned based on the distributor's total cost performance as benchmarked relative to other distributors in Ontario. For Price Cap IR applications, a range of stretch factors has been set from 0.0% to 0.6%⁴. The most efficient distributor, based on the cost evaluation ranking, would be assigned the lowest stretch factor of 0.0%. Higher stretch factors are applied to distributors whose cost performance falls below that of comparable distributors to encourage them to pursue greater efficiencies.

Algoma Power's application was filed on the basis of the Price Cap IR, modified to accommodate the legislative requirements for Rural or Remote Electricity Rate Protection (RRRP) funding. Customers in Algoma Power's Residential R-1 and R-2 rate classes are eligible to receive RRRP funding.⁵

The Price Cap IR adjustment applies to the distributor's existing OEB-approved rates for all customer rate classes, except the R-1 and R-2 classes, where the RRRP adjustment is applied. The RRRP adjustment reflects the average annual change in distribution

² Report on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors (December 4, 2013).

³ Ibid.

⁴ Report to the Ontario Energy Board – "Empirical Research in Support of Incentive Rate-Setting: 2014 Benchmarking Update." Pacific Economics Group LLC. July, 2015.

⁵ The setting of rates for Algoma Power's Residential R-1 and R-2 classes is subject to section 4 subsections 3.1 and 3.2 of Ontario Regulation 442/01 and Ontario Regulation 445/07 (Reclassifying Certain Classes Of Consumers As Residential-Rate Class Customers: Section 78 of the Act) made under the *Ontario Energy Board Act, 1998*.

rates for Residential and GS<50 kW customer rate classes across all rate regulated distributors.⁶ OEB staff provided an updated RRRP adjustment factor of 1.80%, which Algoma Power accepted in its reply submission.

The remaining amount of revenue for providing service to Residential R-1 and R-2 customers would be provided through RRRP funding. In a prior decision⁷, the OEB found that RRRP funding for the R-1 and R-2 rate classes during IRM years would be calculated using the difference between:

- i. The total revenue requirement for the R-1 and R-2 rate classes adjusted by the Price Cap IR adjustment; and
- ii. The revenues generated by the base rates for the R-1 and R-2 rate classes adjusted by the RRRP Adjustment.

In its reply submission, Algoma Power requested \$13,678,440 in RRRP funding for 2016 which was calculated by applying a price cap index adjustment 1.5% and a RRRP adjustment of 1.8% to the method outlined above. The rates for all other customer classes not eligible for RRRP were adjusted by the Price Cap IR adjustment.

Findings

The OEB assigned Algoma Power a stretch factor of 0.60% based on the updated benchmarking study for use for rates effective in 2016⁸. The resulting net price cap index adjustment for Algoma Power is 1.50% (i.e. 2.1% - (0% + 0.60%)). The 1.50% adjustment applies to distribution rates (fixed and variable charges) uniformly for the Seasonal and Street Lighting customer classes.

The OEB approves the application of the 1.8% RRRP adjustment factor to the distribution rates for the R-1 and R-2 classes. The OEB finds that the amount of RRRP of \$13,678,440 for the year commencing January 1, 2016 accurately reflects the OEB's findings pursuant to the applicable regulations and approves a monthly payment of \$1,139,870 effective January 1, 2016. The rates and charges listed in Schedule B are not adjusted.

⁶ As decided by the OEB in Algoma Power's 2010 cost of service rate application EB-2009-0278.

⁷ As decided by the OEB in Algoma Power's 2012 rate application EB-2011-0152.

⁸ Ibid note 2.

The OEB finds that Algoma Power proposed rate adjustments for the R-1, R-2, Seasonal and Street Lighting rate classes were calculated in accordance with the methodology approved in Algoma Power's last IR proceeding⁹.

5 REGULATORY CHARGES

There are a number of charges levied to consumers to cover the costs associated with various programs and wholesale market services.

The RRRP program is designed to provide financial assistance to eligible customers located in rural or remote areas where the costs of providing electricity service to these customers greatly exceeds the costs of providing electricity to customers located elsewhere in the province of Ontario. The RRRP program cost is recovered from all electricity customers in the province through a charge that is reviewed annually and approved by the OEB.

Wholesale market service (WMS) charges recover the cost of the services provided by the Independent Electricity System Operator (IESO) to operate the electricity system and administer the wholesale market. These charges may include costs associated with: operating reserve, system congestion and imports, and losses on the IESO-controlled grid. Individual electricity distributors recover the WMS charges from their customers through the WMS rate.

The Ontario Electricity Support Program (OESP) is a new regulatory charge that will be initiated in 2016. This program delivers on-bill rate assistance to low income electricity customers. All Ontario customers contribute to the OESP through the OESP charge.

These regulatory charges are established annually by the OEB through a separate order.

Findings

The OEB has determined¹⁰ that the RRRP charge for 2016 shall be \$0.0013 per kWh; the WMS rate shall be \$0.0036 per kWh; and the OESP charge shall be \$0.0011 per kWh. The Tariff of Rates and Charges flowing from this Decision and Rate Order reflects these new regulatory charges, as well as the OESP credits to be provided to enrolled low income customers.

⁹ Decision and Order EB-2013-0110

¹⁰ Decision and Rate Order, EB-2015-0294

6 REVENUE-TO-COST RATIO ADJUSTMENTS

Revenue-to-cost ratios measure the relationship between the revenues expected from a class of customers and the level of costs allocated to that class. This is one of the factors the OEB considers when setting rates.

In general, an increase in the revenue-to-cost ratio of one class will create a decrease in another customer class. Within a mechanistic IR application, adjustments to revenue-to-cost ratios are permitted if previously approved as part of a cost of service decision.

Algoma Power proposed to increase the revenue-to-cost ratio for the Seasonal and Street Lighting classes in 2016 consistent with the settlement agreement approved by the OEB in the 2015 cost of service proceeding¹¹. The additional revenues from these increases would reduce the revenue-to-cost ratios for the Residential – R1 and Residential – R2 classes. The following table outlines the proposed revenue-to-cost ratios.

Current and Proposed Revenue-to-Cost Ratio

Rate Class	Current 2015 Ratio	Proposed 2016 Ratio
Residential – R1	110.63%	109.3%
Residential – R2	110.74%	109.3%
Seasonal Customers	60%	66%
Street Lighting	25.04%	29.66%

Findings

The OEB approves the proposed revenue-to-cost ratios for 2016 which are consistent with the decision from Algoma Power's 2015 cost of service proceeding.

7 RETAIL TRANSMISSION SERVICE RATES

Electricity distributors use Retail Transmission Service Rates (RTSRs) to pass along the cost of transmission service to their distribution customers. The RTSRs are adjusted annually to reflect the application of the current Uniform Transmission Rates (UTR) to

¹¹ Decision and Order EB-2014-0055.

historical transmission deliveries and the revenues generated under existing RTSRs. The UTRs are established annually by a separate OEB order. Distributors may apply to the OEB annually to approve the proposed UTRs and RTSRs they will charge their customers.

Findings

Distributors whose rates are set as of January 1 typically calculate their RTSRs using the previous year's UTRs as the updates are not yet available. In this case, the OEB has not yet adjusted UTRs for 2016. The OEB will therefore approve the RTSRs as adjusted in this Application to reflect the current applicable rates. The differences arising from the new 2016 rates, once approved, will be captured in Accounts 1584 and 1586 for future disposition.

8 REVIEW AND DISPOSITION OF GROUP 1 DEFERRAL AND VARIANCE ACCOUNT BALANCES

Group 1 Deferral and Variance Accounts track the differences between the costs that a distributor is billed for certain IESO and host distributor costs (including the cost of power) and the revenues that the distributor receives from its customers for these costs through its OEB-approved rates. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

The OEB's policy on deferral and variance accounts¹² provides that, during the IR plan term, the distributor's Group 1 account balances will be reviewed and disposed if the pre-set disposition threshold of \$0.001 per kWh, whether in the form of a debit or credit, is exceeded. It is the distributor's responsibility to justify why any account balance in excess of the threshold should not be disposed. If the balances are below this threshold, the distributor may propose to dispose of balances.

Algoma Power's 2014 actual year-end total balance for Group 1 accounts including interest projected to December 31, 2015 is a debit of \$33,840. This amount results in a total debit claim of \$0.0002 per kWh, which does not exceed the preset disposition threshold. Algoma Power did not seek disposition of Group 1 account balances in its application.

¹² Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (July 31, 2009)

Findings

The OEB finds that no disposition of Group 1 account balances is required at this time as the disposition threshold has not been exceeded.

9 RESIDENTIAL RATE DESIGN

Currently, all residential distribution rates include a fixed monthly charge and a variable usage charge. The OEB's April 2, 2015 policy¹³ on electricity distribution rate design set out that electricity distributors will transition to a fully fixed monthly distribution service charge for residential customers over four years. Starting in 2016, the fixed rate will increase gradually, and the variable (usage) rate will decline.

The OEB is requiring distributors to calculate and report on the rate impacts of the change so that strategies may be employed, where needed, to smooth the transition for the customers most impacted, such as those that consume less electricity. In support of this, the OEB requires distributors to calculate the impact of this change to residential customers in general; it also requires applicants to calculate the combined impact of the fixed rate increase and any other changes in the cost of distribution service for those customers who are at the 10th percentile of overall consumption. Any increase of 10% or greater to these low-consumption customers' bills arising from changes made in this Decision, or an increase to the monthly fixed charge of greater than \$4 prior to incentive rate-setting adjustments, may result in the requirement for a longer transition period than four years specified in the OEB policy. Distributors may also propose other strategies to smooth out these increases as appropriate.

Under regulation¹⁴, Algoma Power's general service and unmetered scattered load customers are treated as "residential customers" for the purpose of setting distribution rates. As a result, the legislation permits virtually all of Algoma Power's customers, with the exception of the Seasonal and Street Lighting classes, to qualify for RRRP funding.

Algoma Power proposed to segregate its Residential – R1 class into two sub groups: (i) traditional residential customers and (ii) other customers that qualify under legislation. Algoma Power proposes to only transition its traditional residential customers to fully fixed rates. Algoma Power submitted that its proposal was consistent with the intent of the OEB policy.

¹³ Board Policy: A New Distribution Rate Design for Residential Electricity Customers (EB-2014-0210)

¹⁴ Ontario Regulation 445/07 (Reclassifying Certain Classes Of Consumers As Residential-Rate Class Customers: Section 78 of the Act) made under the *Ontario Energy Board Act, 1998*

Algoma Power indicated that it has a unique identifier in its billing system which would allow it to separate the sales data and derive unique fixed and variable charges for each sub group within the R1 class.

Algoma Power proposed to increase the fixed rate for traditional residential customers by the maximum of \$4 each rate year. Algoma Power would require eight years to fully complete this transition for traditional residential customers in the R1 class.

OEB staff submitted that it does not have a problem with Algoma Power's proposal as it applies the intent of the OEB policy to Algoma Power's unique situation. OEB staff submitted that it would be inappropriate for Algoma Power to apply the OEB policy and transition general service and unmetered scattered load customers to fully fixed rates at this time. OEB staff indicated that the OEB has the legal discretion to apply the rate design policy to traditional residential customers only, within Algoma Power's R1 class.

VECC agreed with Algoma Power's proposal, in principle, but did not agree with the 8-year disposition period proposed. VECC calculated the total bill impact for a residential customer at the lowest 10th percentile of electricity consumption, by adjusting the analysis provided by Algoma Power. They found that if the removal of the Debt Retirement Charge, Ontario Clean Energy Benefit and addition of the Ontario Energy Support Program were considered, the total bill impact would be 18.6%. VECC submitted that this bill impact was well above the acceptable level established by the OEB and that a further mitigation plan is required.

The Coalition had concerns with the level of the proposed rate changes given the poor economic conditions that exist in the Algoma Region. In particular, the Coalition cited recent business closures and layoffs in the region.

In its reply submission, Algoma Power defended its proposed eight-year transition period. Algoma Power submitted that the majority of the changes to the total bill were driven by policies which are not within their control. Algoma submitted that "meaningful mitigation" would not be achievable through normal mitigation practices, such as cost deferral techniques.

Findings

The OEB finds that Algoma Power's proposal for implementing the OEB's policy on distribution rate design for residential customers is reasonable. In segregating the R1 class to apply the rate design policy to traditional residential customers only, the intent of the OEB's policy is achieved and Algoma's compliance with the RRRP regulations remains intact.

The OEB also finds that Algoma Power's proposal to limit the annual, fixed rate increases to \$4 and complete the transition over an eight-year period is reasonable.

Consistent with the OEB's policy, Algoma Power could apply for a deviation from the four-year transition period "if other rate changes being made as a result of other OEB decisions, which together with the policy change, could result in unusually large bill impacts".¹⁵ Given that the bill impact for individual customers will vary by consumption, the OEB established that the bill increase for a residential customer at the distributor's 10th percentile should not exceed 10%.

The OEB has verified that the combined impact of the fixed rate increase and the other changes in the cost of distribution service for customers associated with this Decision at the 10th percentile of overall consumption is less than 10% and requires no further form of mitigation. Changes to the bill resulting from the provincial government's decision to phase out the Ontario Clean Energy Benefit and the Debt Retirement Charge are not within the scope of the evaluation.

10 SEASONAL RATE DESIGN

Distributors with a seasonal residential class must transition to a fully fixed rate structure over four years, similar to the rate design policy for residential customers¹⁶. Algoma Power did not propose to transition its seasonal customer class to a fully fixed rate structure.

Algoma Power's residential rate class customers are eligible to receive RRRP funding under legislation.¹⁷ Algoma Power indicated that its Seasonal customers have purposely, and consistently, not been treated as residential customers since its 2007 cost of service application. Algoma Power submitted that treating Seasonal customers as residential customers and transitioning them to fully fixed rates, would be inconsistent with its unique customer class structure under legislation.

Algoma Power calculated the transition period required if the OEB's rate design policy was applied to the Seasonal class. Algoma Power estimated that the fixed charge would increase by \$8.36 per year to complete the transition in four years. Algoma Power also estimated it would take 9 years for the Seasonal class to fully transition to fixed rates if the fixed rate increase was limited to \$4 per year. Algoma Power noted that the transition could be smoothed to 9 equal annual adjustments of \$3.72. OEB staff

¹⁵ Ibid note 13, page 26.

¹⁶ Page 8 of the OEB Filing Requirements for Electricity Distribution Rate Applications- 2015 for 2016 Rate Applications, Chapter 3.

¹⁷ Ibid note 5.

and VECC submitted that Algoma Power should apply the OEB's rate design policy to its Seasonal class.

OEB staff submitted that Algoma Power had applied a definition of a residential customer that is different from RRRP regulation in order to implement the OEB's rate design policy and could do the same for the Seasonal rate class. OEB staff submitted that Algoma Power should transition its Seasonal class rates over 9 years in equal increments of \$3.72, which could be re-evaluated at Algoma Power's next cost of service proceeding. OEB staff asked Algoma Power to suggest a form of mitigation if bill impacts for low-volume customers were to exceed 10%.

VECC asked Algoma Power to calculate the bill impact of a Seasonal customer at the lowest 10th percentile of electricity consumption that included the impacts of the change in the DRC, OCEB and OESP. VECC submitted that a mitigation plan should be provided if the resulting total bill impact was greater than 10%.

In its reply submission, Algoma Power maintained its position to not change the Seasonal class given its unique customer class structure which has treated the Seasonal class as non-residential for the purposes of rate design and RRRP funding eligibility.

In response to OEB staff and VECC's requests, Algoma Power calculated that the 10th percentile of its Seasonal customers consume 50 kWh or less on a monthly basis. Algoma Power questioned whether the test for low volume consumption ought to apply given the diversity in consumption by customers in its Seasonal class and given these locations are not primary residences.

Findings

The OEB finds 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. This policy change is consistent with OEB policy, is not inconsistent with the relevant regulation, and does not suggest that Seasonal customers are eligible for RRRP funding.

The OEB has verified that the combined bill impact of the fixed rate increase and the other changes in the cost of distribution service associated with this Decision for a Seasonal customer consuming 50 kWh, is less than a 12% increase. The increase in the total bill would be \$5.63 per month. The OEB finds that this increase is not excessive and that the transition strategy is reasonable.

Changes to the bill resulting from the provincial government's decision to phase out the Ontario Clean Energy Benefit and the Debt Retirement Charge are not within the scope of the evaluation.

11 IMPLEMENTATION AND ORDER

With this Decision and Rate Order, the OEB is providing Algoma Power with a Tariff of Rates and Charges (Schedule A). The OEB also reviewed the entries in the rate models filed with Algoma Power's reply submission to ensure that they were in accordance with Algoma Power's EB-2014-0055 cost of service decision, the 2015 OEB-approved Tariff of Rates and Charges as well as the cost, revenue and consumption results from 2014 as reported by Algoma Power to the OEB. No adjustments were required to the rate models filed with Algoma Power's reply submission.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Algoma Power's new distribution rates shall be effective January 1, 2016.
2. The Tariff and Rates and Charges set out in Schedule A shall be deemed "draft" until the parties have complied with the subsequent procedural steps.
3. Algoma Power shall review the Tariff of Rates and Charges set out in Schedule A and shall file with the OEB, as applicable, a written confirmation of its completeness and accuracy, or provide a detailed explanation of any inaccuracies or missing information, within **7 days** of the date of issuance of this Decision and Rate Order.
4. IRM Decisions - Cover page - bottom line with date should be a couple of spaces done If the OEB does not receive a submission from Algoma Power to the effect that inaccuracies were found or information was missing pursuant to item 3, the Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order will be considered final. Algoma Power shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.
5. If the OEB receives a submission from Algoma Power to the effect that inaccuracies were found or information was missing pursuant to item 3 of this Decision and Rate Order, the OEB will consider the submission of Algoma Power prior to issuing a revised Tariff of Rates and Charges which will be considered final.

COST AWARDS

The OEB will issue a separate decision on cost awards once the following steps are completed:

1. VECC and the Coalition shall submit their cost claims no later than **7 days** from the date of issuance of this Decision and Rate Order.
2. Algoma Power shall file with the OEB and forward to VECC and the Coalition any objections to the claimed costs within **17 days** from the date of issuance of this Decision and Rate Order.
3. VECC and the Coalition shall file with the OEB and forward to Algoma Power any responses to any objections for cost claims within **24 days** from the date of issuance of this Decision and Rate Order.
4. Algoma Power shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, EB-2015-0051 and be made electronically through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice> in searchable unrestricted PDF format. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca

Tel: 1-888-632-6273 (Toll free)

Fax: 416-440-7656

DATED at Toronto, December 10, 2015

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Schedule A

To Decision and Rate Order

Tariff of Rates and Charges

OEB File No: EB-2015-0051

DATED: December 10, 2015

Algoma Power Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2016

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2015-0051

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. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge – Applicable only to customers that meet criteria (i) above	\$	27.76
Service Charge – Applicable only to customers that meet criteria (ii) above	\$	23.76
Rate Rider for Smart Metering Entity Change – effective until October 31, 2018	\$	0.79
Distribution Volumetric Rate – Applicable only to customers that meet criteria (i) above	\$/kWh	0.0288
Distribution Volumetric Rate – Applicable only to customers that meet criteria (ii) above	\$/kWh	0.0334
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0070
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0051

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

Algoma Power Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2016

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2015-0051

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. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	611.64
Distribution Volumetric Rate	\$/kW	3.1691
Rate Rider for Disposition of Accounts 1575 & 1576 – effective until December 31, 2019	\$/kW	(0.8010)
Retail Transmission Rate – Network Service Rate	\$/kW	2.6924
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.9084

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

Algoma Power Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2016

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2015-0051

ONTARIO ELECTRICITY SUPPORT PROGRAM RECIPIENTS

In addition to the charges specified on page 1 of this tariff of rates and charges, the following credits are to be applied to eligible residential customers.

APPLICATION

The application of the credits is in accordance with the Distribution System Code (Section 9) and subsection 79.2 of the Ontario Energy Board Act, 1998.

The application of these credits shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

In this class:

“Aboriginal person” includes a person who is a First Nations person, a Métis person or an Inuit person;

“account-holder” means a consumer who has an account with a distributor that falls within a residential-rate classification as specified in a rate order made by the Ontario Energy Board under section 78 of the Act, and who lives at the service address to which the account relates for at least six months in a year;

“electricity-intensive medical device” means an oxygen concentrator, a mechanical ventilator, or such other device as may be specified by the Ontario Energy Board;

“household” means the account-holder and any other people living at the accountholder’s service address for at least six months in a year, including people other than the account-holder’s spouse, children or other relatives;

“household income” means the combined annual after-tax income of all members of a household aged 16 or over;

MONTHLY RATES AND CHARGES

Class A

(a) account-holders with a household income of \$28,000 or less living in a household of one or two persons;

(b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of three persons;

(c) account-holders with a household income of between \$39,001 and \$48,000 living in a household of five persons;

(d) account-holders with a household income of between \$48,001 and \$52,000 living in a household of seven or more persons; but does not include account-holders in Class E.

OESP Credit \$ (30.00)

Class B

(a) account-holders with a household income of \$28,000 or less living in a household of three persons;

(b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of four persons;

(c) account-holders with a household income of between \$39,001 and \$48,000 living in a household of six persons;

but does not include account-holders in Class F.

OESP Credit \$ (34.00)

Class C

(a) account-holders with a household income of \$28,000 or less living in a household of four persons;

(b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of five persons;

(c) account-holders with a household income of between \$39,001 and \$48,000 living in a household of seven or more persons;

but does not include account-holders in Class G.

OESP Credit \$ (38.00)

Algoma Power Inc.

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ONTARIO ELECTRICITY SUPPORT PROGRAM RECIPIENTS

Class D

(a) account-holders with a household income of \$28,000 or less living in a household of five persons;
 (b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of six persons;
 but does not include account-holders in Class H.

OESP Credit \$ (42.00)

Class E

Class E comprises account-holders with a household income and household size described under Class A who also meet any of the following conditions:

(a) the dwelling to which the account relates is heated primarily by electricity;
 (b) the account-holder or any member of the account-holder's household is an Aboriginal person; or
 (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

OESP Credit \$ (45.00)

Class F

(a) account-holders with a household income of \$28,000 or less living in a household of six or more persons;
 (b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of seven or more persons; or

(c) account-holders with a household income and household size described under Class B who also meet any of the following conditions:

- i. the dwelling to which the account relates is heated primarily by electricity;
- ii. the account-holder or any member of the account-holder's household is an Aboriginal person; or
- iii. the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

OESP Credit \$ (50.00)

Class G

Class G comprises account-holders with a household income and household size described under Class C who also meet any of the following conditions:

(a) the dwelling to which the account relates is heated primarily by electricity;
 (b) the account-holder or any member of the account-holder's household is an Aboriginal person; or
 (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

OESP Credit \$ (55.00)

Class H

Class H comprises account-holders with a household income and household size described under Class D who also meet any of the following conditions:

(a) the dwelling to which the account relates is heated primarily by electricity;
 (b) the account-holder or any member of the account-holder's household is an Aboriginal person; or
 (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

OESP Credit \$ (60.00)

Class I

Class I comprises account-holders with a household income and household size described under paragraphs (a) or (b) of Class F who also meet any of the following conditions:

(a) the dwelling to which the account relates is heated primarily by electricity;
 (b) the account-holder or any member of the account-holder's household is an Aboriginal person; or
 (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

OESP Credit \$ (75.00)

Algoma Power Inc.

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SEASONAL CUSTOMERS 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. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	34.27
Rate Rider for Smart Metering Entity Charge – effective until October 31, 2018	\$	0.79
Rate Rider for Recovery of Smart Meter Deferred Revenue – effective until December 31, 2016	\$	3.57
Distribution Volumetric Rate	\$/kWh	0.1435
Rate Rider for Disposition of Account 1574 – effective until June 30, 2019	\$/kWh	0.0307
Rate Rider for Disposition of Accounts 1575 & 1576 – effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0070
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0051

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

Algoma Power Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2016

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EB-2015-0051

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 Ontario Energy Board street lighting load shape template. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per connection)	\$	1.34
Distribution Volumetric Rate	\$/kWh	0.2164
Rate Rider for Disposition of Accounts 1575 & 1576 – effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate – Network Service Rate	\$/kW	1.9496
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3767

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

Algoma Power Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2016

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EB-2015-0051

microFIT 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.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

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MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	5.40
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ALLOWANCES

Transformer Allowance for Ownership – per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

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TARIFF OF RATES AND CHARGES

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EB-2015-0051

SPECIFIC SERVICE CHARGES

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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Customer Administration

Arrears certificate (credit reference)	\$	15.00
Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Notification charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned cheque charge (plus bank charges)	\$	15.00
Charge to certify cheques	\$	15.00
Legal letter charge	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

Non-Payment of Account

Late payment - per month	%	1.50
Late payment - per annum	%	19.56
Collection of account charge – no disconnection - during regular business hours	\$	30.00
Collection of account charge - no disconnection - after regular hours	\$	165.00
Disconnect/reconnect charges - at meter during regular hours	\$	65.00
Disconnect/reconnect charges - at meter after regular hours	\$	185.00
Disconnect/reconnect charges at pole - during regular hours	\$	185.00
Disconnect/reconnect at pole – after regular hours	\$	415.00
Install/remove load control device – during regular hours	\$	65.00
Install/remove load control device - after regular hours	\$	185.00

Other

Specific charge for access to the power poles \$/pole/year	\$	22.35
Service call - customer owned equipment	\$	30.00
Service call - after regular hours	\$	165.00
Temporary service install & remove - overhead - no transformer	\$	500.00
Temporary service install & remove - underground - no transformer	\$	300.00
Temporary service install & remove - overhead - with transformer	\$	1,000.00

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Effective and Implementation Date January 1, 2016

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EB-2015-0051

RETAIL SERVICE CHARGES (if applicable)

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

Retail Service Charges refer to services provided by Algoma Power Inc. to retailers or customers related to the supply of competitive electricity and are defined in the 2006 Electricity Distribution Rate Handbook.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing monthly charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing monthly credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer	1.0917
Total Loss Factor – Primary Metered Customer	1.0808

Schedule B

To Decision and Rate Order

List of Rates and Charges Not Affected by the Price Cap or Annual IR Index

OEB File No: EB-2015-0051

DATED: December 10, 2015

The following rates and charges are not affected by the Price Cap or Annual IR Index:

- Rate riders
- Rate adders
- Low voltage service charges
- Retail transmission service rates
- Wholesale market service rate
- Rural or remote electricity rate protection charge
- Standard supply service – administrative charge
- Transformation and primary metering allowances
- Loss factors
- Specific service charges
- microFit charge
- Retail service charges