



March 2, 2012

George Dimitropoulos  
Project Advisor,  
License Applications  
Ontario Energy Board  
P.O. Box 2319  
27th floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Dear Mr. Dimitropoulos,

**RE: Algoma Power Inc.**

**Amendment to Electricity Distribution Licence (ED-2009-0072) – Affiliate Relationship Code and Standard Supply Service Code Exemptions  
Board File Number EB-2011-0402 – Request for Further Information**

As per the letter of the Ontario Energy Board dated January 17, 2012, please find below the requested information pertaining to the EB-2011-0402 application of Algoma Power Inc. to amend its Distribution License.

### **Background**

Canadian Niagara Power Inc (CNPI) provides certain corporate services that are allocated between the Fort Erie, Port Colborne and Gananoque service territories, as well as its affiliates which include Cornwall Electric (CE) and as of 2009, Algoma Power Inc (API). These services include Human Resources, Information Technology, Executive Services, Health and Safety, Regulatory, Finance and Engineering. CNPI and Cornwall Electric provide certain services to a Cogeneration District Heating facility owned by FortisOntario under its generator license. CNPI also provides services to hydro generation facilities owned by FortisProperties.

The services are weighted and allocated to each corporate entity based on a CNPI shared services methodology. The methodology was presented to the Board through API's Cost of Service filing as a part of the the EB-2009-0278 proceeding and for CNPI in the EB-2008-0222 proceeding.

A Shared Services Agreement is used to contractually bind the different corporate entities to this methodology.

## **Sections 2.2.2 and 2.2.3 of the Affiliate Relationships Code**

**Regulatory considerations:** The Affiliate Relations Code (ARC) requires a strict separation between affiliates. As such, CNPI and its affiliated entities had requested and were granted exemptions to sections 2.2.2 and 2.2.3 of the ARC that would then allow the corporate entities to access the services referenced in the Service Agreement. These exemptions are currently listed in the respective licenses of the parties of the Services Agreement.

The exemptions to the ARC are meant to be limited in scope and strictly applied to the contents of the Services Agreement. They are not meant to be exemptions from the ARC in its entirety.

**The necessity for latest amendments:** In 2009 FortisOntario (FO) completed its acquisition of the API service territory. API then filed a Cost of Service application (EB-2009-0278) through which its share of common services and the associated costs were allocated. In 2010 API was made a party to the Service Agreement to contractually bind API to the common pool of services and the appropriated portion of the costs.

However, exemptions to the ARC are necessary for API to receive services pursuant to the Services Agreement. For example, without the exemptions, CNPI's Regulatory staff may not be able to provide support to API's Customer Services department because there will be situations where CNPI staff may have access to API customer information that would normally be prohibited through the aforementioned sections of the ARC.

As such there would have to be two sets of amendments to the license for API. One would include CNPI, CE and FO within its list of affiliates. The second amendment would be to apply to the exemptions to the sections 2.2.2 and 2.2.3 of the ARC that are currently applied to its affiliates, so that API may avail itself of the shared services.

Of the affiliates, CNPI, CE, FO are applying for what would be considered minor amendments to their licenses, essentially including API in the list of affiliates, but without any material changes to the nature of the Services Agreement or the current operating procedures.

**No Harm:** The purpose of the Affiliate Relationship Code is to prevent rate payers from harm, prevent cross-subsidization of affiliate activities, ensure there is no preferential access to utility services, prevent affiliates from gaining an unfair business advantage and protect confidential information collected by a utility.

Algoma Power Inc. submits that in general, the execution of the Services Agreement does not bring harm to the customer and does not contradict the intent and the goals of the ARC. Rate payers are not exposed additional harm and affiliates are not granted preferential access, do not gain unfair business advantages and do not cross-subsidize one another.

The exemptions relate only towards the access of information and services that may normally be considered protected during the course of providing the specified services. Furthermore, in seeking the

exemption, API and its affiliates are simply executing a methodology for the Shared Services that has already been presented through its previous Cost of Service filing.

### **Section 2.5.3 of the Standard Supply Service Code**

API is asking for an exemption from section 2.5.3 of the Standard Supply Service code as it is one of the exemptions currently granted to CNPI. However, API notes that Section 2.5.3 no longer exists within the SSSC and may have been struck since the granting of original exemption and the affected licenses may not have been amended to reflect the change. API would like to point out that the language in section 2.5.3 refers to the “Fixed Reference Price” which has since been replaced by the Regulated Price Plan (RPP). API defers to the judgement of the Board as to the treatment of section 2.5.3 of the SSSC in the context of API Distribution License.

Please do not hesitate in contacting us should you require further information.

Sincerely,

Nameer Rahman  
Senior Policy Specialist

Phone: 905 871 0330 ext 3305  
Email: nameer.rahman@cnpower.com