April 30, 2014

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., ("API") Annual Progress Report on Transition to TOU Pricing Decision and Order - EB-2013-0056

Please find accompanying this letter two (2) copies of API's annual progress report on transition to TOU pricing for hard to reach customers. This report is being filed in accordance with the Board's Decision and Order in EB-2013-0056.

A PDF version of the report will, coincidently with this written submission, be filed via the Board's Regulatory Electronic Submission System.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (905) 994-3634.

Yours truly,

Original Signed by:

Douglas Bradbury
Director Regulatory Affairs

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Background

On February 26, 2013 Algoma Power Inc. ("Algoma Power") filed an application with the Ontario Energy Board (EB-2013-0056), under section 74 of the Ontario Energy Board Act, 1998 ("the Act") for a licence amendment granting an extension in relation to the mandated date for the implementation of time-of-use ("TOU") pricing rates for certain Regulated Price Plan ("RPP") customers.

Algoma Power requested an indefinite extension due to technological constraints for approximately 300 customers outside the reach of its technological infrastructure. Algoma Power stated that it requests the indefinite extension due to the fact that there are no options that will meet full compliance. Algoma Power indicated that the options available would only achieve partial compliance and the costs are excessively high. Algoma Power stated that it does not expect the situation to be resolved until there is an improved telecommunication infrastructure or when future technological advancements in automated meter infrastructure become available. Algoma Power proposed that during the extension period those hard to reach customers would remain on two-tiered pricing specified in section 3.3 of the Standard Supply Service Code.

In its Decision and Order, the Board ordered that[1]:

1. *Algoma Power Inc.'s distribution licence ED-2009-0072, specifically Schedule 3 List of Code Exemptions, is amended to include an exemption from the requirement to apply time-of-use pricing by a mandatory date under the Standard Supply Service Code for Electricity Distributors for the identified customers hard to reach customers. The exemption will expire July 1, 2015.*
2. *Algoma Power Inc. shall file a report to the Board on its progress to transition the identified hard to reach customers to Time-of-use pricing on April 30, 2014 and April 30, 2015. The progress reports shall include the items identified in this Decision and Order.*

[1] EB-2013-0056, Decision and Order, June 20, 2013

The following information constitutes API's first progress report, due April 30, 2014.

Reporting Requirements:

- *Total number of RPP eligible customers;*
- *Total cumulative number of customers on TOU;*

The following table provides a breakdown of total RRP eligible customers on TOU vs RPP rates, for the periods ending March 31, 2013 and March 31, 2014.

RPP-Eligible Customer Breakdown		
	2013-03-31	**2014-03-31**
# of Customers on TOU	11,247	11,281
# of Customers on RPP	324	312
Total # of RPP Customers	**11,571**	**11,593**

Reporting Requirements:

- *Number of hard to reach customers transitioned to TOU in that year;*

The following tables provide a breakdown of the status of the customers on RPP rates as of each of the above dates.

For the 324 customers on RPP as of March 31, 2013, the status breakdown is provided as of March 31, 2014 in order to illustrate progress made over the previous year.

The first table shows that 69 of 324 customers (or 21% of the total) on the March 2013 list were successfully transitioned to TOU rates over the following 12 months. Another 11 accounts were disconnected during this time.

The combined reduction of 80 customers on RPP rates from the 2013 list was mostly offset by 59 new accounts that have been initially placed on RPP rates, prior to TOU billing and a net increase of 9 accounts with issues relating to location or communication issues.

It should be noted that uniqueness of the AMI installation in API's service area requires that meters use a variety of communication modes in order to achieve adequate read success rates for TOU billing. In many cases, the optimal mode can only be determined once a meter has been installed and communication success has been observed for several months. API's process is to initiate new accounts on RPP rates, with conversion to TOU rates once meter communication success has been verified or adjusted as required. API expects to proceed in this manner for the foreseeable future in order to avoid situations where estimation of TOU interval reads without a reasonable billing history could lead to inaccurate and unfair billing practices. As a result, API expects to continue to have a group of accounts related to new connections that are on RPP rates for several months prior to transitioning to TOU.

API also continues to face challenges associated with installations where main breakers are located ahead of meters and the seasonal use is too infrequent to establish adequate consumption history and sufficient communication success to enable a smooth transition to TOU billing.

Meters on RPP 2013-03-31	
Issue/Status Update - As of 2014-03-31	***# of Meters***
Breaker Before Meter	73
Remote, Out of Range	55
Missanabie	37
Mamainse FRP	32
Comm Issue	25
Pending TOU	22
Subtotal	*244*
Acct Status Changes 2013-03-31 to 2014-03-31	***# of Meters***
Moved to TOU	69
Disconnected	11
Subtotal	*80*

Total	**324**

Meters on RPP 2014-03-31	
Issue/Status - As of 2014-03-31	***# of Meters***
Breaker Before Meter	75
Remote, Out of Range	58
Missanabie	37
Mamainse FRP	33
Comm Issue	26
Pending TOU	24
Subtotal	*253*
Acct Status Changes 2013-03-31 to 2014-03-31	***# of Meters***
New Accounts	59
Subtotal	*59*
Total	**312**

Reporting Requirements:

- *information on any new available technologies for hard to reach customers;*
- *progress in the ongoing monitoring of cost effective technologies;*
- *the costs related to any of these technologies, and;*
- *any other related information that would inform the Board on Algoma Power's progress to transition its remaining customers to TOU pricing.*

Traditional Communication Backhaul Challenges, Opportunities and Costs

API continues to face challenges with regards to the reliability of backhaul communications in many portions of its service area. For example, the phone line backhaul installed to FRP in the town of Missanabie has repeatedly dropped the connection since the time of installation. API tested a solution to remotely reset the connection, but ultimately discovered compatibility issues between the type of modem required to integrate the FRP and the wireless backhaul technology used to link the Missanabie phone system to the phone company's main system. As a result, this FRP is still not operating with enough reliability to convert the area customers to TOU rates. API has experienced similar phone line outages at other FRP sites, requiring manual resets, though these have been far fewer in number and have somewhat diminished over time. As a result, accounts with meters communicating reliably to most other phone-line FRP's have either been converted to TOU rates, or are pending conversion.

Overall cellular coverage area is gradually increasing and API has observed an increase in new electric service requests related to new cellular tower sites late in 2013 and into 2014. Where this has resulted in new coverage becoming to FRP's previously served by phone lines, API has been transitioning these sites to cellular backhaul to improve overall reliability. Also, API delayed a previously planned FRP in the Mamainse Harbour area (approximately 33 meters within range), to coincide with the availability of cellular backhaul and avoid the expense of installing a phone line.

There are some instances where sites now have cellular coverage available; however the cost of installing an FRP remains economically unreasonable. The cost of installing an FRP is in the range of $10,000-20,000, with ongoing O&M costs in the range of at least $400 per month. In

most cases, only 1-10 meters would be within range of any new FRP, with many of these accounts being low consumption and/or seasonal users. API believes that the cost of installing FRP's in these areas continues to far outweigh any potential benefit of transitioning the relatively small consumption to TOU rates.

Alternative Communication Options and Costs

API has investigated the cost of satellite backhaul communications for sites with a greater number of meters within range of an FRP, but where traditional backhaul options are unavailable or unreliable. Preliminary estimates from Sensus and their communications subcontractor are that satellite backhaul would add a one-time cost of $3,000-4,000 to the up-front installation costs, and would increase the monthly costs per site by several hundred dollars. Given the significantly higher costs, and API's experience with unreliable satellite communications at northern latitudes, API has elected not to pursue this option at the current time.

Alternative Meter-Reading Options and Costs

API initiated discussions with Sensus to determine the possibility of extracting hourly interval data from meters in the field using the handheld tools that are currently used to provide other interaction such as communication mode programming and troubleshooting functions. On further investigation, a few major issues were identified with this approach:

- The clocks in API's smart meters receive periodic time synchronization signals from the AMI network to ensure that there is no significant drift. Without this periodic synchronization, the resulting interval data may be potentially inaccurate (the overall register reads would be accurate, but the amount used in each interval may not be).
- The software on the handheld tools was not developed with this use as a consideration. Even if the required development, modifications, testing and implementation could be worked into the product development schedule, it would come at significant cost.
- The overall solution would not meet the Functional Specification prescribed by regulation.

API is also investigating the costs of installing meters with individual cellular data modems where cellular coverage is available, but the number of meters does not warrant FRP installation. While the costs remain excessive on a per-meter basis, this option may ultimately be less expensive than FRP installation in certain areas.

Summary

API has made progress in transitioning 69 customers to TOU billing (21% of the previous total number of customers on RPP), and expects to transition a similar number over the next 12 months. API will continue to investigate the technical and financial feasibility of the alternatives described above, as well as any other alternatives that become available. In advance of filing its April 2015 report, API expects to be in a position to provide a detailed estimate of the costs for various options to transition all remaining RPP accounts to TOU.