FFPC
FORT FRANCES POWER CORPORATION

March 16, 2012

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

Dear Ms. Walli:

Re: **Fort Frances Power Corporation**
2012 IRM2 Distribution Rate Application
Reply to Board Staff Submission
Board File No. EB-2011-0146

Please find attached Fort Frances Power Corporation's reply submission to the Board Staff Submission dated March 7, 2012.

The complete document was submitted through the Board's web portal along with excel copies of the revised models and spreadsheets. Two additional paper copies will be sent to the Board by mail today.

Please contact the undersigned for any additional information.

Regards,

Lori Cain
Finance and Regulatory Officer

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Fort Frances Power Corporation – Response to Board Staff Submission

2012 Electricity Distribution Rates - EB-2011-0146

Billing Determinants

Fort Frances Power Corporation (FFPC) agrees with the findings of the Board Staff Submissions and regrets the lack of uniformity in the billing determinants between the IRM3 Rate Generator, RTSR Workform and the Shared Tax Shavings Workform.

FFPC also agrees that the unique adjustments to billing determinants within the models, as requested by FFPC in the Response to Board Staff Interrogatories, are beyond the scope of the mechanistic nature of the IRM process, as sited in the Board Submission.

FFPC agrees with Board staff that it is appropriate the use of 2010 2.1.5 RRR Demand and Revenues for the IRM3 Rate Generator, the LRAM Rate Riders and the RTSR Workform models. FFPC has provided the unaudited 2011 actual metered volumetric data below for reference only.

Rate Class 2010	Customers Connections	Metered kWh	Metered kW
Residential	3,307	38,880,708	
General Service Less Than 50 kW	419	14,833,271	
General Service 50 to 4,999 kW	51	26,245,189	65,577
Unmetered Scattered Load	6	67,445	
Street Lighting	1,006	1,085,823	3,310
Total	4,789	81,112,436	68,887

Rate Class 2011	Customers Connections	Metered kWh	Metered kW
Residential	3,310	38,819,495	
General Service Less Than 50 kW	420	15,282,029	
General Service 50 to 4,999 kW	46	25,992,367	63,150
Unmetered Scattered Load	6	65,170	
Street Lighting	1,006	1,209,488	3,310
Total	4,788	81,368,549	66,460

FFPC supports the revision of the existing models to reflect the Board's Decision in this matter.

Group 1 Deferral and Variance Account

FFPC agrees with the Board Staff submission to dispose of FFPC's Group 1 Deferral and Variance Account balances over a one year period using the billing determinants as discussed above.

Shared Tax Savings

FFPC requests that the total Shared Tax-Savings credit of $3,072 be recorded in USoA Account 1595 for disposition in a future proceeding. The resultant rate riders for the Residential and GS<50 kW rate classes are $0.0000 when rounded to the fourth decimal place and disposition is not requested in this application.

Disposition of Account 1521

FFPC supports the Board staff decision to dispose of debit balance of $2,280 in the Account 1521. Please note that the completed table as submitted was correct with the actual Total for Disposition of $2,280 as at December 31, 2011 with the interest projected to April 30, 2012 and request the entry in the IRM3 Rate Generator, Sheet 9, cell BT38 as $61 and BU38 as $10.

SPC Assess-ment (Principal balance)	Amount recovered from customers in 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	December 31, 2011 Year End Principal Balance	December 31, 2011 Year End Carrying Charges Balance	Forecast April 30, 2012 Carrying Charges Balance	Total for Disposition (Principal and Interest)
$32606.	$-18810.	$13795.	$122	$-11,709.	$61.	$2087.	$183.	$10.	$2280.

Smart Metering Funding Adder

FFPC's proposal to continue the current Smart Meter Funding Adder ("SMFA") of $2.50 per customer is as an interim funding adder until the stand-alone Smart Meter Application is approved by the Board and orders the recovery of cost through Disposition Rider ("SMDR") and Smart Meter Incremental Rate Rider ("SMIRR").

FFPC will complete a stand-alone Smart Meter application in accordance with *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition* prior to the May 31, 2012 deadline proposed to other utilities. The completion of this application will allow the Board time for review prior to a November 1, 2012 implementation date.

FFPC has requested to defer its next cost of service application beyond the 2013 rate year and is aware of the potential for over-collection of SMFA should the final decision for Smart Meter disposal be delayed.

FFPC believes that a reduction from the original $2.50 per metered customer to $1.00 per metered customer would create rate instability. Within this IRM3 application are anticipated rate reductions from both the disposal of the Group 1 Deferral and Variance Account credit balance of $389,236. and the proposed PILs credit refund to customers of approximately $20,000.

The proposed SMFA reduction to $1.00 per metered customer is one-fifth of a anticipated $5.00 per metered customer charge that could result from the Smart Meter Application SMDR and SMRR rate riders in November 2012. Based on these arguments, FFPC believes the continuation of the $2.50 per metered customer SMFA charge provides better stability for the ratepayers of Fort Frances Power Corporation.

Specific Service Charges

FFPC agrees with the Board rationale and recognizes the Board's hesitancy to alter Specific Service Charges within the IRM3 rate application mechanistic environment. The Board's preference towards a full review of Specific Service Charges during a cost of service application is understandable.

FFPC's proposal attempted to modify seldom used charges to best reflect current utility cost burdens for the recovery of causation costs from the appropriate individual customers or contractors.

LRAM

FFPC agrees with the Board finding regarding the LRAM recovery of $50,043 for the program years 2006-2010.

Disposition of the Balance in Account 1562 Deferred PILs

In the Board staff submission in regard to disposition of the balance in account 1562 Deferred PILs, two main issues are raised:

a) Start date for recording the PILs proxy entitlement and the amount

b) Disposals of Fixed Assets

With regards to the first issue, on page 13 of the Board staff submission, Board staff submits that since FFPC voluntarily chose to implement 2002 rates on May 1, 2002, that FFPC should pro-rate its PILs proxy entitlements in the same time period as it billed its customers for the changed rates. As a result Board staff submits FFPC should not record the 2001 fourth quarter and 2002 PILS proxies or entitlement for the period prior to May 1, 2002. Board staff submits that the proxy recognition in the continuity schedule should be based on the number of months between May 1, 2002 and the next rate change approved by the Board which will result in a lower proxy that reflects the number of months of collection from ratepayers.

In reviewing the Board staff submission, it has come to FFPC's attention that the amended recoveries shown in Appendix B of the response to interrogatories should not have shown any recoveries until May 1st. The live Excel files which accompany this submission have been revised to address this omission. Regarding the collection of 4th quarter 2001 and 2002 PILs, it is FFPC submission that collection of PILs should reflect the month in which the changed rates were implemented (i.e. May 1, 2002). However, with regards to the timing of PILs entitlement, FFPC submits that the entitlement should begin March 1, 2002 for the reason outlined below

The OEB has set precedent, through the combined proceeding EB-2008-0381, that the entitlement commences with the start of taxation (October 1, 2001) as opposed to the effective date of distribution rates including PILs. FFPC believes that this precedent should apply equally to all LDCs (including FFPC).

The three combined proceeding applicants (EnWin, Halton Hills and Barrie) started recording entitlements on October 1, 2001 (for 2001 PILS) and January 1, 2002 (for 2002 PILS). FFPC could not locate the 2002 rate decisions for these three applicants, which approved PILs in rates, but suspects that rates were effective March 1, 2002 not October 1, 2001 or January 1, 2002. This establishes the principle that entitlement commences with taxation and not with rate approval.

As outlined of page 11 of the Board staff submission, in the 2002 rates FFPC forgo the second of three installments of the utility's incremental Market Adjusted Revenue Requirement (MARR) of $47,623. As a result, the approved 2002 PILs recovery was reduced to reflect a lower MARR as an effort to mitigate customer impacts. The Board Staff position would further reduce FFPC's 2002 PILs revenue below the level approved in rates, which has already been lowered to the benefit of ratepayers. FFPC is of the opinion that it has been more than fair to its rate payers and does not agree that PILs revenue should be further reduced. The Board Staff submission to alter the entitlement horizon and/or amount for 2001 PILS would further penalize FFPC through reduced PILs entitlement recovery.

The 1562 Deferred PILs account was created to keep LDCs "whole", as defined by the rules set out in the combined proceeding. The combined proceeding has confirmed that approved PILs in rates is to be used as the entitlement side of the variance account, the PILs recovered from customers to be the recovery side of the variance account and SIMPILS models to make appropriate adjustments between customers and the LDC.

To be consistent with these principles, FFPC should be entitled to the full amount of PILs previously approved in rates. To approve a 1562 Deferred PILs balance on any other basis would effectively be retroactive rate making (the Board Staff submission would effectively reduce the amount of PILs included in rates that the Board has already approved).

With regard to the second issue on disposal of fixed assets, FFPC agrees with Board staff on these issues and submits that the disposals of fixed asset should not true-up to ratepayers and thus should appear on the TAXREC3 sheet of the SIMPIL model. FFPC has made changes to the 2002, 2003 and 2005 SIMPIL models and the resulting continuity has reflected this change in revised live Excel files which accompany this submission.

For the reasons outlined above, FFPC submits that the continuity schedule outline below reflects the position of this submission on account 1562. In FFPC's view, the schedule follows the rules as outlined in the combined proceeding. This results in full recovery of PILs approved in rates and an entitlement commencing with the taxation date not the effective date of rate approvals but also includes the disposal of fixed assets not being a true-up to ratepayers. In addition, the schedule has been updated to commence the collection of 4th quarter 2001 and 2002 PILs as of May 1, 2002. It is FFPC submission that customers be provided with a refund of $19,066 consisting of a principal credit amount of $16,588 plus related credit carrying charges of $2,478.

	A	B	C	D	E	F	G	H	I	J	K	L	M
7													
8	**Year start:**		01/10/2001		01/01/2002		01/01/2003		01/01/2004		01/01/2005		01/01/2006
9	**Year end:**		31/12/2001		31/12/2002		31/12/2003		31/12/2004		31/12/2005		31/12/2006
10													
11	**Opening balance:**	=	0		10,583		11,728		11,002		-5,576		-12,868
12	**Board-approved PILs tax proxy from Decisions**	+/-	10,583		19,956		30,539		22,602		26,420		9,525
13	**True-up Variance Adjustment**	+/-			-		0		-		0		-
14	**Deferral Account Variance Adjustment**	+/-			-		-		(512)		(512)		-
15	**Changes in Tax Legislation (repeal of Federal LCT)**												
16	**Carrying charges**	+/-			$458		$743		$180		($949)		($820)
17	**PILs billed to (collected from) customers**	-			($19,269)		($32,008)		($38,848)		($32,251)		($12,812)
18	**Settlement Adjustment**												
19													
20	**Ending balance: # 1562**		10,583		11,728		11,002		-5,576		-12,868		-16,975

	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA
7													
8	01/01/2007		01/01/2008		01/01/2009		01/01/2010		01/01/2011		01/01/2012		
9	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/12/2011		30/04/2012		Total
10													
11	-16,975		-17,759		-18,420		-18,608		-18,741		-18,984		0
12													**119,624**
13													**-**
14	-		-		-		-		-		-		**(1,023)**
15													**-**
16	($784)		($660)		($189)		($132)		($244)		($81)		**(2,478)**
17													**(135,188)**
18													**-**
19													
20	-17,759		-18,420		-18,608		-18,741		-18,984		-19,066		**-19,066**