

**Algoma Power Inc.  
EB-2010-0400**

**Board Staff Submission on Algoma Power Inc.'s Motion for a Review and  
Variance of the EB-2009-0278 Rate Order issued December 13, 2010**

**January 14, 2011**

**Introduction**

Algoma Power Inc. ("Algoma Power") filed a letter on December 17, 2010 with the Ontario Energy Board (the "Board") seeking revisions, by way of certain corrections, to the Rate Order ("Rate Order") in the matter of EB-2009-0278 issued by the Board on December 13, 2010. Algoma Power requested that the Residential – R2 customer class Rate Rider for Deferral/Variance Account Disposition – effective until May 31, 2013 ("Rate Rider"), which appears as \$0.0044 per kW, be replaced with \$2.0491 per kW. The \$0.0044 number, while appearing as a kW charge determinant on the draft Tariff of Rates and Charges, was actually based (in error) on kWhs.

The Notice of Motion and Procedural Order No.1 issued on December 20, 2010 called for submissions on the motion.

**Submission**

Board staff submits that the Board should vary the Rate Order in the manner as requested by Algoma Power; that is the Rate Rider should be revised to reflect a kW charge determinant in its calculation.

Assuming that the varied Rate Order (i.e. the only variance being the Rate Rider) is made effective, and implemented, February 1, 2011, Board staff submits that the calculation of the revised Rate Rider be based on a 28 month recovery period, being February 1, 2011 to May 31, 2013. This is to minimize any impact on non Residential-R2 classes which may result from an under-recovery from the Residential- R2 class during December 2010 and January 2011 (during which time the Rate Rider billed was \$.0044/kW rather than \$2.0491 kW) or some \$25,000 per month. Board staff requests that Algoma Power in its reply submission speak to this approach and provide the rate rider and supporting calculations which has a 28 month term. The same is requested for a 27 month term in the event a revised rate rider is implemented March 1, 2011.

**Discussion**

Board staff has reviewed the material filed by Algoma Power on December 17, 2010 and has no reason to believe that the oversight was anything other than a simple error which remained undiscovered through the application process. The

charge determinant, for the Rate Rider, shown on the draft Tariff of Rates and Charges filed in the EB-2009-0278 proceeding was expressed as kW. The error occurred in the supporting documentation which used kWhs rather than kW to calculate the quantum of the Rate Rider. The total amount to be recovered from Residential- R2 customers, \$770,950, remains unaffected.

Board staff has reviewed the calculations, which assumes a 30 month recovery period supporting the revised rate rider proposed by Algoma Power in its letter of December 17, 2010. With the exception, of course, of the requested correction, the calculation particulars appear consistent with the evidentiary basis of the Board's EB-2009-0278 decision dated November 11, 2010 and subsequent Rate Order dated December 13, 2010.

Board staff, however, is concerned with the implementation of the revised rate rider and the impact this could have on non Residential R-2 classes. This is addressed below.

### **Implementation**<sup>1</sup>

Algoma Power calculates the revised Rate Rider on the basis that the Rate Rider will be in-place for 30 months, being December 1, 2010 to May 31, 2013.<sup>2</sup>

The Board has declared Algoma Power's rates interim, effective January 1, 2011. An implication is that the rates for December are fixed i.e. the revised Rate Rider of \$2.0491/kW cannot be applied retroactively prior to the January 1, 2011 date. Under this scenario, in that the revised Rate Rider was calculated assuming a 30 month recovery period, for every month's consumption that is billed at the existing rate, about \$25,000<sup>3</sup> is under-recovered from the Residential R-2 class. In normal practice, and all other things being equal, the under-recovery will then form part of the current balance of Regulatory Assets (as part of account 1590- the residual regulatory asset balance) to be recovered from all rate classes, subsequent to May 31, 2013. In effect, non Residential R-2 rate classes would

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<sup>1</sup> Source of the numbers used in this section is Sheets 1-3 which were included in Algoma Power's letter dated December 17, 2010.

<sup>2</sup> \$770,950 (Regulatory Assets) divided by 150,499 ( kW per year) divided by 2.5 years (30 months) equals \$2.0491/kW (Revised Rate Rider).

<sup>3</sup> (\$2.0491/kW minus \$0.0044/kW) \*( 150,499kW/yr divided by 12mo.) equals \$25,643.

ultimately bear approximately 62% of the under-recovery, or about \$15,500<sup>4</sup> per month, starting December 1, 2010, that the revised Rate Rider is not “implemented “.

Board staff believes that \$15,500 per month is a material amount that the non Residential-R2 classes should not bear because of an error on the part of Algoma Power.

### **Summary**

Board staff submits that the Board should vary the Rate Order in the manner requested by Algoma Power; that is the Rate Rider should be revised to reflect a kW charge determinant in its calculation.

Board staff also submits that the calculation of the revised Rate Rider should be based on a “term” that only includes those months in which the revised Rate Rider would be in effect and implemented. In this regard Board staff requests that Algoma Power in its reply submission speak to this approach and provide a revised Rate Rider which has a 28 month term and one which has a 27 month term.

-All of which is respectfully submitted-

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<sup>4</sup> Of the \$2,066,191 in Regulatory Assets to be recovered \$770,951 or about 62% is allocated to Residential – R2.