



February 22, 2011

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

Dear Ms. Walli:

Re: **Fort Frances Power Corporation**  
**2011 IRM2 Distribution Rate Application**  
**Reply to Board Staff Submission**  
**Board File No. EB-2010-0128**

In accordance with the Notice of Application and Written Hearing, please accept this letter and attached response to the Board Staff Submission by Fort Frances Power Corporation (FFPC).

FFPC agrees with the Board Staff recommendation to increase the Smart Meter Funding Adder to \$2.75 per metered customer per month and also to defer the disposition of all Group 1 accounts at this time. Please refer to the attached document for a detailed response to the Board Staff submission.

Regards,

A handwritten signature in blue ink, appearing to read 'Joerg', is positioned above the printed name of the signatory.

For Joerg Ruppenstein  
President and CEO

Att.

Response to Board Staff Submission  
Fort Frances Power Corporation  
2011 IRM2 Rate Application  
EB-2010-0128

**Smart Meter Funding Adder**

Fort Frances Power Corporation (FFPC) agrees with the Board Staff recommendation to reduce the model generated smart meter funding adder of \$3.90 per month per metered customer to the revised alternative of \$2.75 per metered customer per month adder. FFPC's rate stabilization strategy is best achieved by the lower rate Smart Meter Funding Adder. FFPC's original IRM submission planned to offset this higher funding adder against the rate reducing disposition of the Group 1 Deferral and Variance Accounts, as discussed below.

**Deferral and Variance Rate Rider**

FFPC agrees with Board staff to defer the disposition of all Group 1 Regulatory Asset accounts at this time, pending the following reconciliation of accounts and the outstanding issues regarding the 1588 Global Adjustment Subaccount in relation to the historical mill agreement. FFPC respectfully submits the following detailed reconciliation of the deferral and variance account balances and the balances that have been filed with the RRR.

Please find below the excerpt from the revised page D 1.5, Deferral and Variance Account Workform, December 31, 2009, submitted to Board staff in response to interrogatories February 1, 2011.

Total Closing Amounts as of Dec- 31-09	Deferral Variance Disposition Balances as of Dec-31-09	RRR Filing Amount as of Dec-31-09	Difference
A	B	C	D = A + B - C
0			0
(123,757 )		(17,783 )	(105,974 )
(64,460 )		(73,008 )	8,548
(552,716 )		(698,397 )	145,680
407,668		380,265	27,403
(125,366 )		(125,366 )	(1 )
21,898			21,898
0			
(436,734 )			

Please also find below the detailed reconciliation of the accounts as per the December 31, 2009 RRR filing. Please accept the following adjustments:

1. The clearance of the Group 1 Deferral and Variance account year end account balances as of December 31, 2004 to the 1590 Account as identified in Column D below. The Group 1 account balances were not cleared to account 1590, but remained within the principal RSVA balances. This transfer will be adjusted at the 2010 year end and the 2010 RRR filings to correct this.
2. The removal of the 2006 EDR recovery funds from the Group 1 Deferral and Variance principal accounts as detailed in Column C. The 2006 EDR recovery funds were applied against the principal balances of the Group 1 RSVA accounts, and should have been applied against account 1590.

Account Number	FEB 1, 2011 REMITTED, DEFERRAL AND VARIANCE WORKFORM, D 1.5, CLOSING ACCOUNTS AS OF DEC-31-09	FFPC RRR FILING AMOUNT AS OF DEC-31-09 AS REPORTED	REMOVE 1590 RECOVERY AMOUNT APPLIED TO RSVA BALANCE	REMOVE DEC-31-04 OPENING BALANCE CLEARED BY 2006 EDR RECOVERY	REVISED AND RECONCILED RRR FILING DEC-31-09
	A	B	C	D	E
1550	0				0
1580	(123,757)	(17,783)	355,013	(460,987)	(123,757)
1584	(64,460)	(73,008)	(27,950)	36,498	(64,460)
1586	(552,716)	(698,397)	(482,733)	628,414	(552,716)
1588	407,668	380,265	(25,552)	52,955	407,668
1588	(125,366)	(125,366)			(125,366)
1590	21,898	0	181,223	(256,880)	(75,657)
1595					
TOTAL	(436,734)	(534,289)	0	0	(534,289)

\* 1590 Column C and D are offsetting entries to establish 1590 residual balance.

FFPC apologizes for this departure from OEB accounting guidelines and seeks Board staff approval to adjust the Group 1 account balances as stated in Column E above.