



December 7, 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: Application by Algoma Power Inc. to Adjust Electricity Distribution Rates & Rural and Remote Rate Protection Funding, Effective January 1, 2012;  
EB-2011-0152**

Coincident with Algoma Power Inc.'s ("API") 2012 IR application noted above the Board's Audit and Accounting Group are conducting a routine regulatory audit of API's Group 1 and Group 2 Deferral and Variance Accounts ("DVA"). The audit review for Group 1 DVA balances is now complete. During the course of this audit, several findings have been brought forward that have impact on Group 1 DVA balances and ought to be disclosed in this proceeding; EB-2011-0152. The following summarizes these findings:

1. Deferral and Variance Account Disposition; EB-2009-0278

In the Proposed Revised Settlement Agreement dated September 17, 2010, item No. 9a settled the disposition of select deferral and variance accounts. The parties agreed to dispose of RSVA Power excluding Global Adjustment, account 1588. During this audit it was determined that due to an oversight in the preparation and submission of the Draft Rate Order that the RSVA Power Global Adjustment subaccount was in fact disposed. The amount of the disposition including interest was \$66,872 payable to the customers. This amount was included with the remainder of the Group 1 Deferral and Variance Account disposition and allocated on kWh.

2. RSVA Power Account 1588

The audit found an over accrual in relation to the cost of power in the RSVA Power account in December 2010. API has agreed with the finding and has provided the Board's auditors with supporting documentation to quantify the impact of this finding along with prepared

journal entries to adjust the accounts. The net over accrual for 2010 has been determined to be \$81,482, payable to the customers.

3. RSVA Power Account 1588

A finding related to the fixed commodity price used in the IESO Form 1598 for May 2010 revealed that the most recent RPP prices were not used for that month's submission. API has agreed with the finding and has provided documentation to quantify the impact of this finding on RSVA Power Account 1588. The net impact of the finding was determined to be \$75,544 payable to the customers.

4. Regular True Up of IESO Form 1598

The audit has found that API has not performed regular true ups for 2009 and 2010 for IESO Form 1598. API agrees with the finding. The impact of the 2009 and 2010 true-up on Account 1588, RSVA Power, has been determined to be \$249,193, receivable from the customers. The impact of the 2009 and 2010 true-up on account 1588, subaccount Global Adjustment, is \$199,717, payable to the customers.

These amounts have been adjusted in the API 2012 EDDVAR Continuity Schedule. The API Regulatory Rate Rider model has been adjusted to reflect this outcome.

The audit found some other procedural issues however these are not material and did not impact the account balances.

Together with this letter, API is submitting updated Deferral and Continuity Schedules and Regulatory Rate Rider Calculations containing these findings.

If you have any questions regarding these matters please contact the undersigned.

Yours truly,

Original Signed By

Douglas Bradbury, P. Eng.  
Director Regulatory Affairs

c. Daria Babaie, Manager,  
Regulatory Audit & Accounting  
Ontario Energy Board