



Manager's Summary

2009 Electricity Distribution Rate Application 2nd Generation Incentive Regulation Mechanism

File No. EB-2008-0228

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B of the Energy Competition Act, 1998:

AND IN THE MATTER OF an Application by Fort Frances Power Corporation for an order or orders approving of fixing just and reasonable rates.

1. Introduction

- 1.1 Fort Frances Power Corporation (the "Company") operates as an electricity distribution business in Ontario under Distribution Licence ED-2003-0028.
- 1.2 The Company submits this 2009 Electricity Distribution Rate Application ("Application") documentation for distribution rates pursuant and in accordance to the Ontario Energy Board ("Board") Filing Requirements for 2009 Electricity Distribution Rates for LDCs under 2nd Generation Incentive Regulation Mechanism.
- 1.3 The submission presents rate proposals pursuant to the October 3, 2008 " Filing Requirements for Incentive Regulation Distribution Rate Adjustments" and the December 20, 2006 "Report of the Board on the Cost of Capital (EB-2006-0088) and 2nd Generation Incentive Regulation Mechanism (EB-2006-0089) for Ontario's Electricity Distributors" and subsequent relevant Board Decisions.
- 1.4 The Company recognizes the possibility of negative customer reaction as a result of the new rate adjustments identified through the Application. For purposes of this Application, the Company has determined that no "significant bill impacts" have resulted, based on the Application, as submitted.

2. 2009 Electricity Distribution Rates

A summary for each major component of the Rate Application follows:

2.1 2008 Board Approved Tariff of Rates and Charges

As per the 2008 IRM Adjustment Model, the Company's 2009 Application is based on the Board Approved Tariff of Rates and Charges, Effective May 1, 2008 under Appendix "A" of the Board Decision and Order pertaining to Fort Frances Power Corporation File No. EB-2007-0885 dated March 14, 2008.

All Board-Approved 2008 service classifications, rate classifications, descriptions, rates and charges have been included in the 2009 application.

2.2 Smart Meter Information

The Company did not file a Smart Meter Investment Plan as part of the 2006 EDR Application. As a result, a Board-Approved smart meter plan rate adder, which equated to an equivalent amount of \$0.30 per month per residential customer was included in the Monthly Service Charge for metered customers in the Board-Approved 2006 Tariff of Rates and Charges, in accordance with the Decision With Reason RP-2005-0020 / EB-2005-0529.

Within the 2009 IRM Adjustment Model, the Company submits an application for the standard \$1.00 smart meter funding adder supported by the following criteria:

The Company is a member of the Northwest Group of Utilities (NWG), which is part of the London Hydro Consortium.

The NWG group has entered into negotiations with Elster, their number one vendor selected through the London Hydro RFP process.

The NWG group is in the process of finalizing negotiations and expect to have a signed contract in January 2009.

The NWG group is scheduled to deploy smart meters between March 2009 and November 2009. The Company plans to install 3,800 meters.

The estimated cost per installed meter is \$190.00, whose cost determinant was adjusted to account for The Company's lower density service area, inferior group buying potential and the reduced purchasing power based on the fluctuating Canadian currency.

The Company, as a member of NWG, does not expect to purchase an Advanced Metering Infrastructure (AMI) whose functionality exceeds the minimum functionality adopted in O. Reg. 425/06, or to incur any excessive costs associated with this infrastructure.

The Company has not incurred, or expects to incur, any cost associated with functions for which the SME has the exclusive authority to carry out pursuant to O. Reg. 393/07.

2.3 K-Factor Derivation

The Company's completion of the K-Factor Derivation will begin the transition, for rate making purposes only, to a common deemed capital structure of 60% debt and 40 % equity.

2.4 Price Cap Adjustment

The Company has followed the Board determined GDP-IPI for final domestic demand as the price escalator for the 2nd Generation IRM and used, as a proxy per the 2009 IRM Adjustment Model, the current value of 2.1% in the 2009 IRM Application. When the final 2008 data is published by Statistics Canada, the Board will adjust the inflation index in the 2009 IRM Adjustment Model.

As per the 2009 IRM Adjustment Model, the Company has applied the Board determined X-Factor value of 1.00% to reduce the upward adjustment resulting from the GDP-IPI value.

The net result for the Company is a Price Cap Adjustment to the "Basic" Distribution Rates of 2.1% in the submitted 2009 EDR Application. The price cap was not applied to rate riders or Specific Service Charges.

3. Electricity Distribution Retail Transmission Service Rates

Adjustment for Retail Network Transmission Rate:

An analysis based on a three year trend variance and the increase of 11.3% in Network Transmission charges effective January 1, 2009 projected against the delayed revenue realized May 1, 2009, determined that a uniform 5% increase would reduce growth in the associated deferral account balance.

Adjustment for Retail Line and Connection Service Rate:

Existing Retail Line and Connection Service revenues for 2008 are projected to be 35% greater than the associated Wholesale Line and Connection charges. The Company will elect in the 2009 IRM Rate Application to forego any uniform percentage increase to Retail Line and Connection Service Rates. This proposal will reduce deferral account growth and minimize customer rate impact.

Signed this 6th day of November, 2008 at Fort Frances, on behalf of the Board of Directors of the Fort Frances Power Corporation by:

Joerg Ruppenstein. E. Eng.
President and CEO