FFPC
FORT FRANCES POWER CORPORATION

December 19, 2011

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street, Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Fort Frances Power Corporation –
Application for 2012 Electricity Distribution Rates EB-2011-0146

Fort Frances Power Corporation ("FFPC") is pleased to submit to the Ontario Energy Board (the "Board") its 2012 electricity distribution rate application, as directed by the Board letter dated August 2, 2011. In the letter distributors were assigned to one of six tranche groups based on the type of application the distributor was submitting. FFPC was assigned to Tranche 6, which required FFPC to file its Incentive Rate Mechanism (IRM) rate application under the 3rd Generation model (IRM3), with a submission due date of November 25, 2011. On November 24, 2011 FFPC filed a request for filing extension with the Board. FFPC has utilized the extension to incorporate the results of the November 25, 2011 Board Staff Final Audit Report regarding FFPC's Group 1 Deferral and Variance Accounts (DVA) into its rate submission.

The filing requirements indicate that each application should include:

- A Manager's Summary documenting and explaining all rate adjustments applied for.
- A completed 2012 IRM Rate Generator model with supplemental filing modules or work forms, provided by the Board, both in electronic (i.e. Excel) and PDF form.
- A PDF copy of the current Tariff Sheet.
- A PDF copy of the facsimile tariff sheet generated by the Rate Generator.
- A PDF copy of the bill impacts generated by the Rate Generator.

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The completed 2012 IRM3 models are attached along with the requested tariff sheet and bill impact information. The Manager's Summary for FFPC's 2012 rate application is attached to this letter. The information that is provided in the IRM3 models will not be repeated in the Manager's Summary in order to focus the Manager's Summary on the relevant items.

FFPC's 2012 electricity distribution rate application will be sent to you in the following form:

(a) Electronic filing through the Board's web portal located at www.errr.ontarioenergyboard.ca, consisting of one (1) electronic copy of the application in searchable / unrestricted PDF format and one (1) electronic copy in Microsoft Excel format of the completed IRM3 models and one (1) electronic copy of the Manager's summary;

(b) Two (2) paper copies of the application, the Manager's Summary and the IRM Model, along with a CD of the above (item (a)).

We would be pleased to provide any further information or details that you may require relative to this application.

Yours truly,

Joerg Ruppenstein
President and CEO

/LC

Fort Frances Power Corporation

EB-2011-0146

MANAGER'S SUMMARY

December 16, 2011

Fort Frances Power Corporation ("FFPC") is a licensed electricity distributor (ED-2003-0028) that owns and operates an electricity distribution system that provides service to the Town of Fort Frances. FFPC charges its customers distribution rates and other charges as authorized by the Ontario Energy Board ("Board"). In this application FFPC is applying for rates and other charges effective May 1, 2012.

FFPC was assigned to the filing grouping of Tranche 6 with a submission due date of November 25, 2011. On November 24, 2011 FFPC filed a formal request for filing extension with the Board. FFPC has utilized the extension to incorporate the results of the November 25, 2011 Board Staff Final Audit Report regarding FFPC's Group 1 Deferral and Variance Accounts (DVA) into its rate submission. FFPC's DVA balances have not been disposed since its 2006 Electricity Distribution Rate ("EDR") Decision (RP-2005-0020, EB-2005-0366). As a result, the DVA balances as at December 31, 2010 have accumulated the transactions of six years from 2005 to 2010. The Board Staff audit of FFPC's Group 1 Deferral and Variance Accounts helped to bring closure to FFPC's 2011 recovery of Global Adjustment Charges in relation to the 1905 Historic Mill Power Agreement and to all associated accounting treatment of Global Adjustment Charges since the inception of the charge on January 1, 2005. The 1905 Historic Power Agreement is embedded into FFPC's unique accounting framework as well as into FFPC's IESO settlement process. Regulation 398/10, which came into effect on January 1, 2011, gave FFPC additional authority and much needed clarity to properly account for Global Adjustment Charges under the spirit of the Supreme Court of Canada ruling that constituted the 1905 Historic Mill Power Agreement. For period January 1, 2005 to December 31, 2009 under the direction given under Regulation 429/04, FFPC inadvertently did not properly account for Global Adjustment charges. FFPC has since revised all DVA balances as per the Board staff findings and has also revised relevant RRR filings.

In FFPC's 2011 Decision and Order (EB-2010-0128) the Board directed FFPC to file a detailed reconciliation of its RRR balances and to file any final reconciliation of all Group 1 Deferral and Variance Accounts at the time of filing its next rate application. FFPC would like to note that Board Staff have since audited all FFPC Group 1 Deferral and Variances accounts and that FFPC has revised all relevant DVA balances as well as revised all relevant RRR filings as per the audit findings and recommendations. Board Staff noted that the Audit Report may be used as evidence in future proceedings.

FFPC has adhered to the Board's directions in completing the Board approved IRM3 rate models and has incorporated the necessary adjustments. This Manager's Summary will address the following items:

- Shared Tax Savings
- Price Cap Adjustment
- Smart Meter Rate Rider
- Disposition of Deferral and Variance Accounts (excluding 1562)
- Account 1562 PILs Disposition
- Retail Transmission Service Rates
- Lost Revenue Adjustment Mechanism
- Current and Proposed Rates
- Customer Impacts

Shared Tax Savings

The completion of the 2012 IRM3 Shared Tax Savings Workform for FFPC indicates that the 2011 tax sharing amount is a refund of $3,072. As FFPC has not rebased since the 2006 EDR Application and due to the retirement of the IRM2 model, FFPC has completed the 2011 IRM3 tax sharing model. Board staff was consulted regarding our unique situation and it was referenced that the IRM3 tax sharing model will calculate the difference between the tax amounts and the 50/50 sharing for 2012. This amount when unitized using 2006 volumetric billing determinants results in ($0.0001) energy-based kWh rate riders when rounded to four decimal places for only the Unmetered Scattered Load rate class. For the General Service 50 to 4,999 kW class the result is a ($0.0125) demand-based kW rate rider when rounded to four decimal places and for the Street Lighting rate class the resulting demand-based kW rate rider is ($0.0163).

Price Cap Adjustment

Under the 3rd Generation IRM plan, FFPC's electricity distribution rates for 2012 have been adjusted for three factors: a price escalator, a productivity factor and a stretch factor. For the purposes of preparing the 2012 application, the Board expects FFPC to use a proxy for the price cap adjustment. The proxy is 0.18%. FFPC understands that when the final price adjustment factor is determined the Board will adjust the price cap adjustment assumed in the 2012 final rates.

Smart Meter Rate Rider

FFPC's 2010 OEB Decision and Order approved a Smart Meter Rate adder of $2.50 per metered customer per month, with a sunset date of April 30, 2012.

FFPC has completed 100% of its Smart Meter installation program and began billing the mandated rate classes Time-of-Use Rates effective November 2011. FFPC plans to complete a separate Smart Meter Cost Recovery Rate Rider application in early 2012. The December 2010 RRR filing of Account 1555, Smart Meter Capital and Recovery Offset Variance balance was $605,358.

FFPC is seeking the continuance of the Smart Meter Rate adder of $2.50 per month per metered customer to allow FFPC to continue to collect funds until the Smart Meter Disposition is approved. More importantly, as FFPC seeks a one year Disposition of Deferral and Variance Accounts in excess of -$403,677., the Smart Meter adder of $2.50 per month per metered customer would offset the DVA rate rider credit and maintain rate stability for FFPC customers.

Disposition of Deferral and Variance Account (excluding 1562)

The Report of the Board on Electricity Distributors' Deferral and Variance Account Review Report (the "EDDVAR Report") provides that during the IRM plan term, the Distributor's Group 1 audited account balances will be reviewed and disposed if the preset disposition threshold of $0.001 per kWh (debit or credit) is exceeded. FFPC's DVA balances as at December 31, 2010 have accumulated the transactions of six years from 2005 to 2010. FFPC has completed all recommendations contained in November 25, 2011 Board Staff audit report regarding FFPC's Group 1 DVA balances.

FFPC has completed Tab 9 - 2012 Continuity Schedule for Deferral and Variance Accounts of the 2012 IRM Rate Generator Model. The resulting disposition threshold test in Tab 10 of the 2012 IRM Rate Generator Model indicates that threshold has been exceeded. The 2010 actual year end amount for Group 1 accounts with interest projected to April 30, 2012 is a credit of $383,248. For 2010, FFPC total billing determinants were 79,857,489. kWh. FFPC's Group 1 balances divided by the 2010 billing determinants is a credit of $0.0048 per kWh which is above the threshold. As a result, FFPC will be seeking a one year disposition of this amount in the proposed 2012 rates.

The Group 1 Balances are shown in the following chart:

Account Description	Number	Principle	Interest	Total
RSVA - Wholesale Market Service Charge	1580	-$280,612	$32,788	-$247,824
RSVA - Retail Transmission Network Charge	1584	$12,889	-$12,957	-$68
RSVA - Retail Transmission Connection Charge	1586	-$404,911	-$120,532	-$525,443
RSVA - Power (excluding Global Adjustment)	1588	$436,070	$28,050	$464,120
RSVA - Power - Sub-Account - Global Adjustment	1588	-$35,115	-$1,590	-$36,705
Recovery of Regulatory Asset Balances	1590	-$34,528	-$2,800	-$37,328
		-$306,207	-$77,041	-$383,248

Special Purpose Charge

FFPC's Ministry of Energy's Special Purpose Charge Assessment was $32,606. This amount was to be recovered by a charge of $.000373/ kWh to all FFPC customers for a one year period from May 1, 2010 to April 30, 2011. FFPC collected $18,810. in 2010 and $11,709. in 2011, leaving a balance of $2,087. plus $183. in interest charges. FFPC entered these values on line 38, Tab 9 2012 Continuity Schedule, to detail the recovery until April 30, 2011.

Account 1562 PILs Disposition

FFPC's evidence to support the disposition of account 1562 conforms to the principles set out in the combined proceeding decision (EB-2008-0381). In addition, it is FFPC's understanding the evidence meets the expectations of Board Staff which have been communicated through Board Staff interrogatories to other applicants. FFPC has reviewed the evidentiary record of the combined proceeding EB-2008-0381 and the letter from the Board dated September 13, 2011 regarding disposition of PILs. FFPC has completed the SIMPIL models based on the Halton Hills models.

For account 1562, FFPC is seeking a disposition of ($22,833.) as outlined below in FFPC's 1562 PILs continuity statement. This amount includes principal to April 30, 2006 of ($18,837.31) plus interest to April 30, 2012 of ($3,995.42).

FFPC proposes to dispose of the PILs balance over a one year period based on the proportion of Distribution Revenue for each customer class shown on Tab 10 of the 2012 IRM Rate Generator Model. Using the Billing Determinants also from sheet 10 of that model, the resulting Deferral and Variance Account rate rider is calculated on sheet 12 which include the disposition of account 1562 and the 2010 balance of the other deferral and variance accounts discussed above.

The following 1562 PILs Continuity Schedule support the total 1562 claim amount of ($22,832.73). The schedule provides the summary of the Board Approved PILs amounts for the Rate Adjustment Models, adjustments from the annual SIMPIL models, PILs billed to customers and the related carrying charges at the Board prescribed interest rates for the period March 1, 2002 to April 30, 2012.

Utility Name: Fort Frances Power Corp.
Reporting period: 2001- 2012

Sign Convention: + for increase; - for decrease

Year start:		10/1/2001	1/1/2002	1/1/2003	1/1/2004	1/1/2005	1/1/2006
Year end:		12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005	12/31/2006
Opening balance:	=	0	10,583	4,612	7,877	-9,266	-16,762
Board-approved PILs tax proxy from Decisions	+/-	10,583	19,956	30,539	22,602	26,420	9,525
True-up Variance Adjustment	+/-		-	4,351	(378)	0	(2,031)
Deferral Account Variance Adjustment	+/-		-	-	(512)	(512)	-
Changes in Tax Legislation (repeal of Federal LCT)							
Carrying charges	+/-		$121	$383	($7)	($1,153)	($966)
PILs billed to (collected from) customers	-		($26,049)	($32,008)	($38,848)	($32,251)	($10,224)
Settlement Adjustment							
Ending balance: # 1562		10,583	4,612	7,877	-9,266	-16,762	-20,459

Utility Name: Fort Frances Power Corp.
Reporting period: 2001- 2012

Year start:		1/1/2007	1/1/2008	1/1/2009	1/1/2010	1/1/2011	1/1/2012	
Year end:		12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	4/30/2012	Total
Opening balance:	=	-20,459	-21,349	-22,099	-22,313	-22,464	-22,740	0
Board-approved PILs tax proxy from Decisions	+/-							119,624
True-up Variance Adjustment	+/-							1,942
Deferral Account Variance Adjustment	+/-	-	-	-	-	-	-	(1,023)
Changes in Tax Legislation (repeal of Federal LCT)								-
Carrying charges	+/-	($891)	($750)	($214)	($150)	($277)	($92)	(3,995)
PILs billed to (collected from) customers	-							(139,380)
Settlement Adjustment								-
Ending balance: # 1562		-21,349	-22,099	-22,313	-22,464	-22,740	-22,833	-22,833

With regards to the tax rate used for the true-up purposes, FFPC has reviewed the Board's Decision with regards to Issue #9: (i.e. What are the correct tax rates to use in the true-up variance?) of the Combined Proceeding for EnWin Utilities Ltd, Halton Hills Hydro Inc. and Barrie Hydro Distribution Inc. (EB-2008-0381). Based on FFPC's understanding of the Board's Decision on Issue #9, FFPC submits that the appropriate tax rate to be used for true-up purposes should be the minimum income tax rates as set out on page 17 of the Decision for EB-2008-0381.

In addition, FFPC applied for the PILs proxies in 2002 and 2005 using the blended small business income tax rate which is classified as the minimum tax rate. Given the size of FFPC and the fact that the Board approved the minimum tax rates in prior applications, this suggests that the appropriate tax rates are the minimum tax rates in each tax year.

In completing the required information to support the 1562 balance FFPC reflected the Ministry of Finance Assessment notices for the years 2001 to 2005 which as noted below are provided in Appendix Q to U. FFPC confirms that all tax years from 2001 to 2005 are statute barred.

The information requested by the Board to support FFPC's disposition amount includes the following appendices related to the disposition of Account 1562:

Appendix A:	1562 Summary Continuity Schedule
Appendix B:	2001-2012 Calculation of PILs Collected, Approved Amounts
Appendix C:	2001 SIMPIL Model
Appendix D:	2002 SIMPIL Model
Appendix E:	2003 SIMPIL Model
Appendix F:	2004 SIMPIL Model
Appendix G:	2005 SIMPIL Model
Appendix H:	2002 OEB Decision
Appendix I:	2004 OEB Decision
Appendix J:	2005 OEB Decision
Appendix K:	2002 Rate Adjustment Model
Appendix L:	2004 Rate Adjustment Model
Appendix M:	2005 Rate Adjustment Model
Appendix N:	2001 PILs Proxy Model
Appendix O:	2002 PILs Proxy Model
Appendix P:	2005 PILs Proxy Model
Appendix Q:	2001 Audited Financial Statements, Tax Returns and Assessment
Appendix R:	2002 Audited Financial Statements, Tax Returns and Assessment
Appendix S	2003 Audited Financial Statements, Tax Returns and Assessment
Appendix T	2004 Audited Financial Statements, Tax Returns and Assessment
Appendix U	2005 Audited Financial Statements, Tax Returns and Assessment

Retail Transmission Rates

On June 22, 2011, the Ontario Energy Board (the "Board") issued revision 3.0 of the Guideline G-2008-0001 Electricity Distribution Retail Transmission Service Rates (the "Guideline"). This Guideline outlines the information that the Board requires electricity distributors to file when proposing adjustments to their retail transmission service rates ("RTSRs") for 2012. The Board also indicated in the covering letter that in order to assist electricity distributors in the calculation of the distributor's specific RTSRs, Board staff would provide a filing module. In this regard, FFPC has completed the 2012 RTSR Adjustment Work Form and the proposed

2012 RTSRs reflect the outcome of this work form. The completed FFPC 2012 RTSR Adjustment Workform has been filed as part of this application.

Lost Revenue Adjustment Mechanism ("LRAM")

Filing guidelines and the required eligibility criteria outlined in Section 6.3 of Chapter 6 of the Filing Requirements for Transmission and Distribution Applications allow for recovery of lost revenue and shared savings. In this application FFPC is only seeking LRAM recovery associated with 2006 to 2010 savings from Ontario Power Authority (OPA) provincial programs that FFPC participated in from 2006 to 2010.

FFPC participated in over fifteen OPA provincial programs from 2006 to 2010. CDM activities related to these OPA-sponsored programs have resulted in foregone revenues from 2006 to 2010 of $47,297. plus interest to April 2010 of $2,746., totalling $50,043. FFPC is seeking to recover this lost revenue through Lost Revenue Adjustment Mechanism (LRAM) in its 2012 rates. The detailed calculations supporting the foregone revenue are provided in the completed LRAM model. This model also provides information on the savings by program by year on a gross and net basis and outlines the free ridership percentage. The information on the level of achieved savings used in the LRAM model was provided by OPA in supplied 2006-2010 FFPC CDM Savings Final Results Report.

The Ontario Energy Board (OEB) outlined the LRAM processes in the March 28, 2008 Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037 - "CDM Guidelines"). The CDM Guidelines were applied to the preparation of this LRAM requested recovery. LRAM calculations are made from the energy savings data from measured CDM program results as applied to the affected rate class for OPA programming, which represents the lost revenue to the distributor and may be claimed under LRAM. This request for LRAM compensation is part of FFPC's 2012 IRM rate application and is based on its 2006 to 2010 inclusive CDM results for OPA programs initiated during that whole period.

LRAM was calculated as the product of the demand/energy savings by customer class and the Board-approved variable distribution charge appropriate to each respective class (net of

Regulatory Asset Recovery rate riders). For the purposes of this request, FFPC has assumed only OPA sponsored program are eligible for LRAM.

LRAM amounts were identified by rate class consistent with the CDM Guidelines for OPA programs that impacted revenues from 2006 to 2010. The impact of CDM savings was not reflected in the approved load forecast used to support the approved rates in FFPC's 2006 EDR application. The entire actual load reduction achieved by the OPA sponsored programs is subject to LRAM treatment. All results are net of free ridership.

The LRAM model summarizes the CDM load impacts by program and rate class and the resultant revenue impacts. The lost revenue from the sum of all OPA programs is $47,297. plus interest to April 2010 of $2,746. for a total claim of $50,043. The following Table provides the summary LRAM calculation and rate rider by rate class. FFPC is requesting a 1 (One) year rate rider for the LRAM. The volumetric rate rider was inputted into Tab 14, Proposed Rate Riders of the 2012 IRM3 Rate Generator Model.

LRAM Rate Rider	LRAM	Interest	Total LRAM Claim	Billing Determinant	UOM	LRAM Rider	
Residential	$39,757	$2,308	$42,065	38,248,034	kWh	0.0011	(/kWh)
General Service Less Than 50 kW	$3,919	$228	$4,146	14,658,007	kWh	0.0003	(/kWh)
General Service 50 to 4,999 kW -	$3,621	$210	$3,831	65,577	kW	0.0584	(/kW)
Total	**$47,297**	**$2,746**	**$50,043**				

Conclusion

A copy of the current tariff sheet, the proposed tariff sheet and the customer impacts are attached. In summary, the bill impact for a Residential customer in Fort Frances, with a monthly electricity consumption of 800 kWh, will be -3.11% or -$3.06 per month after HST. The bill impact for a General Service Less Than 50 kW customer with a monthly electricity consumption of 2,000 kWh, will be -3.96% or -$9.68 per month after HST.