



CANADIAN NIAGARA POWER INC.

A FORTIS ONTARIO
Company



October 24, 2013

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: CANADIAN NIAGARA POWER INC. & ALGOMA POWER INC.
APPLICATION FOR DEFERRAL AND VARIANCE ACCOUNTS FOR TRANSITIONAL &
ANNUAL ADJUSTMENTS TO PENSION AND OTHER POST-EMPLOYMENT BENEFITS**

On October 21, 2013, both Canadian Niagara Power Inc. ("CNPI") and Algoma Power Inc. ("API") submitted individual Applications to the Board. Each is requesting deferral and variance accounts for transitional and annual adjustments to their pension and other post-employment benefits ("P&OPEB"). In the interest of efficiency, CNPI and API are jointly requesting that these Applications be combined into a single proceeding.

CNPI and API are affiliate organizations and each is a subsidiary of FortisOntario. Each organization is represented by the same Plan Administrator, Mr. Glen King, Vice President and Chief Financial Officer. Both organizations use the same Fund Administrator, RBC Dexia Investor Services, and both utilize the same Actuary, Mercer.

Both CNPI and API use the CICA Handbook Part II, Accounting Standards for Private Enterprises ("ASPE"). The issues presented in the individual Applications are the same for both applicants; the changes in accounting policy introduced by the issuance of Section 3462, Employee Future Benefits, in Part II of the CICA Handbook.

Under current CICA Handbook Standards, Section 3461, Employee Future Benefits, there was a mechanism for smoothing pension and other post-retirement benefits. With the introduction of Section 3462 and the absence of deferral and variance accounts, both CNPI and API will have to recognize all re-measurement costs immediately in expense, and will no longer be able to amortize re-measurement gains and losses over future periods therefore creating volatility in the P&OPEB expense.

An electronic copy of this letter has been submitted via the Board's Regulatory Electronic Submission System.

Yours truly,

Original Signed by

Douglas R. Bradbury P.Eng.
Director, Regulatory Affairs