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**BY EMAIL**

January 21, 2008

Ontario Energy Board  
P.O. Box 2319  
27th. Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Fort Frances Power Corporation .  
2008 Incentive Regulation Mechanism Rate Application  
Board File Number EB-2007-0885**

Please find attached Board staff's submission for the above proceeding for distribution to the applicant and any intervenors.

Yours truly,

*Original signed by*

Angela Pachon  
Policy Advisor, Regulatory Policy Development

c. All intervenors  
Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

2008 ELECTRICITY DISTRIBUTION RATES

Fort Frances Power Corporation

EB-2007-0885

**January 21, 2008**

## **INTRODUCTION**

Fort Frances Power Corporation ("FFPC") submitted an application on November 2, 2007, seeking approval for changes to the rates that FFPC charges for electricity distribution, to be effective May 1, 2008. The application is based on the 2008 Incentive Regulation Mechanism. On November 21, 2007, FFPC filed an amendment to the Manager's Summary requesting the continuation of the regulatory asset recovery rate rider.

The purpose of this document is to provide the Ontario Energy Board (the "Board") with the submissions of Board staff after its review of the evidence submitted by FFPC.

## **REGULATORY ASSET RECOVERY RATE RIDER**

### **Background**

FFPC is proposing to extend its Regulatory Asset Recovery Rate Riders at their current rates from May 1, 2008 to April 30, 2009. Since the existing rate riders are negative, this proposal would have the effect of reducing customers' bill for the 2008 rate year. FFPC states that the continuation of the rate riders will best serve its customers and allows the reduction of the regulatory asset debt incurred through previous rate structures.

### **Discussion and Submission**

FFPC does not specify the factors contributing to the remaining credit balance in account 1590 or provide information as to how the continuation of the Rate Riders would affect the balance in this account, and how this residual balance in account 1590 compares to the balances accumulated in other deferral or variance accounts.

Usual practice for disposing of variance and deferral accounts in the electricity sector is to use the most up-to-date audited balances, as supported by audited financial statements, plus forecasted carrying charges on those balances up to the start of the new rate year. The disposition of deferral and variance account balances are also generally dealt with in aggregate rather than clearing a single account.

Parties are asked to comment on whether the Board should consider whether further disposition of account 1590 should be dealt with in isolation rather than in aggregate since other deferral or variance accounts may contain debit balances. Also, given that one of the intents of the Incentive Regulation Mechanism was to provide a streamlined process for setting rates, parties may wish to comment on whether the Board should wait for the review of the disposition of all deferral and variance accounts until such time as FFPC's rates are rebased, which is scheduled to occur in 2009.

All of which is respectfully submitted.