



June 11, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

RE: APPLICATION BY ALGOMA POWER INC. FOR EXTENSION TO THE EXEMPTION FROM THE PROVISIONS OF THE STANDARD SUPPLY SERVICE CODE FOR ELECTRICITY DISTRIBUTORS REQUIRING TIME-OF-USE PRICING FOR REGULATED PRICE PLAN CONSUMERS WITH ELIGIBLE TIME-OF-USE METERS, AS OF THE MANDATORY DATE

Please find accompanying this letter two (2) copies of an application by Algoma Power Inc. for an exemption from the provisions of the Standard Supply Service Code as it relates to Time-of-Use pricing.

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 P.Eng,
Director Regulatory Affairs

Enclosure

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IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, (Schedule B);

AND IN THE MATTER OF an Application by Algoma Power Inc. for an Order or Orders including an extension to the exemption from the provisions of the Standard Supply Service Code for Electricity Distributors requiring time-of-use pricing for regulated price plan consumers with eligible time-of-use meters, as of the mandatory date

Algoma Power Inc.

**Application for an Extension to the Exemption from
Certain Provisions of the Standard Service Supply Code**

June 11, 2015

APPLICATION

1. The Applicant is Algoma Power Inc. ("API"), API is an Ontario corporation carrying on the business of owning and operating electricity distribution facilities in Ontario.
2. API requests an extension to exemption from the provisions of the Standard Supply Service Code for Electricity Distributors (the "SSS Code") requiring time-of-use pricing for regulated price plan ("RPP") consumers with eligible time-of-use ("TOU") meters, as of the mandatory date. The subject exemption was granted by the Ontario Energy Board (the "Board") on June 20, 2013, in proceeding EB-2013-0056, for approximately 300 RPP customers. This current request is for a total of approximately 350 customers
3. API requests that the Board establish the exemption to begin on July 1, 2015 and to remain in place until December 31, 2019. The timing of this request is intended to coincide with the timing of API's current 2015-2019 Distribution Rate Application.
4. API requests that the reporting schedule that was required by the Board in its approval of the original exemption in EB-2013-0056 be eliminated, for the reasons set out in this application.
5. API requests that all other terms and conditions that were granted by the Board in the original exemptions in EB-2013-0056 for customer billing apply during the period of this exemption.
6. API requests that this proceeding be conducted by way of a written hearing.
7. API also requests an interim extension of the exemption granted by the Board on June 20, 2013 in proceeding EB-2013-0056, as of July 1, 2015, until such time the Board renders a final decision in this application.

INTRODUCTION

On February 26, 2013 API filed an application, EB-2013-0056, for an exemption in relation to the mandated date for the implementation of time-of-use (“TOU”) pricing for certain Regulated Price Plan (“RPP”) customers. Arising from that application, API’s distribution licence, ED-2009-0072, specifically Schedule 3 List of Code Exemptions, was amended to include an exemption from the requirement to apply time-of-use pricing by a mandatory date under the SSS Code for Electricity Distributors for the identified hard to reach customers. The exemption has an expiration date of July 1, 2015.

As required by the Board’s Decision and Order in EB-2013-0056, API filed Annual Progress Reports to the Board in April 2014 and April 2015, containing details of its progress in transitioning the affected customers to TOU rates. In its April 2015 Report, API identified that 11,240 RPP-eligible customers were being billed on TOU rates, while 345 customers remained on two-tier pricing.

Co-incidentally with this Application, API will be filing another application for an exemption from the provisions of the Distribution System Code (the “Code”) pertaining to billing accuracy and the use of estimated bills, namely sections 2.10.1 and 7.11.1 to 7.11.7. API will be requesting, in that application, that the Code exemptions remain in place until December 31, 2019, and that the Code exemptions apply to approximately 191 customers, namely the Residential subset of the 345 customers currently on two-tier pricing.

EXEMPTION REQUEST

API is requesting further extension of the exemption granted in EB-2013-0056, from July 1, 2015 to December 31, 2019 for approximately 350 RPP customers.

API submits that the exact number of customers affected by this exemption request will fluctuate from time to time. The number of affected customers will be impacted by the number and location of new customers/connections and API’s ability to transition customers to TOU rates as communications are determined to be sufficient to ensure that these transitions will continue to result in accurate bills.

In its most recent Annual Progress Report on the transition to TOU rates, API identified that up to 127 of the 345 customers on two-tier rates could be transitioned to TOU rates over the summer of 2015. The exact number of customers transitioned will depend on communication success rates during conditions of peak summer foliage (which tends to reduce communication success as dense vegetation in remote areas attenuates radio-frequency signals). API does not expect that any of these transitions will take place prior to the July 1, 2015 expiry of the current exemption.

For those customers not successfully transitioned in 2015, API expects that very few customers will be transitioned during the 2016-2019 period, due to the technical and economic constraints summarized in this application.

For those customers remaining on two-tier rates, API plans to continue its current practice of billing monthly based on a combination of actual and estimated meter reads. Where access to the meter is safe, practical and economical, API will manually read the meter as close as possible to the end of the billing period. Where access to the meter cannot be achieved in a safe, practical and economical manner, API will use estimated reads for billing and will resume manual reads at the earliest practical opportunity.

PROPOSED LICENCE AMENDMENTS

API proposes that the exemption provided in Item 1 of Schedule 3 of its License (ED-2009-0072) be amended to reflect the case number assigned to this application, and that the expiration of the exemption be extended to December 31, 2019.

EXEMPTION RATIONALE

API faces a number of unique challenges that directly impact its ability to transition all of its customers to TOU rates. These challenges include:

- Extremely low customer density in many parts of its service territory
- A lack of reliable communication infrastructure in certain parts of its service territory

- Extensive tree coverage and rugged topography that interfere with the transmission of RF signals, and often result in seasonal variability in communication success rates.
- A number of seasonal or other infrequently used accounts where the customer's main breaker is positioned ahead of API's meter. When the main breaker is opened, the meter loses power and no longer communicates. As a result, communications are often not reliable enough for successful transition to TOU billing.

Despite extensive technical and economic challenges, API was diligent in procuring an AMI system that met functional requirements prescribed by regulation and has allowed approximately 97% of its customers to be billed on TOU rates. Another group of up to 127 customers are expected to be transitioned in the near future, leaving approximately 2% of customers on two-tier RPP pricing.

In its Annual Reports on the progress of transitioning customers to TOU billing, API has discussed the improvement in availability of third-party communication options in certain areas, as well as the installation of additional AMI repeaters. It is the installation of these repeaters in recent years, combined with "tuning" activities on the existing AMI network that will allow up to 127 additional customers to be transitioned to TOU billing in 2015.

The approximately 2% of customers that API expects will remain on two-tier pricing beyond 2015 are divided into three main groups:

- Group 1 – 73 meters where the customer's main breaker is located ahead of the meter, resulting in prolonged periods of non-communication.
- Group 2 – 37 meters in range of an existing repeater, but where 3rd-party communications backhaul has proved unreliable.
- Group 3 – 108 meters that are primarily located in some of the most remote, rugged and low-density areas of API's system. These meters are either beyond the reach of API's AMI network, or do not have a high enough communication success rate to ensure accurate billing once transitioned to TOU rates.

API submits that the annual recording requirements imposed by the Board's Decision and Order in 2013-0056 were appropriate at the time given the prospect of transitioning more customers to TOU rates, and the large number of unknowns associated with operating a relatively new AMI system. In the context of the current application however, API submits that continuation of similar reporting requirements would provide little value to the Board or other parties. The basis of this submission is that API expects to transition very few meters to TOU rates during the 2016 to 2019 period, based on both economic constraints and issues with billing accuracy, as discussed in more detail below. API does not expect that changes in the availability of third-party communication options will impact transitions to TOU rates during this period.

Economic Constraints

For meters in areas that would require a new AMI repeater, API estimates the capital costs of each complete installation at \$10,000-\$20,000, or higher, with ongoing O&M costs in the range of more than \$400 per month, per location. With only 1-10 meters in most areas, API estimates this would result in total per meter capital costs ranging from \$2,000-\$10,000, and annual per meter O&M costs ranging from \$500-\$5000. These costs are more than an order of magnitude higher than the per meter costs of API's initial AMI implementation, which was already among the highest in the province. API does not foresee any growth in customer count in these areas, nor does it expect any reduction in repeater-related costs that would make these installation economically feasible prior December 31, 2019.

Issues with Billing Accuracy

In transitioning customers to TOU rates, API has taken a customer-focused approach to ensure that TOU bills are primarily be based on accurate hourly reads. API recognized that large gaps in hourly data could result in estimating the allocation of kWh usage between TOU "buckets" based on the MDM/R's estimating processes. In API's opinion, where this estimation was performed without significant historical data and/or this estimation occurred frequently, the customer's confidence in both API's billing processes

and the Smart Meter / TOU initiatives in general would be undermined. As a result, API reviews communication statistics on an individual meter basis to ensure consistent communication success rates prior to transitioning an account to TOU rates.

API plans to review communication success rates in the summer of 2015, and transition up to 127 accounts to TOU rates. Following this transition, API believes that the vast majority of meters remaining on two-tier rates will either be beyond the range of its AMI system, and thus subject to the economic constraints, or will have inadequate communication success to allow TOU billing in a manner consistent with Code requirements relating to accuracy and use of estimated bills.

CONCLUSION

It is not possible for API to economically connect its remaining meters to its AMI network or to make all meters communicate reliably enough to issue regular TOU bills based on actual meter readings. The costs associated with options available to connect more meters and make more meters reliable are excessively high and would result in upward pressure on rates. Also, situations with customer-owned breakers impacting AMI communications are beyond API's control for existing services.

Therefore, API is seeking a TOU exemption for approximately 350 customers, expiring on December 31, 2019. During the exemption period, API proposes that the affected customers would continue to be billed on two-tier pricing as specified in section 3.3 of the SSS Code.