April 27, 2015

Ms. Kristen Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700, P.O. Box 2319
Toronto, Ontario
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 second progress report, due April 30, 2015.

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**	**2015-03-31**
# of Customers on TOU	11,247	11,281	11,240
# of Customers on RPP	324	312	345
Total # of RPP-Eligible Customers	**11,571**	**11,593**	**11,585**

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.

API transitioned 1 customer to TOU rates in the March 31, 2014 to March 31, 2015 period. API would normally have transitioned a number of accounts to TOU in the fall of 2014, after verifying sufficient communication success and signal strength over the summer months. As a result of a software upgrade on the AMI head-end system in summer 2014, the communication data reviewed in fall 2014 lacked sufficient history to make decisions on moving accounts. API expects that up to 127 of the 345 customers currently billed on RPP rates will be transitioned to TOU rates over the summer of 2015.

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 2014-03-31	
Issue/Status Update - As of 2014-03-31	***# of Meters***
Breaker Before Meter	73
Remote, Out of Range	57
Comm Issue - Missanabie Phone Line	37
Comm Issue - Signal Strength	42
Pending TOU - Mamainse FRP	33
Pending TOU - Other	65
Subtotal	*307*
Acct Status Changes 2013-03-31 to 2014-03-31	***# of Meters***
Moved to TOU	1
Disconnected	4
Subtotal	*5*
Total	**312**

Meters on RPP 2015-03-31	
Issue/Status - As of 2015-03-31	***# of Meters***
Breaker Before Meter	73
Remote, Out of Range	57
Comm Issue - Missanabie Phone Line	37
Comm Issue	43
Pending TOU - Mamainse FRP	33
Pending TOU	64
Subtotal	*307*
Acct Status Changes 2013-03-31 to 2014-03-31	***# of Meters***
New Accounts – Comm Issues	8
New Accounts/Upgrades – Pending TOU	30
Subtotal	*38*
Total	**345**

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 phone lines in certain areas, as reported in its previous annual filing. At this time, the phone line issues in Missanabie could not be reasonably resolved, and API continues to read these meters manually due to lack of any alternative economic communication option in that area. API continues to experience phone line interruptions at other FRP locations, however these are typically resolved by Bell or Sensus within a reasonable time.

API has observed expanding cellular coverage in its some portions of its service area. A number of FRP's have been transitioned from phone line to cellular backhaul, improving reliability. Also, API commissioned a new FRP in the Mamainse Harbour area in the summer of 2014, which should allow up to 33 meters to be transitioned to TOU rates in the summer of 2015 once successful communication history is verified for these meters.

There are some instances where potential FRP 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

In its previous annual update, API had 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 were 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.

To the best of API's knowledge, satellite communication costs have remained relatively stable over the past year. Given the significantly higher costs previously identified, and API's experience with unreliable satellite communications at northern latitudes, API continues to elect not to pursue this option at the current time.

API is not aware of any other economical options for FRP backhaul communications in its service area.

Alternative Meter-Reading Options and Costs

API has previously 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. For a number of reasons detailed in API's previous annual update, this 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. In light of the Board's recent decision in EB-2013-0311, requiring interval meters on all GS>50 customers, API will have to identify economical communication solutions (such as embedded cellular modems) at the meter level in the coming years. Given the province-wide requirements, API expects to see an increase in the number of economical options available.

Summary

API expects to transition up to 127 of the 345 customers currently billed on RPP rates over the coming 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.

API does not expect to be able to transition the remaining RPP-billed customers in advance of the July 1, 2015 expiry of its TOU-billing exemption. Also, for the foreseeable future, API expects that it will have to continue to add new accounts in certain areas as RPP-billed in order to confirm communications for successful TOU-billing. As a result, API expects to file a request in the near future requesting a continued exemption from the requirement to apply time-of-use pricing by a mandatory date under the Standard Supply Service Code for Electricity Distributors.