



October 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: An Application by Algoma Power Inc. ("API") to Adjust Electricity Distribution Rates & Rural and Remote Rate Protection ("RRRP") Funding, Effective January 1, 2012; EB-2011-0152**

In its Decision and Order in the matter of EB-2009-0278, the Board expressed its expectation that the RRRP adjustment factor for API be calculated annually, with rates and the RRRP amount for the rate year affected accordingly. In the event that API did not file either an IRM or a cost of service application, the Board would on its own motion initiate a proceeding in that regard. The Board also noted that in the Revised Settlement Agreement under the issue "Application of a Future Incentive Rate Mechanism" the parties agreed that for the purpose of obtaining a complete settlement on all issues API would consult with intervenors prior to proposing any future Incentive Rate Mechanism to set rates in non-rebasing years. API consulted with the intervenors and reached a consensus on a form of incentive rate mechanism; on September 15, 2011 API submitted an application to adjust rates and RRRP for the 2012 rate year based on this consensus.

In its review of the application, Board staff suggested that it may be incomplete as it did not provide evidence related to the disposition of the Group 1 Deferral and Variance account balances as discussed in Chapter 3 of the Filing Requirements for Transmission and Distribution Applications. On October 13, 2011 filed an amended application with evidence to support the disposition of Group 1 Deferral and Variance account balances.

Occurring concurrently with API's application to adjust rates and RRRP amount is a routine regulatory audit of API's Deferral and Variance accounts by the Board's Audit and Accounting Group. This audit began in July and is ongoing. API has responded to three rounds of information requests; at this point API is not aware of any issues arising from the audit.

To address the concurrence of API's application to adjust rates and RRRP amount and the audit of the Deferral and Variance accounts by the Board's Audit and Accounting Group, API requests that the Board continue the application process to adjust electricity distribution rates and RRRP amount as stated in its expectation in EB-2009-0278. API further requests that the Board delay its examination related to API's application to dispose of Group 1 Deferral and Variance Account balances until such time as the Board's Audit and Accounting Group has completed its audit and presented its findings.

In the event that the Board is unable to issue its Decision and Order in the matter of EB-2011-0152 for implementation of electricity distribution rates on January 1, 2012, API requests that its existing rates be made interim on December 31, 2011. In the Revised Settlement Agreement in the matter of EB-2009-0278, the parties agreed that they will not object to a request by API in a future rates proceeding for its rates to be made interim on December 31, 2011.

Yours truly,

Original Signed by

Douglas Bradbury  
Director Regulatory Affairs