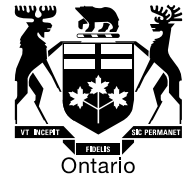


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**BY E-MAIL**

August 20, 2010

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, Suite 2700  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Algoma Power Inc.  
Application for 2010 and 2011 Rates  
Board File Number EB-2009-0278**

Pursuant to Procedural Order No. 1, enclosed are Board Staff's technical conference questions. Please forward the questions to Algoma Power Inc. and all other registered parties to this proceeding.

Yours truly,

*Original signed by*

Richard Battista  
Project Advisor

**Board Staff Questions for Technical Conference**  
**Algoma Power Inc.**  
**EB-2009-0278**

**Ref: Board Staff IR No. 1**

- 1) Algoma Power's response provides a number of factors which it believes justify a cost of service application for 2011.
  - a) Please identify which factors would not have been addressed in a cost of service application which concerned only one year i.e. 2010.
  
- 2) Algoma Power indicates that it would prefer to utilize a form of incentive regulation to set rates for 2012 with the expectation that accommodation can be achieved in incentive regulation that recognizes the unique attributes of Algoma Power. At minimum, accommodation would need to recognize the high cost, low revenue service area and consider the application of the RRRP.
  - a) Please provide some examples of how this accommodation would work.

**Ref: Board Staff IR No. 2**

Algoma Power notes that due to Reg. 442/01, its rates (for R1 and R 2 classes) can only recover the Board approved rate adjustments for other distributors in the same year. Algoma Power concludes that the Board's IRM rate setting methodology is incompatible with Algoma Power's rate setting methodology.

Please illustrate, by way of example, the basis for this conclusion.

**Ref: Board Staff IR No. 3**

Will Algoma Power notify the Board on September 3, 2010 whether GLPL has filed a leave to appeal to the Supreme Court of Canada?

**Ref: Board Staff IR No. 5**

Please explain the methodology Algoma Power used in developing its 2010 and 2011 OM&A and Capital Budgets to ensure that its 2010 and 2011 OM&A and Capital budgets did not continue, commencing July 1, 2010, to include a provision for Provincial Sales Tax. Please identify the amounts of PST that would have been included in 2010 and 2011 OM&A had the HST not been implemented on July 1, 2010.

**Ref: Board Staff IR No. 10**

Algoma Power indicates that with respect to the capitalization of overheads, “API capitalizes costs that are directly attributable to capitalize projects and is requesting the approval to capitalize overhead costs associated with capital work”.

- a) Please clarify whether the “approval” Algoma Power is requesting will be viewed by Algoma Power as Board authorization of alternative treatment (i.e. that is not in compliance with IFRS) as described in the Board’s February 24, 2009 letter.
- b) In that IFRS based reporting may be delayed until 2013 (see Board staff IR response No. 8), please explain why it is necessary to change the capitalization of overheads methodology in 2010 when it may have to be changed again in 2013 to comply with IFRS.

**Ref: Board Staff No. 11**

Please confirm whether or not “ the building on Sackville Road in Sault Ste. Marie, certain fleet vehicles, and the information technology hardware and software” referenced in the IR response is included in Algoma Power’s 2010 rate base.

**Ref: Board Staff No. 16**

Please provide the annual cost, using 2009 actual as an example, of the “IT system” provided under the service agreement which terminates in October 2011.

**Ref: Board Staff No. 21**

Algoma Power states in the response (part c): The share calculations are outlined in the Weather Normalized Distribution System Load Forecast: 2010 – 2011 found in Exhibit 3 Tab 2 Schedule 1 Appendix A, starting at page 6. Table 4 on page 6 shows each weather sensitive class’s share of WSL (R1, R2 Net exclusive of large users, Seasonal, and Street Lighting, which as explained in the Weather Normalized Distribution System Load Forecast: 2010-2011 is included in the WSL kWh).

The class share for 2009, taken from Exhibit 3 Tab 2 Schedule 1 Appendix A, page 6, Table 4, is shown below.

Share	R1	R2 Net	Seasonal	Street
2009	0.6455	0.1789	0.08	0.005

- a) Please confirm whether the 2010 and 2011 Weather Normal kWh were allocated based on the shares listed in the above table.
- b) Please explain why the sum, i.e. .9094, of the class share shown in the above table does not equal 1.

**Ref: Board Staff No. 28**

Algoma Power states that the purchase of the distribution business by FortisOntario was not responsible for the need to migrate to an SAP IT system.

Had the sale of the distribution business to FortisOntario not taken place and GLPD remained within the Brookfield group, would there have been a need to replace the existing IT system/service?

**Ref: Board Staff No. 32**

Are the reductions in 2010 for outside service employed (\$446k) and the removal of Ontario Operations Allocation (\$226k) which total about \$672,000, wholly due to the fact that FortisOntario will be providing these services, services for which FortisOntario will charge \$581,342?

**Ref: Board staff No. 40**

Algoma Power indicates that it does not expect the issuance of debt for regulated utilities at the parent company level (FortisOntario) to occur before 2012.

Please confirm that Algoma Power is not seeking any determination by the Board in this proceeding regarding the issuance of debt for regulated utilities at the parent company level.

**Ref: Board staff No. 42**

If IFRS impacts on revenue requirement are not reflected in the 2010 and 2011 test year amounts, why is Algoma Power requesting the establishment of an IFRS deferral account?

**Ref: Board staff No. 44**

Can Algoma Power's customer billing system accommodate the application of a rate rider to recover the sub account Global Adjustment balance from just non-RPP customers?