



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

DECISION AND RATE ORDER

EB-2016-0055

ALGOMA POWER INC.

Application for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2017.

By Delegation, Before: Lynne Anderson

December 8, 2016

1 INTRODUCTION AND SUMMARY

This is the Decision and Rate Order for Algoma Power Inc.'s Incentive Regulation Mechanism application for 2017 rates.

Algoma Power Inc. (Algoma Power) serves about 12,000 mostly residential and commercial electricity customers in the Algoma District of Ontario. The company is seeking the Ontario Energy Board's approval for the rates it charges to distribute electricity to its customers, as is required of licenced and rate-regulated distributors in Ontario.

Distributors may choose one of three Ontario Energy Board (OEB) rate-setting methods. Algoma Power has selected the Price Cap Incentive rate setting (Price Cap IR) option that has a five-year term. Rates are set through a cost of service rebasing application for the first year and are adjusted mechanistically through an Incentive Regulation Mechanism (IRM application) for each of the ensuing four years. The price cap adjustment is based on inflation and the OEB's assessment of a distributor's efficiency.

Algoma Power filed an IRM application with the OEB on August 12, 2016 to seek approval for changes to its distribution rates to be effective January 1, 2017. Algoma Power last appeared before the OEB with a cost of service application for 2015 in the EB-2014-0055 proceeding.

The OEB addresses the following issues with respect to Algoma Power's IRM application in this Decision and Rate Order.

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

Algoma Power applied for a rate increase of 1.30% in accordance with the OEB-approved 2017 parameters for inflation and productivity. The 1.30% price cap adjustment 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 an RRRP adjustment factor of 2.96%. The rates and charges listed in Schedule B are not adjusted.

Algoma Power also applied to change the composition of its distribution service rates. Residential and Seasonal distribution service rates currently include a fixed monthly charge and a variable usage charge. Algoma Power's residential rate class includes not just typical residential customers, but also general service and unmetered scattered load customers. Consistent with OEB policy intent, the fixed monthly charge has only been adjusted for traditional residential and seasonal customers. Last year, the OEB issued a policy to transition these rates to a fully fixed structure over a four-year period beginning in 2016.¹ Accordingly, the fixed monthly charge for 2017 has once again been adjusted upward in this Decision by more than the mechanistic adjustment alone. The variable usage rate is commensurately lower. This policy change does not affect the total revenue distributors collect from residential customers.

This Decision on Algoma Power's IRM application will result in a monthly decrease of \$0.84 for a residential customer consuming 750 kWh.

The OEB approves the adjustments made to Algoma Power's application, and the associated rates calculated, as a result of this proceeding.

2 THE PROCESS

The OEB follows a standard, streamlined process for IRM applications under Price Cap IR.

On August 12, 2016, Algoma Power submitted its IRM application supported by written evidence and a completed rate model. Questions were asked and answers were provided by Algoma Power through emails and phone calls. Based on this information, a decision was drafted and provided to Algoma Power on November 17, 2016. Algoma Power was given the opportunity to provide its comments on the draft for consideration prior to finalizing this Decision.

3 ORGANIZATION OF THE DECISION

The OEB has organized this Decision into sections, to reflect the issues that were considered in making its findings.² Each section outlines the OEB's reasons for approving or denying the proposals included in the application and affecting 2017 rates.

¹ Board Policy: A New Distribution Rate Design for Residential Electricity Customers, EB-2012-0410, April 2, 2015

² See list of issues in the Introduction, p.1

The last section addresses the steps to implement the final rates that flow from this Decision.

4 PRICE CAP ADJUSTMENT AND RURAL OR REMOTE ELECTRICITY RATE PROTECTION

The price cap adjustment follows an OEB-approved formula that includes annually updated components for inflation and the OEB's expectations of efficiency and productivity gains.³ The formula is an *inflation minus X-factor* rate adjustment, which is intended to incent innovation and efficiency. The OEB has set the inflation factor for 2017 rates at 1.9% based on its established formula.⁴

The X-factors for individual distributors have two parts: a productivity element established from a historical analysis of industry cost performance; and a stretch factor based on 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 experience 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%.⁵ 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 in accordance with their cost performance relative to expected levels, to reflect the incremental productivity gains that distributors are expected to achieve.

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.⁶

The Price Cap IR adjustment applies to the distributor's existing OEB-approved rates for

³ Report on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors (December 4, 2013)

⁴ As outlined in the Report cited at footnote 3 above

⁵ Report to the Ontario Energy Board – "Empirical Research in Support of Incentive Rate-Setting: 2015 Benchmarking Update." Pacific Economics Group LLC. July 2016

⁶ 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*

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 rates for Residential and GS<50 kW customer rate classes across all rate regulated distributors.⁷ OEB staff provided an updated RRRP adjustment factor of 2.96% based on calculating the simple average rate change for all distributors in 2015 for the Residential and GS<50kW customer rate classes.

In a prior decision⁸, 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.

Algoma Power applied for rates using this same methodology. The RRRP funding for 2017 was calculated to be \$13,498,952, which was calculated by applying a price cap index adjustment of 1.3% and a RRRP adjustment of 2.96% 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 2017.⁹ The resulting net price cap adjustment for Algoma Power is 1.30% (i.e. 1.9% - (0% + 0.60%)).

The 1.30% adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes except the R-1 and R-2 classes.

The OEB approves the application of the 2.96% RRRP adjustment factor to the distribution rates for the R-1 and R-2 classes. The OEB finds that the amount of RRRP of \$13,498,952 for the year commencing January 1, 2017 accurately reflects the OEB's findings pursuant to the applicable regulations. The OEB approves a monthly payment of \$1,124,913 effective January 1, 2017.

⁷ As decided by the OEB in Algoma Power's 2010 cost of service rate proceeding EB-2009-0278

⁸ As decided by the OEB in Algoma Power's 2012 rate proceeding EB-2011-0152

⁹ As outlined in the Report cited at footnote 5 above

The rates and charges listed in Schedule B are not adjusted.

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 previously approved for Algoma Power¹⁰.

5 REGULATORY CHARGES

Customers are charged a number of fees to cover the costs associated with various programs and wholesale market services.

The Rural or Remote Electricity Rate Protection (RRRP) program is designed to provide financial assistance to eligible customers located in rural or remote areas where the cost of providing electricity service, and therefore the rates, greatly exceeds those 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 program to deliver on-bill rate assistance to low income electricity customers. All Ontario customers contribute to the OESP through the OESP charge.

These three regulatory charges are components of the Regulatory Charge on customers' bill and are established annually by the OEB through a separate order.

Findings

As of the date of this Decision and Rate Order, the OEB has not yet issued an order on the RRRP, WMS or OESP charges for 2017. The Tariff of Rates and Charges flowing from this Decision will reflect the currently-approved charges. When new charges are established for 2017, the OEB will issue a rate order, which will apply to Algoma

¹⁰ Decision and Order EB-2013-0110

Power's 2017 rates.

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. The OEB has established target ratio ranges for electricity distributors¹¹ to reflect the expectation that each class will pay its respective costs of service, while considering any associated rate class impacts.

In general, increases to the revenue-to-cost ratios of one class will create decreases in other rate classes. Revenue-to-cost ratio adjustments are permitted through an IRM if they were pre-approved as part of a cost of service rebasing application.

In this application, Algoma Power proposed to increase the revenue-to-cost ratio for the Seasonal and Street Lighting classes in 2016. 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.

These ratio adjustments are consistent with the ranges outlined in the OEB-approved Settlement Agreement in Algoma Power's 2015 cost of service application 2014-EB-0055.¹²

The table below outlines the proposed revenue-to-cost ratios.

Current and Proposed Revenue-to-Cost Ratio (%)

Rate Class	Current 2016 Ratio	Proposed 2017 Ratio
RESIDENTIAL – R1 SERVICE CLASSIFICATION	109.30%	108.03%
RESIDENTIAL – R2 SERVICE CLASSIFICATION	109.30%	108.02%
SEASONAL CUSTOMERS SERVICE CLASSIFICATION	66.00%	72.00%

¹¹ Application of Cost Allocation for Electricity Distributors (November 28, 2007); and Review of Electricity Distribution Cost Allocation Policy (March 31, 2011)

¹² Decision and Order EB-2014-0055.

STREET LIGHTING SERVICE CLASSIFICATION	29.66%	32.03%
--	--------	--------

Findings

The OEB agrees that the proposed revenue-to-cost ratios are consistent with the decision arising from the 2015 cost of service proceeding and approves the revenue-to-cost ratios as filed.

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 revised costs as calculated by the application of the current Uniform Transmission Rates (UTRs) to historical transmission deliveries. The UTRs are established annually by a separate OEB order. Distributors may apply to the OEB annually to approve the RTSRs they propose to charge their customers.

Findings

The OEB approves the RTSRs as adjusted in this application to reflect current applicable rates. As is typical for distributors whose rates are set as of January 1, these RTSRs are based on previous year's rates as the OEB has not yet adjusted UTRs for 2017. The differences between the previous and the new 2017 RTSRs, once approved, will be captured in Accounts 1584 and 1586 for future disposition.

8 GROUP 1 DEFERRAL AND VARIANCE ACCOUNT BALANCES

Group 1 deferral and variance accounts (Group 1 accounts) track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. 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 policy¹³ is to review and dispose of the distributor's Group 1 account balances if they exceed (as a debit or credit) the pre-set disposition threshold of \$0.001 per kWh during the IR plan term. The distributor must justify why any account balance in excess of the threshold should not be disposed. The distributor may dispose of balances below this threshold if its proposal to do so is justified.

Algoma Power's 2015 actual year-end total balance for Group 1 accounts including interest projected to December 31, 2016 is a debit of \$202,307. This amount results in a total debit claim of \$0.001 per kWh, which equals the preset disposition threshold. Algoma Power proposed to dispose of the debit amount over a one-year period.

The Group 1 balance includes a Global Adjustment (GA) account balance of \$237,750. Ontario electricity customers' costs for the commodity portion of their electricity service reflect the sum of two charges: the price of electricity established by the operation of the IESO administered wholesale market, and the GA. The GA charge consists of the difference between the market price and the rates paid to regulated and contracted generators, and conservation and demand management (demand response) program costs. The GA is established monthly and varies in accordance with market conditions.

Most customers pay the GA charge based on the amount of electricity they consume in a month (kWh); these customers are referred to as Class B. Customers who participate in the Industrial Conservation Initiative, are referred to as Class A. The costs for the GA are recovered from Class A and Class B customers in different ways:

- Class A customers are assessed GA costs through a peak demand factor that is based on the percentage their peak demand contributes to the top five Ontario system peaks. This factor determines a Class A customer's allocation for a year-long billing period that starts in July every year. Distributors settle with Class A customers billed based on the actual GA costs resulting in no variance.
- Class B customers are billed GA based on an IESO published GA price. For Class B customers, distributors track any difference between the amount billed amounts and the actual costs in the GA Variance Account for disposal, once audited.

Algoma Power proposed the recovery of the Global Adjustment variance account balance of \$237,750 as at December 31, 2015, including interest to December 31, 2016

¹³ Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (July 31, 2009)

from customers who were Class B customers for the entire period from January 2015 to December 2015, through a kWh rate rider.

The balances proposed for disposition do not reconcile with the amounts reported as part of the OEB's *Reporting and Record-Keeping Requirements*. Algoma Power reported that the figures reported in the continuity schedule reflect adjustments to audited balances as follows:

- 1) The credit adjustment to account 1588 RSVA – Power of \$438,515 relates to a fixed price adjustment and MicroFit true-ups that was performed in July 2016 for the 2015 year.
- 2) The credit adjustment to account 1589 RSVA – GA relates to global-adjustment true-ups that were performed in July 2016 for the 2015 year.

Algoma Power confirmed through questions from OEB staff that the adjustments are not retroactive adjustments to previously disposed of balances.

The Group 1 balance also includes the recovery of Capacity Based Recovery (“CBR”) costs related to Demand Response (DR) providers contracted under the wholesale energy market Demand Response 3 (DR3) program. Algoma Power paid CBR charges to the IESO in 2015 and recorded these to a dedicated sub-account. The disposition of this sub-account is impacted by whether or not a distributor had any customers who were part of Class A during the period from January 2015 to December 2015.

In this application, Algoma Power identified that it had a Class A customer but did not request disposition of its 1580-Sub-Account CBR Class B balances. In response to OEB staff's questions regarding why there was no disposition requested of 1580-Sub-Account CBR Class B balances, Algoma calculated a Class B Capacity Based Recovery Rate Rider.

Findings

The OEB agrees to dispose of the adjusted debit balance of \$202,307 in the Group 1 accounts. This includes the adjusted balance for Account 1588 RSVA – Power and Account 1589 RSVA – GA.

The remaining balances proposed for disposition are the same as the amounts reported as part of the OEB's *Reporting and Record-Keeping Requirements*. The OEB approves the disposition of a debit balance of \$202,307 as of December 31, 2015, including

interest projected to December 31, 2016 for Group 1 accounts. These balances are to be disposed through three rate riders as follows:

- Deferral and Variance Account Balances (excluding Global Adjustment) Rate Rider
- Class B Global Adjustment Rate Rider
- Class B Capacity Based Recovery Rate Rider

The rate riders will be in effect over a one-year period from January 1, 2017 to December 31, 2017.

The following table identifies the principal and interest amounts which the OEB approves for disposition.

Group 1 Deferral and Variance Account Balances

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
LV Variance Account	1550	-	-	-
Smart Meter Entity Variance Charge	1551	(2,158)	2	(2,155)
RSVA - Wholesale Market Service Charge	1580	(421,336)	(4,423)	(425,759)
Variance WMS - Sub-account CBR Class B	1580	33,232	441	33,673
RSVA - Retail Transmission Network Charge	1584	(31,557)	246	(31,311)
RSVA - Retail Transmission Connection Charge	1586	(71,542)	(647)	(72,189)
RSVA - Power	1588	(214,964)	(12,714)	(227,678)
RSVA - Global Adjustment	1589	220,469	17,281	237,750
Disposition and Recovery of Regulatory Balances (2013)	1595	1,229	19	1,248
Disposition and Recovery of	1595	486,815	201,912	688,728

Regulatory Balances (2015)				
Total Group 1 Excluding Global Adjustment - Account 1589		(220,280)	184,837	(35,443)
Total Group 1 Excluding Global Adjustment - Account 1589 and Sub-account CBR Class B		(253,512)	184,396	(69,116)
Total Group 1		189	202,118	202,307

The balance of each Group 1 account approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*, effective January 1, 2012. The date of the transfer must be the same as the effective date for the associated rates, which is, generally, the start of the rate year. Algoma Power should ensure these adjustments are included in the reporting period ending March 31, 2017 (Quarter 1).

9 RESIDENTIAL RATE DESIGN

All residential distribution rates currently include a fixed monthly charge and a variable usage charge. The OEB residential rate design policy¹⁴ stipulates that electricity distributors will transition residential customers to a fully fixed monthly distribution service charge over a four year period starting in 2016. This year's IRM applications are once again required to adjust the distribution rates to increase the fixed charge and decrease the variable charge consistent with the policy.

The OEB expects the applicant to apply two tests to evaluate whether mitigation (generally a lengthening of the transition period) for customers in the transition is required. The first test is to calculate the change in the monthly fixed charge, and to consider mitigation if it exceeds \$4. The second is to calculate the total bill impact of the proposals in the application for low volume residential customers (defined as those residential RPP customers whose consumption is at the 10th percentile for the class).

¹⁴ Ibid page 2

Mitigation may be required if the bill impact related to the application exceeds 10% for these customers.

The OEB approved in last year's decision¹⁵ to limit the annual, fixed rate increases to \$4 and ordered that the transition be completed over an eight-year period. Algoma Power's implementation of the transition is an increase to the fixed charge prior to the price cap adjustment of \$4.00. The bill impacts arising from the proposals in this application, including the fixed rate change, are below 10% for low volume residential customers.

Findings

The OEB finds that the increases to the monthly fixed charge and to low consumption residential consumers are below the thresholds set in the OEB policy and approves the increase as proposed by the applicant and calculated in the final rate model.

10 IMPLEMENTATION AND ORDER

Rate Model

This Decision and Rate Order is accompanied by a rate model, applicable supporting models and a Tariff of Rates and Charges (Schedule A). Entries in the models were reviewed to ensure that they are in accordance with Algoma Power's EB-2014-0055 cost of service decision, the 2016 OEB-approved Tariff of Rates and Charges as well as the cost, revenue and consumption results from 2015 as reported by Algoma Power to the OEB. The rate model was adjusted, where applicable, to correct any discrepancies.

THE ONTARIO ENERGY BOARD ORDERS THAT

1. The Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order is approved effective January 1, 2017 for electricity consumed or estimated to have been consumed on and after such date. Algoma Power Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

¹⁵ EB-2015-0051

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 8, 2016

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-2016-0055

DATED: December 8, 2016

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017

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

EB-2016-0055

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 application 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. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Condition 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	\$	32.58
Service Charge – Applicable only to customers that meet criteria (ii) above	\$	24.46
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	0.0251
Distribution Volumetric Rate – Applicable only to customers that meet criteria (ii) above	\$/kWh	0.0344
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kWh	(0.0035)
Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 - Applicable only for Non-RPP customers	\$/kWh	0.0068
Rate Rider for Disposition of Capacity Based Recovery Account (2017) - effective until December 31, 2017 - Applicable only for Class B Customers	\$/kWh	0.0002
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0066
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0050

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 - Administrative Charge (if applicable)	\$	0.25

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017

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

EB-2016-0055

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. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. 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.

The rate rider for the disposition of Class B WMS – Sub-account CBR (2017) is not applicable to wholesale market participants (WMP) and customers that transitioned between Class A and Class B in 2015. These transition customers are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied in accordance with a customer's Class A or Class B classification as at December 31, 2015 and the above noted exception for 2015 transition customers, for the entire period to the sunset date of the rate rider.

The rate rider for the disposition of Global Adjustment (2017) is only applicable to non-RPP Class B customers. It is not applicable to WMP and customers that transitioned between Class A and Class B in the period of last Global Adjustment disposition to 2015. These transition customers are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied in accordance with a customer's Class A or Class B classification as at December 31, 2015 and the above noted exception for 2015 transition customers, for the entire period to the sunset date of the rate rider.

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	\$	629.74
Distribution Volumetric Rate	\$/kW	3.2629
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kW	1.5845
Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 - Applicable only for Non-RPP customers	\$/kWh	0.0068
Rate Rider for Disposition of Capacity Based Recovery Account (2017) - effective until December 31, 2017 - Applicable only for Class B Customers	\$/kWh	0.0002
Rate Rider for Disposition of Accounts 1575 & 1576 – effective until December 31, 2019	\$/kW	(0.8010)
Retail Transmission Rate – Network Service Rate	\$/kW	2.5251
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8871

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 - Administrative Charge (if applicable)	\$	0.25

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017

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

EB-2016-0055

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.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017

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

EB-2016-0055

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.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017

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

EB-2016-0055

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. Class B consumers are defined in accordance with O. Reg. 429. 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	\$	42.18
Rate Rider for Smart Metering Entity Charge – effective until October 31, 2018	\$	0.79
Distribution Volumetric Rate	\$/kWh	0.1402
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kWh	(0.0037)
Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 - Applicable only for Non-RPP customers	\$/kWh	0.0068
Rate Rider for Disposition of Capacity Based Recovery Account (2017) - effective until December 31, 2017 - Applicable only for Class B Customers	\$/kWh	0.0002
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	0.0066
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0050

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 - Administrative Charge (if applicable)	\$	0.25

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017

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

EB-2016-0055

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. Class B consumers are defined in accordance with O. Reg. 429. 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)	\$	1.48
Distribution Volumetric Rate	\$/kWh	0.2390
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kWh	0.0054
Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 - Applicable only for Non-RPP customers	\$/kWh	0.0068
Rate Rider for Disposition of Capacity Based Recovery Account (2017) - effective until December 31, 2017 - Applicable only for Class B Customers	\$/kWh	0.0002
Rate Rider for Disposition of Accounts 1575 & 1576 – effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate – Network Service Rate	\$/kW	1.8284
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3613

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 - Administrative Charge (if applicable)	\$	0.25

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017

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

EB-2016-0055

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.

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	\$	5.40
----------------	----	------

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017

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

EB-2016-0055

SPECIFIC SERVICE CHARGES

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)

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.

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.

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 – per pole/year (with the exception of wireless attachments)	\$	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

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017

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

EB-2016-0055

RETAIL SERVICE CHARGES (if applicable)

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-2016-0055

DATED: December 8, 2016

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
- Ontario Electricity Support Program
- Transformation and primary metering allowances
- Loss factors
- Specific service charges
- microFIT charge
- Retail service charges