



EB-2011-0146

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by Fort
Frances Power Corporation for an order or orders
approving or fixing just and reasonable distribution rates
and other charges, to be effective May 1, 2012.

BEFORE: Karen Taylor
Presiding Member

Paula Conboy
Member

DECISION AND ORDER

Introduction

Fort Frances Power Corporation ("Fort Frances") a licensed distributor of electricity, filed an application with the Ontario Energy Board (the "Board") on December 20, 2011 under section 78 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Fort Frances charges for electricity distribution, to be effective May 1, 2012.

Fort Frances is one of 77 electricity distributors in Ontario regulated by the Board. The *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "IR Report"), issued on July 14, 2008, establishes a three year plan term for 3rd generation incentive regulation mechanism ("IRM") (i.e., rebasing plus three years). In its October 27, 2010 letter regarding the development of a Renewed Regulatory Framework for Electricity ("RRFE"), the Board announced that it was

extending the 3rd generation IRM plan until such time as the RRFE policy initiatives have been substantially completed. As part of the plan, Fort Frances is one of the electricity distributors that will have its rates adjusted for 2012 on the basis of the IRM process, which provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its IR Report, its *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on September 17, 2008 (the "Supplemental Report"), and its *Addendum to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on January 28, 2009 (collectively the "Reports"). Among other things, the Reports contain the relevant guidelines for 2012 rate adjustments for distributors applying for distribution rate adjustments pursuant to the IRM process. On June 22, 2011, the Board issued an update to Chapter 3 of the Board's *Filing Requirements for Transmission and Distribution Applications* (the "Filing Requirements"), which outlines the application filing requirements for IRM applications based on the policies in the Reports.

Notice of Fort Frances' rate application was given through newspaper publication in Fort Frances' service area advising interested parties where the rate application could be viewed and advising how they could intervene in the proceeding or comment on the application. No letters of comment were received. The Notice of Application indicated that intervenors would be eligible for cost awards with respect to Fort Frances' request for lost revenue adjustment mechanism ("LRAM") recoveries and the disposition of Account 1562. The Vulnerable Energy Consumers Coalition ("VECC") applied for intervenor status in this proceeding. Board staff also participated in the proceeding. The Board proceeded by way of a written hearing.

While the Board has considered the entire record in this proceeding, it has made reference only to such evidence as is necessary to provide context to its findings. The following issues are addressed in this Decision and Order:

- Price Cap Index Adjustment;
- Rural or Remote Electricity Rate Protection;
- Billing Determinants;
- Shared Tax Savings Adjustments;
- Retail Transmission Service Rates;

- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Review and Disposition of Account 1521: Special Purpose Charge;
- Review and Disposition of Account 1562: Deferred Payments In Lieu of Taxes;
- Smart Meter Funding Adder;
- Specific Service Charges; and
- Review and Disposition of Lost Revenue Adjustment Mechanism.

Price Cap Index Adjustment

As outlined in the Reports, distribution rates under the 3rd Generation IRM are to be adjusted by a price escalator, less a productivity factor (X-factor) of 0.72% and a stretch factor.

On March 13, 2012, the Board announced a price escalator of 2.0% for those distributors under IRM that have a rate year commencing May 1, 2012.

The stretch factors are assigned to distributors based on the results of two benchmarking evaluations to divide the Ontario industry into three efficiency cohorts. In its letter to Licensed Electricity Distributors dated December 1, 2011 the Board assigned to Fort Frances efficiency cohort 2 and a cohort specific stretch factor of 0.4%.

On that basis, the resulting price cap index adjustment is 0.88%. The price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across customer classes that are not eligible for Rural or Remote Electricity Rate Protection.

The price cap index adjustment will not apply to the following components of delivery rates:

- Rate Riders;
- Rate Adders;
- Low Voltage Service Charges;
- Retail Transmission Service Rates;
- Wholesale Market Service Rate;
- Rural or Remote Rate Protection Charge;
- Standard Supply Service – Administrative Charge;
- Transformation and Primary Metering Allowances;
- Loss Factors;

- Specific Service Charges;
- MicroFIT Service Charges; and
- Retail Service Charges.

Rural or Remote Electricity Rate Protection

On December 21, 2011, the Board issued a Decision with Reasons and Rate Order (EB-2011-0405) establishing the Rural or Remote Electricity Rate Protection (“RRRP”) benefit and charge for 2012. The Board amended the RRRP charge to be collected by the Independent Electricity System Operator from the current \$0.0013 per kWh to \$0.0011 per kWh effective May 1, 2012. The draft Tariff of Rates and Charges flowing from this Decision and Order will reflect the new RRRP charge.

Billing Determinants

Fort Frances’ application contained billing determinants in the models for the IRM3 Rate Generator, RTSR Workform and Shared Tax Savings Workform that were inconsistent with both Fort Frances’ 2010 RRR information filed with the Board and the draft rate order from its last cost of service application (EB-2005-0366). In providing clarifications through response to Board staff interrogatories, Fort Frances indicated that it had made certain unique adjustments to the data in the models to reflect current circumstances. These included adjustments to the “1590 Recovery Share” in the IRM3 Rate Generator to reflect a significant decline in the GS <50kW rate class due to local business conditions, as well as an adjustment to the values entered for non-RPP Billed kWh to reflect a significant migration of customers from retailers to LDC standard supply.

In its submission, Board staff noted that Fort Frances’ request to defer its cost of service proceeding stated that its operating circumstances are basically unchanged since its 2006 cost of service proceeding. Board staff suggested that it would be inappropriate to allow Fort Frances to select certain unique adjustments to data incorporated into the IRM3 models without a full examination of all operating conditions inherent in a cost of service proceeding. In particular, Board staff noted that the adjustments to “1590 Recovery Share” were proposed to address loss of customer load, which is specifically listed as an exclusion from IRM applications.

Board staff suggested that, given the length of time passed since Fort Frances’ last cost of service proceeding, some adjustments may be appropriate to allocate costs to Fort

Frances' current customer mix in a fair and equitable manner. Specifically, Board staff noted that 2010 RRR data could be used for the IRM3 Rate Generator, LRAM Rate Riders and the RTSR Workform. The latest available volumetric data is allowed in the IRM3 Rate Generator if there is a material difference from the last approved data. Board staff suggested that the 2010 RRR data should be used, rather than actual 2011 data, as it could be more readily verified by other parties. While the Shared Tax Savings Workform requires the use of the last approved cost of service data, Board staff noted that Fort Frances' calculated Shared Tax Savings amount is immaterial and is not proposed for disposition at this time. Board staff submitted that the proposed adjustments to "1590 Recovery Share" and Non-RPP kWh should be deferred until an updated load forecast is approved in a cost of service proceeding.

In its reply submission, Fort Frances agreed that the proposed unique adjustments are beyond the scope of the IRM process, and also agreed with the use of 2010 RRR data for the IRM3 Rate Generator, the RTSR Workform and LRAM Rate Riders.

The Board agrees with Board staff that the examinations of adjustments to data incorporated into the IRM3 models should be done within a cost of service proceeding. The Board is concerned that Fort Frances has provided evidence in this proceeding that contradicts its claims that its operating circumstances are basically unchanged since its 2006 EDR. The Board also notes that Fort Frances has again requested that the Board defer its next cost of service proceeding beyond 2013. The Board is of the view that this situation is far from ideal.

However, in order to ensure that costs are allocated to Fort Frances' current customers in a fair and equitable manner, the Board will approve the use of 2010 RRR data for the IRM3 Rate Generator, the LRAM Rate Riders and the RTSR Workform, and other purposes as set out in this Decision, as this data can be readily identified by other parties.

Shared Tax Savings Adjustments

In its Supplemental Report, the Board determined that a 50/50 sharing of the impact of currently known legislated tax changes, as applied to the tax level reflected in the Board-approved base rates for a distributor, is appropriate.

The calculated annual tax reduction over the IRM plan term will be allocated to

customer rate classes on the basis of the Board-approved base-year distribution revenue. These amounts will be refunded to customers each year of the plan term, over a 12-month period, through a volumetric rate rider using annualized consumption by customer class underlying the Board-approved base rates.

Fort Frances' application identified a total tax savings of \$6,144, resulting in a shared amount of \$3,072 to be refunded to rate payers. The resulting rate riders calculated for the Residential and GS<50kw rate classes were \$0.0000.

Board staff submitted that Fort Frances had correctly calculated the Shared Tax Savings amount, and noted that the use of correct billing determinants yields the same rate riders as calculated by Fort Frances. Board staff requested that Fort Frances clarify in its reply submission that it was requesting to record this balance in Account 1595 for future disposition.

In its reply submission, Fort Frances requested that the Board authorize this amount to be recorded in Account 1595 for disposition in a future application.

The Board approves the disposition of shared tax savings of \$3,072. Given that the resulting rate riders for the Residential and GS <50kW rate classes are not material, the Board directs Fort Frances to record the credit balance in Account 1595 for future disposition.

Retail Transmission Service Rates

Electricity distributors are charged the Ontario Uniform Transmission Rates ("UTRs") at the wholesale level and subsequently pass these charges on to their distribution customers through the Retail Transmission Service Rates ("RTSRs"). Variance accounts are used to capture timing differences and differences in the rate that a distributor pays for wholesale transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers (i.e. variance Accounts 1584 and 1586).

On June 22, 2011 the Board issued revision 3.0 of the *Guideline G-2008-0001 - Electricity Distribution Retail Transmission Service Rates* (the "RTSR Guideline"). The RTSR Guideline outlines the information that the Board requires electricity distributors to file to adjust their RTSRs for 2012. The RTSR Guideline requires electricity

distributors to adjust their RTSRs based on a comparison of historical transmission costs adjusted for the new UTR levels and the revenues generated under existing RTSRs. The objective of resetting the rates is to minimize the prospective balances in Accounts 1584 and 1586. In order to assist electricity distributors in the calculation of the distributors' specific RTSRs, Board staff provided a filing module.

On December 20, 2011 the Board issued its Rate Order for Hydro One Transmission (EB-2011-0268) which adjusted the UTRs effective January 1, 2012, as shown in the following table:

2012 Uniform Transmission Rates

Network Service Rate	\$3.57 per kW
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.80 per kW
Transformation Connection Service Rate	\$1.86 per kW

The Board approves the 2012 RTSRs as updated and corrected by Board staff to incorporate the 2012 UTRS and the billing determinants approved by the Board elsewhere in this Decision.]

Review and Disposition of Group 1 Deferral and Variance Account Balances

The *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* (the "EDDVAR Report") provides that, during the IRM plan term, the distributor's Group 1 account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed.

Fort Frances' application proposed disposition over one year of a Group 1 credit balance of \$383,248, consisting of December 31, 2010 balances and interest to December 31, 2010. In response to interrogatories, Fort Frances provided interest calculations to April 30, 2012, resulting in an updated credit balance of \$389,236 as calculated in the model.

In Fort Frances' 2011 IRM proceeding (EB-2010-0128), the Board did not dispose of the 2009 Group 1 Deferral Account balances due to discrepancies between the balances filed in that proceeding and balances provided to the Board in its Reporting and Record-keeping ("RRR") filings. Fort Frances was directed by the Board to file a detailed reconciliation of its RRR balances with the Board by June 1, 2011 and to file any final reconciliation of all Group 1 accounts (including the global adjustment sub-account) when filing its next rate application. Through interrogatory responses, Fort Frances indicated that the continuity tables contained in its 2012 submission represented the reconciliation directed by the Board.

Board staff's submission noted that Fort Frances had provided the required detail in its continuity tables to support the calculation and that the 2010 balances in the model were consistent with the information provided to the Board in Fort Frances' RRR filings. Board staff supported the disposition of the updated balance in accordance with the Board's findings regarding billing determinants.

The Board notes that the EDDVAR disposition threshold of \$0.0001/kWh has been exceeded. The Board approves the disposition of the balance in the Group 1 Deferral and Variance Accounts of a credit of \$389,236, on a final basis, representing principal as at December 31, 2010 and interest to April 30, 2012 over a one year period from May 1, 2012 to April 30, 2013, using the billing determinants approved by the Board elsewhere in this Decision.

Review and Disposition of Account 1521: Special Purpose Charge

The Board authorized Account 1521, Special Purpose Charge Assessment ("SPC") Variance Account in accordance with Section 8 of *Ontario Regulation 66/10 (Assessments for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs)* (the "SPC Regulation"). Accordingly, any difference between (a) the amount remitted to the Minister of Finance for the distributor's SPC assessment and (b) the amounts recovered from customers on account of the assessment were to be recorded in "Sub-account 2010 SPC Assessment Variance" of Account 1521.

In accordance with Section 8 of the SPC Regulation, distributors are required to apply by no later than April 15, 2012 for an order authorizing the disposition of any residual balance in sub-account 2010 SPC Assessment Variance. The Filing Requirements

state the Board's expectation that requests for disposition of this account balance would be heard as part of the proceedings to set rates for the 2012 year.

Fort Frances requested the disposition of a residual debit balance as at December 31, 2010, plus collections in 2011 and carrying costs until April 30, 2012 of \$2,280 over a one year period.

Board staff submitted that despite the usual practice, the Board should authorize the disposition of Account 1521 as of December 31, 2010, plus the amount recovered from customers in 2011, including carrying charges to April 30, 2012, noting that this was consistent with Board decisions in both the Horizon (EB-2011-0172) and Hydro One Brampton (EB-2011-0174) 2012 IRM proceedings. Board staff requested that Fort Frances provide a clarification of an inconsistency between the data entered in the model and Fort Frances' written evidence in its reply submission, and provide any updates as required

In its reply submission, Fort Frances provided the requested clarification and requested that the Board approve the amount as filed.

The Board approves the disposition, on a final basis, of the debit balance of \$2,280 in account 1521, representing principal and interest to April 30, 2012, over a one year period, May 1, 2012 to April 30, 2013, using the billing determinants approved by the Board elsewhere in this Decision. The Board directs Fort Frances to close Account 1521 effective May 1, 2012.

For accounting and reporting purposes, the balance of Account 1521 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances are effective in rates, which generally is the start of the rate year (e.g. May 1), and this entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes

In 2001, the Board approved a regulatory payments in lieu of taxes proxy approach for rate applications coupled with a true-up mechanism filed under the RRR to account for changes in tax legislation and rules and to true-up between certain proxy amounts used to set rates and the actual amount of taxes paid. The variances resulting from the true-up were tracked in Account 1562 for the period 2001 through April 30, 2006.

On November 28, 2008, pursuant to sections 78, 19 (4) and 21 (5) of the *Ontario Energy Board Act, 1998*, the Board commenced a Combined Proceeding (EB-2008-0381) on its own motion to determine the accuracy of the final account balances with respect to Account 1562 Deferred Payments in Lieu of Taxes (“Deferred PILs”) (for the period October 1, 2001 to April 30, 2006) for certain electricity distributors that filed 2008 and 2009 distribution rate applications.

The Notice in the Combined Proceeding included a statement of the Board's expectation that the decision resulting from the Combined Proceeding would be used to determine the final account balances with respect to Account 1562 Deferred PILs for the remaining distributors. In its decision and order, the Board stated that, “[e]ach remaining distributor will be expected to apply for final disposition of Account 1562 with its next general rates application (either IRM or cost of service).”¹

Fort Frances applied to refund a credit balance of \$22,833, consisting of principal of \$18,837 and related interest of \$3,996. In response to interrogatories, Fort Frances filed amended evidence that resulted in a credit balance of \$17,387, consisting of principal of \$15,071 and related interest of \$2,316.

Start Date for Recording PILs Proxy Entitlement and Amount

Board staff's submission noted that Fort Frances had applied for and received approval of 2002 rates effective March 1, 2002, which included a 0% Target Return on Common Equity and Fort Frances' request to forego the second instalment of MARR. Fort Frances did not implement these rates until May 1, 2002. Board staff submitted that since Fort Frances voluntarily chose to implement new rates for 2002 on May 1, 2002, rather than March 1, 2002, it should pro-rate its PILs proxy over the same period over which it billed its customers.

¹ EB-2008-0381 Account 1562 Deferred PILs Combined Proceeding, Decision and Order, p. 28

In its reply submission, Fort Frances noted that it had inadvertently shown PILs recoveries prior to May 1, 2002, and provided corrected continuity schedules. Fort Frances submitted that while collection of PILs recoveries should reflect the month that rates were implemented (in this case May, 2002), PILs entitlement should begin March 1, 2002 upon rate implementation. Fort Frances stated that the Combined Proceeding established the precedent that PILs entitlement commences with the start of taxation rather than the effective date of rates, and that this precedent should apply equally to all LDCs. Fort Frances noted further that it had foregone the second instalment of MARR in 2002, and that the 2002 PILs recovery was reduced to reflect lower MARR as an effort to mitigate customer impacts. Fort Frances stated that Board staff's proposal would reduce 2002 PILs to below the level approved in rates, which would further penalize Fort Frances and result in retroactive ratemaking.

Disposal of Fixed Assets

Board staff's submission noted that Fort Frances had recorded accounting gains and losses on fixed assets in the SIMPIL models. It noted that utilities receive debt and equity returns and depreciation recovery on fixed assets and that write downs are accelerated depreciation that should not true up to ratepayers under the Board's established methodology. Board staff submitted that fixed asset transactions should appear on the TAXREC3 sheet of the SIMPIL model.

In its reply submission, Fort Frances agreed with Board staff and provided revised models to remove fixed asset transactions from true-up calculations. Fort Frances' revised calculations, including corrections to PILs 2002 recoveries and removal of fixed asset true-ups, resulted in a revised credit balance for disposition of \$19,066.

The net result of Board staff's calculations, including corrections to PILs 2002 recoveries, adjustment to PILs entitlement to May 2002 from March 2002 and removal of fixed asset transactions was a credit balance in Account 1562 of \$31,882, including a principal balance of \$25,203 and related carrying charges of \$6,679.

The Board approves on a final basis the recovery of a revised credit balance of \$31,882 in account 1562 to be refunded to customers over a one year period, May 1, 2012 to April 30, 2013, using the billing determinants approved by the Board elsewhere in this Decision. The revised credit balance reflects the effective date for 2002 rates of May 1,

2002 and removal of fixed asset true-ups. The Board notes that Fort Frances agreed with the submission of Board staff that fixed asset transactions should not true-up to ratepayers. The Board concurs with this approach, as it is consistent with the Board's findings in North Bay's 2012 IRM application (EB-2011-0187).

With respect to the date on which Fort Frances' PILs entitlement commenced, from a rate perspective, the Board has generally found that the PILs entitlement begins with the effective date of rates where the distributor voluntarily delayed implementation of 2002 rates beyond the expected date of March 1, 2002 (North Bay EB-2011-0187 and St. Thomas EB-2011-0196). However, in this case, Fort Frances implemented the Board approved 2002 rates on May 1, 2002, not the effective date approved by the Board of March 1, 2002. Notwithstanding the fact that Fort Frances did not obtain approval for the later implementation date, customers did not begin paying 2002 changed rates until May 1. As such, the Board is of the view that Fort Frances' PILs entitlement began on that date. The Board also notes that Fort Frances did not apply for, nor did the Board approve, a deferral account to capture the under recovery of the 2002 revenue requirement arising from the May 1, 2002 implementation date.

The Board notes the submission of Fort Frances that it did not implement the 2002 Board approved rates on March 1, 2002 as ordered by the Board but chose to do so on May 1, 2002 instead. The Board considers the unauthorized deviation from a Board-approved rate order to be a serious matter. When the Board issues a decision and rate order approving certain rates, the distributor is expected to bill its customers the Board-approved rates for the period covered by the rate order. The utility is not authorized to deviate from the approved rate order in any way, whatever its reasons for doing so, without prior Board approval. The Board is of the view that the issue of whether Fort Frances has complied with the Board's Decision and Order in RP-2002-0031/EB-2002-0040 should be considered in Fort Frances' next rates proceeding.

For accounting and reporting purposes, the balance of Account 1562 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances are effective in rates, which generally is the start of the rate year (e.g. May 1), and this entry should be

completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Smart Meter Funding Adder

Fort Frances' application proposed the continuation of its current Smart Meter Funding Adder ("SMFA") of \$2.50/customer/month until approval of its Smart Meter Cost Recovery application. Fort Frances completed 100% of its installation program and began billing time of use rates to mandated classes on November 1, 2011. Fort Frances stated that continuation of the SMFA should continue for rate stability, offsetting credit rate riders for its Group 1 balances and PILs recovery.

Board staff submitted that the SMFA was not meant to be compensatory and noted that Fort Frances had asked to defer its next cost of service application, although no Board decision had been made on this issue. Board staff suggested that the Board may wish to consider continuation of a SMFA of \$1.00 with a sunset date of October 31, 2012 to allow sufficient time for Fort Frances to file an application for disposition of these costs.

Fort Frances replied that its proposal was interim until approval of its Smart Meter Cost Recovery application and that a rate reduction of \$2.50 would create instability, given the anticipated credit dispositions in 2012 and expected rate riders for Smart Meter Cost Recovery of approximately \$5.00.

The Board will not approve the continuation of the current SMFA past the current expiry of April 30, 2012. The Board notes that Fort Frances indicated that smart meter deployment was 100% complete effective November 2011. The Board is of the view that the relevant metric to consider in determining whether it is appropriate to extend the continuation of the SMFA is the date at which smart meter deployment was or will be substantially completed. In this case smart meters were 100% deployed in November 2011. The SMFA was designed to fund the prospective deployment of smart meters with minimum functionality and was not intended to be compensatory. The Board believes that the current expiry date of the SMFA best aligns the interests of ratepayers and the utility, by balancing potential rate volatility with the need to ensure that monies collected from ratepayers serve the intended purpose.

Specific Service Charges

Fort Frances' application proposed numerous changes to the tariff sheet for specific service charges, including changes to reflect the cost of providing services, the addition of a new rate and the deletion of obsolete and unused charges. New rates were proposed for Disconnect/Reconnect at Meter After Hours, Disconnect/Reconnect at Pole During Work Hours and Account Set-Up Charge. A new charge item was proposed for Owner Requested Disconnection/Reconnection During Regular Hours. Fort Frances provided cost information in support of new and increased charges for labour, benefits, truck and overheads as appropriate. Fort Frances also deleted unused and obsolete charges for Pulling Post Dated Cheques, Notification Charge and Charge to Certify a Cheque.

Board staff's submission noted that the Filing Guidelines do not specifically preclude changes to specific service charges however they do state that an IRM is not the appropriate venue to examine issues which are substantially unique to a distributor. Board staff stated that parties have not had the opportunity to examine the appropriateness of the cost information provided, and that it would be more appropriate for Fort Frances to conduct a full review of specific service charges at its next cost of service proceeding, where costs to provide its services may be more fully tested. Board staff submitted that changes to certain service charge rates and the new charge item proposed should not be approved at this time. Board staff did not oppose the removal of obsolete and unused charges.

In its reply submission, Fort Frances agreed with Board staff's rationale regarding changes to service charges during an IRM proceeding, and noted that its proposal was to modify seldom used charges to reflect current utility cost burdens and their recovery from the appropriate customers.

The Board will not approve any of the changes to Fort Frances' service charges sought in this application, as an IRM is not an appropriate process in which to consider these issues. The Board is of the view that these changes are appropriately dealt with in Fort Frances' next cost of service application where the underlying costs can be fully tested. The Board notes that Fort Frances has again requested that its next cost of service application be deferred, to beyond 2013 and it is thus unclear when the issues relating to Fort Frances' service charges will be heard by the Board.

Review and Disposition of Lost Revenue Adjustment Mechanism (“LRAM”)

Fort Frances’ application claimed a debit balance of \$50,043 to be recovered over one year, consisting of \$47,297 in principal and \$2,746 in carrying charges. Fort Frances’ LRAM claim represented lost revenues for CDM programs implemented from 2006 to 2010 and was based on final OPA results for 2006-2010. Fort Frances’ last rate rebasing through a cost of service proceeding was in 2006.

VECC supported the application as filed, noting that the savings were not included in the last approved load forecast and have not been previously claimed.

Board staff submitted that Fort Frances has been under IRM for all years included in its LRAM claim except 2006, and noted that the 2006 load forecast was set on a historical basis and did not consider future CDM effects. Board staff submitted that Fort Frances had not had the opportunity to recover these amounts and supported approval of the LRAM claim as submitted.

The Board will approve the LRAM claim as filed by Fort Frances. The Board notes that Fort Frances last rebased in 2006 and the Board approved load forecast did not consider future CDM effects. The Board also notes that Fort Frances was under IRM for all of the years claimed with the exception of 2006 and has not otherwise been compensated for these claims. The Board therefore approves an LRAM claim of \$50,043 on a final basis, to be disposed over a one year period May 1, 2012 to April 30, 2013, using the billing determinants approved by the Board elsewhere in this Decision.

Rate Model

With this Decision, the Board is providing Fort Frances with a rate model (spreadsheet) and applicable supporting models and a draft Tariff of Rates and Charges (Appendix A) that reflects the elements of this Decision. The Board also reviewed the entries in the rate model to ensure that they were in accordance with the 2011 Board approved Tariff of Rates and Charges and the rate model was adjusted, where applicable, to correct any discrepancies.

THE BOARD ORDERS THAT:

1. Fort Frances' new distribution rates shall be effective May 1, 2012.
2. Fort Frances shall review the draft Tariff of Rates and Charges set out in Appendix A. Fort Frances shall file with the Board a written confirmation assessing the completeness and accuracy of the draft Tariff of Rates and Charges, or provide a detailed explanation of any inaccuracies or missing information within **7 days** of the date of issuance of this Decision and Order.
3. If the Board does not receive a submission from Fort Frances to the effect that inaccuracies were found or information was missing pursuant to item 2 of this Decision and Order, the draft Tariff of Rates and Charges set out in Appendix A of this Decision and Order will become final effective May 1, 2012, and will apply to electricity consumed or estimated to have been consumed on and after May 1, 2012. Fort Frances shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.
4. If the Board receives a submission from Fort Frances to the effect that inaccuracies were found or information was missing pursuant to item 2 of this Decision and Order, the Board will consider the submission of Fort Frances and will issue a final Tariff of Rates and Charges.

Cost Awards

The Board will issue a separate decision on cost awards once the following steps are completed:

1. VECC shall submit its cost claim no later than **7 days** from the date of issuance of the final Rate Order.
2. Fort Frances shall file with the Board and forward to VECC any objections to the claimed costs within **21 days** from the date of issuance of the final Rate Order.
3. VECC shall file with the Board and forward to Fort Frances any responses to any objections for cost claims within **28 days** from the date of issuance of the final Rate Order.

4. Fort Frances shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote file number **EB-2011-0146**, be made through the Board's web portal at, www.errr.ontarioenergyboard.ca and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available parties may email their document to BoardSec@ontarioenergyboard.ca. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 2 paper copies.

DATED at Toronto, April 19, 2012

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A

To Decision and Order

Draft Tariff of Rates and Charges

Board File No: EB-2011-0146

DATED: April 19, 2012

Fort Frances Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0146

RESIDENTIAL SERVICE CLASSIFICATION

This section governs all services intended to supply electrical energy to buildings or sections of buildings devoted to living quarters such as houses, living accommodations at the rear of stores, self-contained and individually metered suites. These services are commonly referred to as Residential or Domestic Services. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	11.99
Distribution Volumetric Rate	\$/kWh	0.0088
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2013		
Applicable only for Non RPP Customers	\$/kWh	(0.0015)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013	\$/kWh	(0.0048)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery – effective until April 30, 2013	\$/kWh	0.0011
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0067
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0016

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Fort Frances Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0146

GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This section governs small commercial services and includes small stores, small service stations, restaurants, churches, small offices and other establishments with similar loads and whose monthly average peak demand is less than, or forecast to be less than, 50 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	28.89
Distribution Volumetric Rate	\$/kWh	0.0066
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2013		
Applicable only for Non RPP Customers	\$/kWh	(0.0015)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013	\$/kWh	(0.0047)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery – effective until April 30, 2013	\$/kWh	0.0003
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0061
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0014

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Fort Frances Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0146

GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION

This type of service will normally be applicable to small industry, departmental or larger stores such as supermarkets, shopping centres, storage buildings, large garages, restaurants, office buildings, institutions, hotels, hospitals, schools, colleges, arenas, apartment blocks or buildings and other comparable establishments and whose monthly average peak demand is equal to or greater than, or forecast to be equal to or greater than 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	240.90
Distribution Volumetric Rate	\$/kW	3.5771
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2013		
Applicable only for Non RPP Customers	\$/kW	(0.6074)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013	\$/kW	(1.8508)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery (2012) – effective until April 30, 2013	\$/kW	0.0584
Retail Transmission Rate – Network Service Rate	\$/kW	2.4942
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.5798

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Fort Frances Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0146

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per customer)	\$	28.89
Distribution Volumetric Rate	\$/kWh	0.0066
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013	\$/kWh	(0.0045)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0061
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0014

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Fort Frances Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0146

STREET LIGHTING SERVICE CLASSIFICATION

This classification refers to an account for roadway lighting with a Municipality within the service boundaries. The consumption for these customers is based on the calculated load times the established hours of use in the OEB load shape template. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per connection)	\$	1.16
Distribution Volumetric Rate	\$/kW	3.0363
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2013		
Applicable only for Non RPP Customers	\$/kW	(0.4978)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013	\$/kW	(1.5689)
Retail Transmission Rate – Network Service Rate	\$/kW	1.8812
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.4483

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Fort Frances Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

**This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors**

EB-2011-0146

microFIT GENERATOR SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	5.25
----------------	----	------

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

Fort Frances Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0146

SPECIFIC SERVICE CHARGES

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Customer Administration

Arrears certificate	\$	15.00
Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Notification Charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

Non-Payment of Account

Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	30.00
Collection of account charge – no disconnection – after regular hours	\$	165.00
Disconnect/Reconnect charge - At Meter - during regular hours	\$	20.00
Disconnect/Reconnect charge - At Meter – after regular hours	\$	185.00
Disconnect/Reconnect charge - At Pole - during regular hours	\$	45.00
Disconnect/Reconnect charge - At Pole - after regular hours	\$	415.00

Install/Remove load control device - during regular hours	\$	65.00
Install/Remove load control device - after regular hours	\$	185.00
Service call – customer owned equipment	\$	30.00
Service call – after regular hours	\$	165.00
Temporary Service – Install & remove – overhead – no transformer	\$	500.00
Temporary Service – Install & remove – underground – no transformer	\$	300.00
Temporary Service – Install & remove – overhead – with transformer	\$	1000.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35

Fort Frances Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0146

RETAIL SERVICE CHARGES (if applicable)

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing monthly charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing monthly credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0406
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0302
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A