



**EB-2011- 0152**

**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 approving just and reasonable  
rates and other charges for electricity distribution to be  
effective January 1, 2012.

**BEFORE:** Karen Taylor  
Presiding Member

Paula Conboy  
Member

## **DECISION ON MOTION TO REVIEW AND VARY**

### **Introduction**

Algoma Power Inc. (“Algoma”), a licensed distributor of electricity, filed an application with the Ontario Energy Board (the “Board”) on September 15, 2011, and an amended application on October 13, 2011 under section 78 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Algoma charges for electricity distribution, to be effective January 1, 2012 (the “2012 IRM Application”). The Board assigned the application file number EB-2011-0152.

On January 20, 2012 the Board issued its Decision and Order (the “Decision”) in the matter of the 2012 IRM Application. The Decision included the approval of certain deferral and variance account balances for disposition and ordered Algoma to file a draft Rate Order reflecting the Board’s findings. Algoma filed the draft Rate Order on January 27, 2012.

On February 2, 2012 Algoma filed a Motion to Review and Vary (the “Motion”) the Board’s Decision in order to reflect corrections to certain deferral and variance account balances upon which the Decision was based. The Motion also requested a stay of the proceeding until the account balances were confirmed. Algoma indicated, pursuant to section 44.01(a)(i) of the Board’s *Rules of Practice and Procedure*, that the ground for the Motion was an error in fact. Algoma explained that the error pertained to the balances for the year ended December 31, 2010 for account 1588 RSVA Power excluding the Sub-account Global Adjustment (“1588 Power”) and account 1588 RSVA Power Sub-account Global Adjustment (“1588 Global Adjustment”).

On February 3, 2012 the Board issued a Notice of Motion and Procedural Order No. 1 (the “Notice”) which stayed the implementation of the Decision, including the issuance of the Rate Order, pending the Board’s review of the Motion. The Notice directed Algoma to file by February 15, 2012 the revised balances for the year ended December 31, 2010 for the 1588 Power account and the 1588 Global Adjustment sub-account, along with any other supporting motion material and a revised draft Rate Order reflecting the relief sought by the Motion. Intervenor and Board staff had until February 22, 2012 to file their submissions on the matter.

On February 15, 2012 Algoma filed the balances, supporting material and a revised draft Rate Order.

Board staff filed a submission on February 22, 2012 and Algoma filed its reply on February 27, 2012. No other parties filed submissions.

### **Relief Sought**

#### **Correction of Group1 RSVA (2010) balances**

Algoma requested that the Board vary the Decision to reflect the proposed corrections to the 1588 Power account and the 1588 Global Adjustment sub-account balances as at December 31, 2010, with carrying costs to December 31, 2011. The 1588 Power account corrected balance is a credit in the amount of \$1,067,027 and the 1588 Global Adjustment sub-account corrected balance is a debit in the amount of \$353,951. The originally approved balances and the corrections and resulting Group 1 RSVA revised totals are presented in the table below.

## CORRECTED GROUP 1 RSVA - BALANCES

For the Year Ended December 31, 2010	*Total Reflected in the Decision	Correction	* Corrected Total
<b>RSVA excluding 1588 Global Adjustment sub-account</b>			
1580 Wholesale Market Service Charge	\$ (209,895)	\$ -	\$ (209,895)
1584 Retail Transmission NetWork Charge	\$ (27,921)	\$ -	\$ (27,921)
1586 Retail Transmission Connection Charge	\$ (113,415)	\$ -	\$ (113,415)
1588 Power excluding Global Adjustment	\$ 93,176	\$ (1,160,203)	\$ (1,067,027)
Total RSVA excluding 1588 Global Adjustment sub-account	\$ (258,055)	\$ (1,160,203)	\$ (1,418,258)
<b>RSVA - only Global Adjustment sub-account</b>			
1588 Power - Global Adjustment sub-account	\$ (816,657)	\$ 1,170,608	\$ 353,951
Total RSVA - only 1588 Global Adjustment sub-account	\$ (816,657)	\$ 1,170,608	\$ 353,951
<b>Total Group 1 RSVA</b>	\$ (1,074,712)	\$ 10,405	\$ (1,064,307)

\* Note: includes carrying costs to December 31, 2011

Algoma noted that it determined the original balances referenced in the Decision by relying on the findings of an audit conducted by the Board's Regulatory Audit and Accounting department ("Regulatory Audit") prior to the close of the record in the 2012 IRM Application. Algoma indicated that it subsequently became aware of an error while it was processing the various adjustments to IESO Form 1598, which Regulatory Audit had relied upon to perform its audit, including the preparation of the required journal entries to comply with Regulatory Audit's findings.

### Submissions

Board staff submitted that the corrected amounts for the two accounts should replace the original amounts on the record and that the Decision should be varied in light of these corrections. Board staff based its submission on Regulatory Audit's completed review of the updated 1588 Power account and 1588 Global Adjustment sub-account balances resulting from the Motion. Regulatory Audit had filed a letter on the record of this proceeding noting that its review found no issues from Regulatory Audit's perspective that would materially impact the updated 2010 balances for the two accounts. Algoma replied that it concurred with Board staff's submission.

### **Board Findings**

The Board has considered the explanation provided by Algoma and Regulatory Audit's review findings. In light of the nature of the error and the significant difference in the quanta of the corrected amounts, the Board finds that the Motion has merit and grants the relief sought. The Board hereby varies the Decision as follows.

The Group 1 Deferral and Variance Accounts (exclusive of the Global Adjustment sub-account) balance to be disposed is a credit of \$1,393,611 as of December 31, 2010. The balance is to be declared final as at December 31, 2010, with carrying costs to December 31, 2011 for a total credit of \$1,418,258.

The 1588 Global Adjustment sub-account balance to be disposed in a future proceeding is a debit of \$353,951 as of December 31, 2010. The Board reminds Algoma that the Decision remains unchanged with regard to the requirement that Algoma file an application for the disposition of the 1588 Global Adjustment sub-account by June 1, 2012 with the attendant proviso as found in the Decision.

### **Other Variances to the Decision**

Algoma proposed further variances to the Decision. Algoma submitted that these were warranted if the Board varied the Decision as requested regarding the 1588 Power account and the 1588 Global Adjustment sub-account balances due to the passage of time.

### **Term of the Revised Rate Riders for Recovery of Group 1 Accounts (excluding Global Adjustment sub-Account)**

In light of the updated balance of the Group 1 Deferral and Variance Accounts (exclusive of the Global Adjustment sub-account), Algoma requested that the Board vary the term of the rate rider from 12 months<sup>1</sup> to 15 months, from March 1, 2012 to May 31, 2013. Algoma noted that the sunset date of a rate rider with a 15 month term will coincide with that of the existing rate rider for the Group 1 RSVA account disposition regarding 2009 balances approved in the EB-2009-0278 and EB-2010-0400 proceedings.<sup>2</sup> Algoma submitted that this approach would minimize rate volatility and reduce the frequency of rate changes. Algoma provided the rate riders associated with a 15 month term.

---

<sup>1</sup> In the Decision the Board had determined that the total credit of \$258,055 should be disposed over 1 year since there was no compelling reason to deviate from the default disposition term of one year. In that the rate rider was to be implemented on February 1, the actual term of the rate rider was 11 months.

<sup>2</sup> The Board's decision in EB-2009-0278 rates proceeding established rates effective December 1, 2010. Board File No. EB-2010-0400 refers to a Motion to Review and Vary the EB-2009-0278 Rate Order to correct an error regarding a rate rider.

## Submissions

Board staff submitted that the six-fold increase in the updated 2010 balance and the significant impact this would have on the total bill during the term of its disposition warrant a re-consideration of the term originally determined by the Board in its Decision. Board staff concurred that the 15 month term suggested by Algoma provides an acceptable degree of rate stability and predictability. In support, Board staff prepared a table presenting the bill impact of the two sets of rate riders with coincident sunset dates as well as Board staff's calculation of the revised rate rider but maintaining a sunset date of December 31, 2012.

### Rate Rider & Term

Rate Rider	Existing Rate Rider	Motion	Term in Original Decision	Draft Rate Order (original)
	(2009 balances) Dec. 2010-May 2013	(2010 corrected balances & new term) Mar. 2012-May 2013	(2010 corrected balances) Mar.2012-Dec. 2012	(2010 balances) Feb. 2012-Dec. 2012
RESIDENTIAL-R1	\$ 0.0046	\$ (0.0061)	\$ (0.0091)	\$ (0.0015)
RESIDENTIAL-R2	\$ 2.2664	\$ (2.8219)	\$ (4.2329)	\$ (0.7002)
SEASONAL	\$ 0.0046	\$ (0.0061)	\$ (0.0091)	\$ (0.0015)
STREET LIGHTING	\$ 0.0048	\$ (0.0061)	\$ (0.0091)	\$ (0.0015)
<b>Bill Impact</b>				
RESIDENTIAL-R1	\$ 3.68	\$ (4.86)	\$ (7.29)	\$ (1.20)
RESIDENTIAL-R2	\$ 509.94	\$ (634.94)	\$ (952.40)	\$ (157.55)
SEASONAL	\$ 1.32	\$ (1.74)	\$ (2.61)	\$ (0.43)
STREET LIGHTING	\$ 12.00	\$ (15.18)	\$ (22.77)	\$ (3.75)

TOTAL Bill (existing rates)	RESIDENTIAL-R1	RESIDENTIAL-R2	SEASONAL	STREET LIGHTING
	\$ 128.05	\$ 12,573.51	\$ 94.78	\$ 7,984.43

Board staff noted that extending the term of the disposition of the updated 2010 balances to May 31, 2013 reduces bill volatility, at the time the rate riders for the updated 2010 balances are implemented and when the riders for the 2009 and 2010 balances terminate. Board staff calculated that for a typical residential customer consuming 800 kWh/month, a rate rider with a term of March 1, 2012 to December 31, 2012, would reduce the total bill by 5.6% upon implementation and will automatically result in an equivalent increase upon termination on January 1, 2013, when it is expected that any new rates for 2013 would also be implemented. With the 15 month term proposed by Algoma the stand-alone impact on rates upon implementation is to decrease the credit from 5.6% to 3.7% and has a 0% impact on January 1, 2013. On

June 1, 2013, when the two rate riders - one a credit and one a debit that largely offset each other - terminate the total bill would increase by 1%. Algoma replied that it concurred with Board staff's submission.

## Board Findings

In view of the substantial increase in the credit amount to be refunded to customers (a credit of \$1.4 million versus a credit of \$250,000 previously), the Board finds it appropriate to vary the Decision to reflect a 15 month disposition period for the subject rate riders, from March 1, 2012 to May 31, 2013, coincident with the expiry of existing rate riders.

### Implementation Date and Foregone Revenue

As a result of the Motion there will be a delay in the issuance of the final Rate Order. The new rates will not be implemented until March 1, 2012 at the earliest. The Decision determined that the new rates would be effective January 1, 2012 and anticipated a February 1, 2012 implementation with the recovery of one month of foregone revenue.

Algoma requested that the Board approve the recovery of foregone revenue (related to the new variable base distribution rate and base monthly service charge) for the month of January as well as for February by way of rate riders with a term of March 1, 2012 to December 1, 2012. Algoma calculated the amount of foregone revenue to be \$14,585 for each of January and February. The proposed rate riders appear in the table below.

<b>Foregone Revenue Rate Rider</b>			
	<b>Units</b>	<b>Motion (Mar. 2012- Dec.2012)</b>	<b>Original (Feb. 2002- Dec.31 2002)</b>
<b>RESIDENTIAL-R1</b>	kWh	\$ 0.0003	0.0001
<b>RESIDENTIAL-R2</b>	kW	\$ 0.0272	0.0123
<b>SEASONAL</b>	kWh	\$ 0.0002	0.0001
<b>STREET LIGHTING</b>	kWh	\$ 0.0001	0.0001

### Submissions

Board staff noted that while the Board ordinarily assesses the appropriateness and fairness of any foregone revenue proposed for recovery, Algoma did not provide

reasons to support its request. Board staff indicated that Algoma discovered significant errors in its reported balances and brought this matter to the attention of the Board, including Regulatory Audit. Board staff was of the view that while Algoma should be accountable for the data it provides, the Board should not disallow the additional month of foregone revenue since this matter arose from a recently completed audit by Regulatory Audit. Board staff also noted that the corrected balances result in higher refunds to the majority of Algoma's customers. Algoma replied that it concurred with Board staff's submission and added that Algoma worked cooperatively with Regulatory Audit and notified Regulatory Audit promptly when the error was discovered. Algoma submitted that a rate rider to collect 2 months of foregone revenue does not prejudice its customers and ought to be permitted by the Board.

### **Board Findings**

The Board finds that the recovery of two months of foregone revenue is appropriate and varies the Decision so that Algoma will recover foregone revenue (related to the new variable base distribution rate and base monthly service charge) for the months of January and February by means of rate riders with a 10 month term, from March 1, 2012 to December 1, 2012.

### **Implementation**

The Board will issue a final Rate Order reflecting these findings following the issuance of this Decision.

**DATED** at Toronto, March 5, 2012

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary