



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

BY COURIER

January 19, 2011

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

Dear Ms. Walli:

**Re: Algoma Power Inc.
Motion to Review and Vary
Board File No. EB- 2010-0400**

Please find accompanying this letter, two paper copies of Algoma Power Inc.'s reply submission in the matter of EB-2010-0400, a Motion to Review and Vary. An electronic copy of this reply submission has been submitted via the Board's Regulatory Electronic Submission System.

Yours truly,

Original Signed By

Douglas R. Bradbury
Director, Regulatory Affairs

c. Intervenor of Record

Enclosures

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

**Algoma Power Inc. Reply Submission
Motion for a Review and Variance
of the
EB-2009-0278 Rate Order
Issued December 13, 2010**

January 19, 2011

Introduction

Algoma Power Inc. ("API") 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 in the matter of EB-2009-0278 issued by the Board on December 13, 2010. API 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 23, 2010 called for submissions on the motion.

The Tariff of Rates and Charges in the matter EB-2009-0278, issued with the Board's Rate Order dated December 13, 2010, was made interim, effective January 1, 2011¹.

Submissions to the Board were made on January 14, 2011 by Board Staff and by counsel for the School Energy Coalition ("SEC"), an intervenor in EB-2009-0278.

In essence, both of these submissions recognized that a material error had occurred in the matter of EB-2009-0278. SEC submitted that the Motion for Review should be accepted and approved as filed². As well, Board Staff submitted that the Board should vary the Rate Order in the manner as requested by API; that is the Rate Rider should be revised to reflect a kW charge determinant in its calculation³.

Discussion

API, in its letter to the Board dated December 17, 2010, requested that the Board issue a revised Rate Order in the matter of EB-2009-0278 setting the residential – R2 customer class Rate Rider at \$2.0491. The currently approved rate of \$0.0044/kW had erroneously been determined on the basis of energy consumption, kWh.

Pursuant to the Board's Rate Order, EB-2009-0278, API is currently billing its Residential – R2 customer class a Rate Rider of \$0.0044/kW. Based on the monthly billing demand for the Residential – R2 customer class of 150,499 kW⁴, API will collect \$55 per month⁵ for each month that the interim rates remain in effect.

Board Staff, in its submission, has drawn awareness to the implementation of the corrected Rate Rider. Since the rates for December 2010 are fixed i.e. the revised Rate Rider of

¹ Notice of Motion and Procedural Order No. 1, December 23, 2010

² SEC's Submission on API's Motion for Review, EB-2010-0400, page 2 of 2

³ Board Staff Submission on API's Motion for Review, EB-2010-0400, page 2 of 4

⁴ API Amended Application, EB-2009-0278, Exhibit 3 Tab 2 Schedule 1 Table 1

⁵ 150,499 divided by 12 months times \$0.0044/kW equal \$55.18

\$2.0491/kW cannot be applied retroactively, approximately \$25,000⁶ is under-recovered for each month that the Rate Rider is billed at \$0.0044/kW. Without a mechanism to compensate for this, the non-Residential R-2 customer classes would ultimately bear approximately 62% of the under-recovery, or about \$15,500⁷ per month, starting December 1, 2010, that the revised Rate Rider is not “implemented”.

In the Board Staff submission, Board Staff requested that that API, in its reply submission, address and provide the Rate Rider and supporting calculations that has a 28 month term in the event a revised Rate Rider is implemented February 1, 2011. The same was requested for a 27 month term in the event a revised Rate Rider is implemented March 1, 2011.

Rate Rider Determination

The following are the key metrics associated with the determination of the Rate Rider:

Regulatory Assets allocated to the Residential – R2 Customer Class	\$770,951 ⁸
Annual Billing Demand for the Residential – R2 Customer Class	150,499 kW ⁹
Current monthly amount being recovered at \$0.0044/ kW	\$55.18

Rate Rider Determination – Implementation Date February 1, 2011

$$(\$770,951 - (2 * \$55)) \div 150,499 \text{ kW} \div 2.3333 \text{ Years} = \$2.1951/\text{kW}$$

Rate Rider Determination – Implementation Date March 1, 2011

$$(\$770,951 - (3 * \$55)) \div 150,499 \text{ kW} \div 2.2500 \text{ Years} = \$2.2764/\text{kW}$$

Rate Impact Arising from Implementation

API has calculated, in a manner consistent with the rate impacts provided with the Draft Rate Order, Appendix C in the matter of EB-2009-0278, the following total bill impacts for the average Residential – R2 customer.

For an implementation date of February 1, 2011, the average Residential – R2 customer with a billing demand of 225 kW and non-uplifted consumption of 90,000 kWh would experience an approximate 3.80% or \$439.95 per month increase in their monthly invoice. The typical small customer in the Residential – R2 customer class with a billing demand of 50 kW and non-uplifted consumption of 20,000 kWh would experience an approximate 3.19% increase on their total bill or \$98.65 per month.

⁶ Board Staff Submission on API's Motion for Review, EB-2010-0400, page 3 of 4

⁷ Board Staff Submission on API's Motion for Review, EB-2010-0400, page 4 of 4

⁸ API Draft Rate Order, November 22, 2010, EB-2009-0278, Appendix D

⁹ API Draft Rate Order, November 22, 2010, EB-2009-0278, Appendix B

For an implementation date of March 1, 2011, the average Residential – R2 customer with a billing demand of 225 kW and non-uplifted consumption of 90,000 kWh would experience an approximate 3.98% or \$460.62 per month increase in their monthly invoice. The typical small customer in the Residential – R2 customer class with a billing demand of 50 kW and non-uplifted consumption of 20,000 kWh would experience an approximate 3.34% increase on their total bill or \$103.24 per month.

Submission

API respectfully requests that the Board vary its Rate Order in the matter of EB-2009-0278 to reflect the Rate Rider for Deferral/Variance Account Disposition – effective until May 31, 2013 that has been determined on the basis of the annual billing demand, kW. Specifically, API request that the Board vary its Rate Order to replace,

RESIDENTIAL – R2

Rate Rider for Deferral/Variance Account Disposition – effective until May 31, 2013	\$/kW	0.0044
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with, for 28 month recovery effective February 1, 2011

RESIDENTIAL – R2

Rate Rider for Deferral/Variance Account Disposition – effective until May 31, 2013	\$/kW	2.1951
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or in the alternative with, for 27 month recovery effective March 1, 2011.

RESIDENTIAL – R2

Rate Rider for Deferral/Variance Account Disposition – effective until May 31, 2013	\$/kW	2.2764
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All of Which is Respectfully Submitted