

Breakdown of Electricity Bill Charges for Algoma Power Inc. (API)

As a regulated distributor, API's rates are approved by the Ontario Energy Board.

Electricity

This reflects the cost of the electricity consumed during the billing period. As you are now on Time-Of-Use (TOU) pricing, this cost is broken into 3 categories – Off-Peak, Mid-Peak, and On-Peak. Each category relates to a timeframe and has an associated rate, both set by the Ontario Energy Board (OEB), for all consumers on TOU pricing in Ontario. Consumption occurring in each category is broken out and charged at the applicable rate. Collected electricity charges are remitted to the appropriate authority.

* Please note: measured consumption for the billing period is multiplied by the approved Adjustment Factor, which addresses energy lost through the process of delivering electricity through the wires and transformers to the consumer.

* This portion of the electricity is included in the Delivery charge and not in the electricity charge.

Delivery Charges

The delivery charge is the portion of the bill that reflects the costs associated with the Distribution (API) and the transmission systems that are required to get electricity from the generator to your premise. Algoma Power's Delivery cost is higher than many Local Distribution Companies in Ontario due to the fact that we distribute in a 14,200 square kilometer area to a customer base of 12,500. The "rural" nature of our distribution system and the low density of our customer base create a higher cost. **This amount includes several (7) different components as outlined below:**

- A) The first section of the "Delivery" charge is attributed to Distribution Costs – amounts incurred by API to operate and maintain a safe and efficient distribution system. The Distribution components are:
- 1) Service Charge – covers administrative costs (such as billing, customer service, and maintenance of accounts). This is a fixed charge that does not change regardless of the amount of electricity consumption. It is pro-rated to the number of days in each billing period.
 - 2) Smart Meter Entity Charge/Smart Meter Rider(s) – to recover costs API has incurred for OEB Smart Meter requirements. This (these) is a fixed charge that does not change regardless of the amount of electricity consumption. This (these) charge(s) are pro-rated to the number of days in each billing period.
 - 3) Distribution Volumetric Charge – (based on consumption) reflects costs associated with delivering electricity from API to a home or business; including designing, building and maintaining wires, transformers, poles and stations, and operating API's system. This charge is calculated by multiplying electricity consumption by the rate per kilowatt-hour (kWh).
 - 4) Rate Rider(s): Rider(s) are included for Deferral/Variance account disposition(s) and cover various period(s) and rate order(s). These charge(s) are calculated by multiplying electricity consumption by the rate(s).
 - 5) Adjustment Factor – reflects the energy lost through the process of delivering electricity through the transmission and distribution wires and transformers to the consumer. Prior to June 1, 2013, this charge was included in the Electricity charge on each bill. Legislation has mandated these losses now be reflected in the Delivery Charge component of the bill. All consumption for the billing period is multiplied by the Adjustment Factor, and the result is billed at applicable rates.

**** Please note: Distribution Costs are the only charges retained by API – all other collected revenue is remitted to appropriate authorities. ****

- B) The next section of the "Delivery" charge is attributed to Transmission Costs – amounts associated with the delivery of electricity from generating stations to API through the provincial high voltage transmission system. The Transmission components are:

- 6) Network Service Charge * – covering costs for the delivery of electricity from generating stations to API’s distribution system. This charge is calculated by multiplying the consumer’s electricity consumption by the rate per kilowatt-hour (kWh). Charges collected by API for these components are remitted to the appropriate authority.
- 7) Line and Transformation Connection Service Charge * – reflecting costs for API’s connection to the transmission system, as well as the cost of transforming electricity from transmission’s high voltages to usable levels for delivery to consumers along API’s distribution system. This charge is calculated by multiplying the consumer’s electricity consumption by the rate per kilowatt-hour (kWh). Charges collected by API for these components are remitted to the appropriate authority.

* Please note: measured consumption for the billing period is multiplied by the Adjustment Factor, which addresses energy lost through the process of delivering electricity through the wires and transformers to the consumer. *

Regulatory Charges

This amount includes two different components, as detailed below:

- 1) Wholesale Market Service Charge * – covering costs associated with administering the wholesale electricity system and operating and maintaining the reliability of the provincial power grid. These services are provided by the Independent Electricity System Operator (IESO); operating Ontario’s competitive electricity market where electricity is bought and sold. It also covers costs for infrastructure conservation and renewable energy programs, overseen by the Ministry of Energy and Infrastructure.

This charge is calculated by multiplying the consumer’s electricity consumption by the rate per kilowatt-hour (kWh) as approved by the OEB. It also includes a 0.13 cent per kWh charge for Rural and Remote Rate Protection, which all Ontario customers pay to offset the higher cost of distributing electricity to consumers in rural and remote areas of Ontario. Charges collected by API for these components are remitted to the appropriate authority.

- 2) Administrative Charge – covering the administrative costs incurred by API in providing electricity to Standard Supply Customers (customers purchasing power from API directly as opposed to those purchasing from an electricity retailer). Charges collected by API for these components are remitted to the appropriate authority.

* Please note: measured consumption for the billing period is multiplied by the approved Adjustment Factor, which addresses energy lost through the process of delivering electricity through the wires and transformers to the consumer.

Debt Retirement Charge

This amount is a charge set up by the Ministry of Finance. It covers the costs to pay down the residual debt of the former Ontario Hydro (approximately \$20 billion). Charges collected here are remitted to the appropriate authority. As of January 1, 2016, residential customers are exempt from this charge.

The charge is 0.007 cents per kWh for most customers in Ontario; however it has been reduced to 0.002 cents per kWh for API customers, due to the relationship with API’s predecessor (Great Lakes Power), recognizing that they supplied most of the power consumed by its customers from its own generating capacity.