



February 22, 2010

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Fort Frances Power Corporation  
2010 IRM2 Distribution Rate Application  
Board Staff Interrogatories  
Board File No. EB-2009-0264

In accordance with the Notice of Application and Written Hearing, please find attached our response to Board Staff Interrogatories in the above proceeding.

Please contact our office should you require any further information.

Regards,

A handwritten signature in blue ink, which appears to read 'Joerg Ruppenstein', is written over a horizontal line.

Joerg Ruppenstein  
President and CEO

Encls.

**1. Ref: Manager's Summary and EDDVAR Report**

On July 31, 2009 the Board issued its Report on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR). The report requires electricity distributors to determine the outstanding consolidated value of Group One accounts as at December 31, 2008 and determine whether or not the Board defined threshold value of +/- \$0.001/kWh had been exceeded. Fort Frances Power chose to request exemption from filing.

- a) Did Fort Frances Power complete an informal calculation of outstanding balances as at December 31, 2008 to determine position on threshold? If so please advise calculated value.

**Response**

**Fort Frances Power did perform an informal calculation of outstanding balances as of December 31, 2008, as below, with a calculated value of (.001585) resulting.**

Rate Class	Billed kWh B
Residential	39,844,007
General Service Less Than 50 kW	16,239,393
General Service 50 to 4,999 kW	26,674,004
Unmetered Scattered Load	24,682
Street Lighting	1,220,012
	<u>84,002,098</u>
 Total Claim	 (133,163 )
 Total Claim per kWh	 - 0.001585

- b) The Board is currently reviewing the impact of significant growth in the balance of Account 1588 – Global Adjustment during the period January 1 to September 30, 2009. Currently no concrete direction has been determined for future disposition. The Board has added the request to disclose 1588 – Global Adjustment values in the model for information purposes only. If Fort Frances Power would like to consider completing the 2010 IRM Deferral Variance Account Workform, please complete and file the amended Deferral Variance Account Workform V4 as found on the Board's website under the 2010 Electricity Distribution Rates update December 7, 2009.

**Response**

Fort Frances Power did not complete the Deferral Variance Account Workform as many large initiatives (Year End, Smart Meters, etc) have limited available human resources. Fort Frances Power Corporation did complete a formal Audit Review of Account 1588 RSVA Power and Sub-Account Global Adjustment by the OEB in August 2009 and has adhered to all findings within the audit. Further to that, Fort Frances Power has not experienced significant growth in the balance of Account 1588 – Global Adjustment during the period of January 1 to September 30, 2009.

- c) If Fort Frances Power has completed a previous version of the 2010 IRM Deferral Variance Account Workform, please update to Deferral Variance Account Workform V4 as found on the Board's website under the 2010 Electricity Distribution Rates update December 7, 2009. Note that Board staff can assist in converting any recent models and making model amendments. Please contact your case manager to assist you.

**Response**

**As stated above – 2010 IRM Deferral Variance Account Workform was not completed.**

- d) If Fort Frances Power has completed the workform please reconcile final balance for disposition to the 2008 year end account balance reported in the RRR filing. Please identify the source and reasons for variances.

**Response**

**As stated above – 2010 IRM Deferral Variance Account Workform was not completed. Fort Frances Power Corporation, as part of the Audit Review of Account 1588, did reconcile and re-file all RRR to date.**

- e) If Fort Frances Power has completed the workform please confirm that Fort Frances Power has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Fort Frances Power has used other practices in the calculation please explain where in the filing and why.

**Response**

**As stated above – 2010 IRM Deferral Variance Account Workform was not completed.**

- f) If Fort Frances Power has completed the workform please confirm that Fort Frances Power has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Fort Frances Power has used other calculations please explain where in the filing and why.

**Response**

**Fort Frances Power has adhered to all Board prescribed interest rates and calculation methods as directed in the Formal Audit Review of Account 1588 completed in August 2009.**

g) If Fort Frances Power has completed the workform please confirm that Fort Frances Power has complied with the requirement to apply recoveries to principal first as outlined in the 2006 Regulatory Assets Transactions document issued September 4, 2009 (included in the Updated IRM Deferral and Variance Account Work Form zip file). If Fort Frances Power has not complied with this requirement please explain why not?

**Response**

**Fort Frances Power has always applied all RSVA recoveries to principal first as directed.**

h) If Fort Frances Power has completed the workform please confirm whether the threshold balance of +/- \$0.001 per kWh is or is not exceeded.

**Response**

**Fort Frances Power exceeds threshold balance slightly at -.001585 but does not wish to dispose of this balance at this time, unless directed by the OEB, pending rebasing scheduled in 2011.**

i) If Fort Frances Power has any concerns with respect to the disposition of deferral variance account balances, please explain in detail why the Board should not consider disposal at this time?

**Response**

**Fort Frances Power is in the process of a Cost of Service Application for May 1, 2011. In an effort to minimize customer rate impact, Fort Frances Power plans to offset our Smart Meter Capital costs against deferred account balances through this application. Fort Frances Power believes that reducing rates in 2010, and then increasing rates in 2011, negates rate stability. Our current Smart Meter Capital costs exceed \$700,000 and 2008 Final RSVA total (\$419,650.). Fort Frances Power is concerned that disposition of deferral variance account balances in 2010 would undermine rate stability and customer confidence.**

**2. Ref: 2010 IRM Deferral Variance Account 1588 - Power**

On October 15, 2009 the Board issued "Regulatory Audit and Accounting Bulletin 200901" which clarified the accounting rules for reporting the 1588 – Global Adjustment sub-account.

- a) Has Fort Frances Power reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin?

**Response**

**Fort Frances Power has reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009. Fort Frances Power did complete the OEB formal Audit Review of Account 1588 RSVA Power And Sub-Account Global Adjustment in August 2009 and has adhered to all findings within the audit. Fort Frances Power has complied in accordance with this Bulletin and will continue these practices in 2010.**

### 3. Ref: 2010 IRM Deferral Variance Account 1588 – Global Adjustment

On November 13, 2009 Board Staff prepared a submission in the Enersource EB-2009-0193 2010 IRM3 Application. The following is an excerpt from the submission in respect to Board staff concerns with the current proposal for handling the disposition of the USoA 1588 – Global Adjustment.

*The EDDVAR Report as well as the Board's Decision in EB-2009-0113 adopted an allocation of the GA sub-account balance based on kWh for non RPP customers by rate class. Traditionally this allocation would then be combined with all other allocated variance account balances by rate class. The combined balance by rate class would then be divided by the volumetric billing determinants (kWh or kW) from the most recent audited year end or Board approved forecast, if available. This process hence spreads the recovery or refund of allocated account balances to all customers in the affected rate class.*

*This method was factored on two premises; a) that the recovery/refund of a variance unique to a subset of customers within a rate class would not be unfair to the rate class as a whole and b) that the distributors' billing systems would not be able to bill a subset of customers within a rate class, without placing a significant burden to the distributor.*

*For these reason the Board's original Deferral Variance Account workform was modeled on this basis. However based on Enersource's evidence, there could be material unfairness to RPP customers within the affected rate classes.*

*Therefore Board staff suggests that a separate rate rider be established to clear the GA sub-account balance to Non-RPP customers within rate classes.*

*What remains unclear to Board staff is whether Enersource's billing system could accommodate that change within a reasonable timeframe."*

Board staff would like to poll Fort Frances Power on the above issue.

- a) Board staff is proposing that a separate disposition rate rider be applied prospectively to Non-RPP customers for 1588 – Global Adjustment. Does Fort Frances Power agree that this proposal would be fair to all customers? Why or why not?

#### **Response**

**Fort Frances Power agrees that the proposal for a separate disposition rate rider is fair to all customers based on the core belief that the recovery/refund of a variance unique to a subset of customers within a rate class should only apply to those within that said rate class. RPP customers should not be responsible for rate riders derived by variances outside their specific commodity charge structure.**



- b) If the Board were to order Fort Frances Power to provide such a rate rider, would Fort Frances Power's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would Fort Frances Power see with this rate rider?

**Response**

**Fort Frances Power would be able to provide such a rate rider and does not anticipate any complications with this type of separate rate rider.**

- c) If Fort Frances Power were to be unable to bill in this fashion what would it consider proposing in the alternative?

**Response**

**Not applicable.**

- d) If Fort Frances Power were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Fort Frances Power believe that the rider be applied to customers in the MUSH sector? If not, would Fort Frances Power have the billing capability to exclude customers in the MUSH sector if a separate rate rider were to apply for the disposition of the 1588 – Global adjustment sub-account?

**Response**

**Fort Frances Power believes that MUSH customers should be excluded from a separate rate rider for the balance of Global Adjustment sub-account and Fort Frances Power has the billing capabilities to exclude customers in the MUSH sector.**

**4. Ref: Rate Generator Sheet "C4.1 Curr Rates & Chgs General"**

Sheet "C4.1 Curr Rates & Chgs General" of the Rate Generator does not match the General Service Less Than 50 kW rates as found on Fort Frances Power current Tariff sheet.

- a) Please confirm that the rates as shown above from the filed 2010 IRM2 Rate Generator match Fort Frances Power current tariff sheet? If the rates do not match, please advise correct rates and request Board staff to adjust the filed Rate Generator.

**Response**

**Fort Frances Power apologizes for this oversight and requests that Sheet C4.1 be corrected to the rates below.**

Rate Class

**General Service Less Than 50 kW Rate**

Rate Description	Metric	Rate
Service Charge	\$	29.27
Distribution Volumetric Charge	\$/kWh	0.0064
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0041
Retail Transmission Rate - Line and Transmission Connection Service Rate	\$/kWh	0.0014
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**5. Ref: Rate Generator Sheet "C4.1 Curr Rates & Chgs General"**

Sheet "C4.1 Curr Rates & Chgs General" of the Rate Generator does not match the Unmetered Scattered Load rates as found on Fort Frances Power current Tariff sheet.

- b) Please confirm that the rates as shown above from the filed 2010 IRM2 Rate Generator match Fort Frances Power current tariff sheet? If the rates do not match, please advise correct rates and request Board staff to adjust the filed Rate Generator.

**Response**

Fort Frances Power apologizes for this oversight and requests that Sheet C4.1 be corrected to the rates below.

Rate Class

**Unmetered Scattered Load**

Rate Description	Metric	Rate
Service Charge	\$	28.27
Distribution Volumetric Charge	\$/kWh	0.0064
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0041
Retail Transmission Rate - Line and Transmission Connection Service Rate	\$/kWh	0.0014
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**6. Retail Transmission Service Rates (RTSR)**

Per Fort Frances Power Manager's Summary, the applicant has requested to not adjust the RTSR's in this application.

- a. Please provide a historical/pro forma month to month analysis showing the differences (monthly and cumulative) of revenue less expense related to the two RTSR transactions.

**Response**

Please find below a historical summary of the residual RSVA balances of the two RTSR accounts. The chart below details the Retail Settlement Variance Asset (Liabilities) year end balances for 2005-2008.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
NETWORK E-A50-1584-0000	(\$70,731.15)	(\$70,386.93)	(\$55,891.28)	(\$89,428.57)
Carrying E-A50-1584-1650	(\$3,838.82)	(\$7,511.85)	(\$11,994.64)	(\$14,736.39)
CONNECTION E-A50-1586-0000	(\$889,614.14)	(\$829,650.60)	(\$582,912.47)	(\$528,965.31)
Carrying E-A50-1586-1650	(\$58,712.87)	(\$99,244.66)	(\$127,541.88)	(\$149,070.18)



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Please find below the 2009 month to month analysis of the RTSR-Network.

<b>Network</b>	<b>Revenue</b>	<b>Accrued</b>	<b>Expense</b>	<b>RSVA Balance</b>	<b>RSVA Interest</b>
<b>E-A50-1584-0000</b>	<b>E-402-XXXX-4066</b>	<b>Adjustment</b>	<b>E-495-4714-0000</b>	<b>E-A50-1584-0000</b>	<b>Interest Calc E-A50-1584-1650</b>
<b>Opening Balance</b>				<b>(\$89,428.57)</b>	<b>(\$14,736.39)</b>
Jan-09		(\$38,991.87)	\$46,660.92	<b>(81,759.52)</b>	<b>(166.93)</b> (\$14,903.31)
Feb-09	<b>(\$27,347.51)</b>	(\$10,759.29)	\$39,870.98	<b>(79,995.34)</b>	<b>(163.32)</b> (\$15,066.64)
Mar-09	<b>(\$43,206.54)</b>	\$8,563.99	\$36,023.69	<b>(78,614.20)</b>	<b>(160.50)</b> (\$15,227.14)
Apr-09	<b>(\$29,050.10)</b>	\$2,000.00	\$27,020.98	<b>(78,643.32)</b>	<b>(65.54)</b> (\$15,292.68)
May-09	<b>(\$24,269.19)</b>		\$23,847.03	<b>(79,065.48)</b>	<b>(65.89)</b> (\$15,358.57)
Jun-09	<b>(\$34,818.45)</b>	\$5,000.00	\$29,896.81	<b>(78,987.12)</b>	<b>(65.82)</b> (\$15,424.39)
Jul-09	<b>(\$20,177.75)</b>	(\$607.78)	\$24,001.18	<b>(75,771.47)</b>	<b>(34.73)</b> (\$15,459.12)
Aug-09	<b>(\$28,554.88)</b>		\$28,946.12	<b>(75,380.23)</b>	<b>(34.55)</b> (\$15,493.67)
Sep-09	<b>(\$21,939.51)</b>	(\$7,000.00)	\$28,597.66	<b>(75,722.08)</b>	<b>(34.71)</b> (\$15,528.37)
Oct-09	<b>(\$25,550.32)</b>	\$0.00	\$28,275.80	<b>(72,996.60)</b>	<b>(33.46)</b> (\$15,561.83)
Nov-09	<b>(\$29,996.47)</b>	\$0.00	\$34,673.10	<b>(68,319.97)</b>	<b>(31.31)</b> (\$15,593.14)
Dec-09	<b>(\$27,896.34)</b>	\$0.00	\$44,041.62	<b>(52,379.74)</b>	<b>(24.01)</b> (\$15,617.15)
<b>2009 Unbi</b>	<b>(\$42,000.00)</b>	\$41,794.95			<b>0.00</b> (\$15,617.15)
<b>Closing Balance Dec 31, 2009</b>					
	<b>(\$354,807.06)</b>	<b>\$0.00</b>	<b>\$391,855.89</b>	<b>\$0.00</b>	<b>(\$880.76) (\$15,617.15)</b>

The chart above details 2009 Network Revenue versus Expense, Carrying Charges and the cumulative balance. (2009 Unbilled Revenue Estimated)

Please find below the 2009 month to month analysis of the RTSR-Connection.

<b>Connection</b>	<b>Revenue</b>	<b>Accrued Revenue</b>	<b>Expense</b>	<b>RSVA Balance</b>	<b>RSVA Interest</b>
<b>E-A50-1586-0000</b>	<b>E-402-XXXX-4068</b>	<b>Adjustment</b>	<b>E-495-4716-0000</b>	<b>E-A50-1586-0000</b>	<b>Interest Calc E-A50-1586-1650</b>
<b>Opening Balance</b>				<b>(\$528,965.31)</b>	<b>(\$149,070.19)</b>
Jan-09		(\$13,208.05)	\$12,902.40	<b>(529,270.96)</b>	<b>(1,080.59)</b> (\$150,150.79)
Feb-09	<b>(\$10,062.60)</b>		\$11,302.90	<b>(528,030.66)</b>	<b>(1,078.06)</b> (\$151,228.85)
Mar-09	<b>(\$15,858.18)</b>	\$4,000.00	\$11,050.90	<b>(528,837.94)</b>	<b>(1,079.71)</b> (\$152,308.56)
Apr-09	<b>(\$10,673.08)</b>	\$280.32	\$8,170.40	<b>(531,060.30)</b>	<b>(442.55)</b> (\$152,751.11)
May-09	<b>(\$8,911.36)</b>	\$1,000.00	\$7,641.20	<b>(531,330.46)</b>	<b>(442.78)</b> (\$153,193.88)
Jun-09	<b>(\$12,336.54)</b>	\$3,329.48	\$8,500.10	<b>(531,837.42)</b>	<b>(443.20)</b> (\$153,637.08)
Jul-09	<b>(\$7,060.42)</b>	\$0.00	\$7,256.90	<b>(531,640.94)</b>	<b>(243.67)</b> (\$153,880.75)
Aug-09	<b>(\$9,981.48)</b>	\$974.42	\$8,961.40	<b>(531,686.60)</b>	<b>(243.69)</b> (\$154,124.44)
Sep-09	<b>(\$7,666.66)</b>	(\$647.55)	\$8,201.20	<b>(531,799.61)</b>	<b>(243.74)</b> (\$154,368.18)
Oct-09	<b>(\$8,942.01)</b>		\$8,148.00	<b>(532,593.62)</b>	<b>(244.11)</b> (\$154,612.29)
Nov-09	<b>(\$10,508.09)</b>		\$9,468.20	<b>(533,633.51)</b>	<b>(244.58)</b> (\$154,856.87)
Dec-09	<b>(\$9,771.51)</b>	(\$3,500.00)	\$12,819.80	<b>(538,313.84)</b>	<b>(246.73)</b> (\$155,103.60)
<b>2009 Unbi</b>	<b>(\$12,000.00)</b>	\$7,771.38			<b>0.00</b> (\$155,103.60)
	<b>(\$123,771.93)</b>	<b>\$0.00</b>	<b>\$114,423.40</b>	<b>\$0.00</b>	<b>(\$6,033.41) (\$155,103.60)</b>

The chart above details 2009 Connection Revenue Versus Expense and cumulative balance. (2009 Unbilled Revenue Estimated)



- b. Using the above please provide supporting justification proving neither Fort Frances Power nor its customers would be financially harmed by not changing the RTSR's in this application.

**Response**

Fort Frances Power, at the time of filing, chose to minimize rate impact to our customers by deferring any adjustments to RTSR rates based on the large residual RSVA liabilities in both the Network and Connection accounts, until rebasing was complete.

Upon review, the January 2010 Network Service Charge increase of 11.6 % to the rate of \$2.97/kW would result in an anticipated 2010 revenue shortfall of \$80,000. *(Based on a 147,000kW annual load = \$435,000 expense less \$355,000 estimated revenue).*

Without a uniform percentage increase to TX Network General, Ref."L 1.1 Appl. for TX Network" of 12%, Fort Frances Power would be under billing all customers and create a negative cash flow position. Even with a 12% increase, there is an estimated revenue shortfall of \$50,000 that would eliminate any residual RSVA Network Liability balance during 2010. Fort Frances Power appreciates this opportunity to revise our application and recommends a 12% increase in RTSR's-Network Service Rates for May 2010.

Fort Frances Power supports the current RTSR's-Line and Transformation Connection Service Rates for 2010 due to the small charge increase and the large RSVA liability balance.

**HST Interrogatory**

**7. Harmonized Sales Tax**

It is possible that the PST and GST may be harmonized effective July 1, 2010.

In the event that PST and GST are harmonized effective July 1, 2010:

- a. Would the Applicant agree to the establishment of a variance account to capture the reductions in OM&A and capital expenditures?
- b. Are there other alternatives that the Board might consider to reflect the reductions in OM&A and capital expenditures if this bill is enacted?

**Response**

Fort Frances Power would comply with the OEB's direction on the treatment of an HST variance account. Another variance account would add to administration costs and tax available human resources. To report on HST variances would also add another layer of complexity in 2011 for IFRS-to-Regulatory Accounting true-ups and preparation of 2010-2011 IFRS comparative financial statements.

The HST harmonization is one of many external factors that impact costs overall and is beyond the control of Fort Frances Power Corporation, all distribution companies and even the electricity industry.