

September 5, 2014

Ontario Energy Board  
P.O. Box 2319,  
2300 Yonge Street, 26<sup>th</sup> Floor  
Toronto, Ontario M4P 1E4  
Attn: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Fort Frances Power Corporation (FFPC)  
Response to Board Staff Comments on Draft Rate Order  
Application Board File EB-2013-0130

In response to the Board Staff Comments on Draft Rate Order issued to Fort Frances Power Corporation on September 3, 2014, please find attached the revised proposed appendices for:

1. Appendix D- "Draft Accounting Order – Long Term Load Transfer" and
2. Appendix E- "Draft Accounting Order – Renewable Generation Connection Funding Adder Deferral Account".

FFPC notes that VECC did not file any comments on the draft Rate Order with the Board.

In accordance with Board Order, two hard copies of the Response are enclosed. Electronic copies of the complete response in PDF format have also been submitted through the Board's Regulatory Electronic Submission System ("RESS").

All of which is respectfully submitted for the Board's consideration.

Sincerely:



Joerg Ruppenstein  
President and CEO  
Att.

cc: Intervenors on Record (by email)

- Vulnerable Energy Consumers Coalition - c/o Michael Janigan
- Vulnerable Energy Consumers Coalition - c/o Mark Garner
- Vulnerable Energy Consumers Coalition - c/o Bill Harper

## **APPENDIX D – Draft Accounting Order-Revised September 5, 2014**

Fort Frances Power Corporation- EB-2013-0130

For Rates Effective September 1, 2014

### **Long Term Load Transfer Project**

Fort Frances Power Corporation (“FFPC”) shall establish the following Variance Account effective September 1, 2014:

#### **Account 1508, Other Regulatory Assets, “Sub-account Long Term Load Transfer (LTLT)”**

FFPC will record all costs to connect electricity customers that reside within FFPC’s licensed Distribution Service Territory that are currently serviced by Hydro One. As per the Decision and Order EB-2013-0130, FFPC LTLT project was approved to allow the connection of 13 of the 14 potential customers in 2014.

FFPC was requested, due to the magnitude of the LTLT project, to create a variance account to provide adjusted capital expenditure and operating expense levels to reflect the adjustment with all necessary explanations.

FFPC will create the appropriate sub-accounts to permit the separate identification of capital and non-capital cost components.

Carrying charges will be determined by applying the Board approved rate to the opening monthly balances recorded in the sub-accounts. The amounts recorded shall be brought forward for disposition in FFPC’s next Cost of Service rate application.

#### **ACTUAL SPENDING**

A. To record capital and non-capital expenditures for LTLT Project:

- Account 1508-Other Regulatory Assets-Sub-account LTLT Project Capital
- Account 1508-Other Regulatory Assets-Sub-account LTLT Project OM&A

B. To record depreciation:

- Account 1508-Other Regulatory Assets-Sub-account LTLT Project, Depreciation Expense
- Account 1508-Other Regulatory Assets-Sub-account LTLT Project, Accumulated Depreciation

## REVENUE REQUIREMENT

- C. FFPC will use the following accounts to record a proxy calculation of the revenue requirement associated with subject assets and revenue associated with those rates, as well as monthly carrying charges:
- Account 1508 Other Regulatory Assets-Sub-account LTLT, Project Rate Revenues
  - Account 1508 Other Regulatory Assets-Sub-account LTLT, Project Rate Revenues, Carrying Charges
- D. FFPC will track the annual revenue requirement associated with the LTLT project on an actual basis until the account balances are reviewed and disposed in the next cost of service application:
- Account 1508 Other Regulatory Assets-Sub-account LTLT, Project Revenue Requirement
  - Account 1508 Other Regulatory Assets-Sub-account Contra-account LTLT, Project Revenue Requirement
- E. To record the monthly carrying charges at the rate of interest prescribed by the Board for deferral and variances accounts for their perspective quarterly period:
- Account 1508 Other Regulatory Assets-Sub-account LTLT, Project Revenue Requirement, Carrying Charges
  - Account 1508 Other Regulatory Assets-Sub-account Contra-account LTLT, Project Revenue Requirement, Carrying Charges

At FFPC's next cost of service application, FFPC will perform a true-up based on the difference between Account 1508 – Other Regulatory Assets, Sub-account, LTLT Project Rate Revenue (plus the associated carrying charge account) and the re-calculated revenue requirement relating to the actual capital expenditures recorded in Account 1508 – Other Regulatory Assets, Sub-account LTLT Project Revenue Requirement (plus the associated carrying charge account).

**APPENDIX E – Draft Accounting Order- Revised September 5, 2014**

Fort Frances Power Corporation- EB-2014-0130

For Rates Effective September 1, 2014

**Renewable Generation Connection Funding Adder Deferral Account**

Fort Frances Power Corporation (FFPC) will establish the following Variance Account effective September 1, 2014, with the recovery from IESO of \$2,170 annually or \$181 monthly.

**Account 1533, Renewable Generation Connection Funding Adder Deferral Account,**

**“Sub-account Provincial Rate Protection Payment Variances”**

FFPC is planning Renewable Generation Connection investments which may be eligible for rate protection under the provisions of O. Reg. 330/09 (Cost Recovery Re Section 79.1 of the [OEB] Act. Eligible investments are as described under section 79.1 of the Ontario Energy Board Act. 1998.

The purpose of the variance account is to track the variance between FFPC’s revenue requirement<sup>1</sup> required to support the portion of the investments that are eligible for rate protection, and the rate protection payments collected from the Independent Electricity Systems Operation (IESO).

FFPC will use Account 1533, Renewable Generation Connection Funding Adder Deferral Account, “Sub-account Provincial Rate Protection Payment Variances” and will calculate and record on an annual basis, as a variance account the net of:

1. the revenue requirement associated with the portion of the capital and/or operating costs that are eligible for provincial rate protection, as incurred by FFPC for eligible renewable enabling and expansion investments for the period of 2014 through 2018;  
and
2. the payment amounts collected by FFPC from IESO as a result of any Board order(s) directing such payments from IESO to FFPC. The balance will not attract carrying charges.

The prudence of the planned investments, including the costs recorded in the account and their eligibility for provincial rate protection under O. Reg. 330/09 and any disposition and recovery of variance account balances, are matters that will be addressed and determined in a future proceeding.

The account requirements for “Sub-account Provincial Rate Protection Payment Variances” of Account 1533 are proposed below:

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<sup>1</sup> See the Board’s Filing Requirements for Electricity Distribution Rate applications (dated July 17, 2013) Chapter/Section 2.5.25 and Appendices 2-FA, 2-FB and 2-FC regarding Costs of Eligible Investments for the Connection of Qualifying Generation Facilities and templates for their calculation.

**Accounting requirements for “Sub-account Provincial Rate Protection Payment Variances” of Account 1533 related to the Provincial Rate Protection under O. Reg. 330/09 as approved by the Board pursuant to section 79.1 of the Ontario Energy Board Act.**

- A. FFPC proposes the use of Account 1533, Renewable Generation Connection Funding Adder Deferral Account, “Sub-account Provincial Rate Protection Payment Variances” to record with respect to the Provincial Rate Protection payments under O. Reg. 330/09 at the end of the each fiscal year, the net of:
  - I. The annual revenue requirement impact on an actual basis applicable to in-service capital assets and depreciation, and incurred operation, maintenance and administrative expenses eligible for Provincial Rate Protection,
  - and
  - II. Provincial Rate Protection payments, as approved by the Board, received from the Independent Electricity Systems Operator for the year.
- B. For the purposes of calculating the revenue requirement impacts eligible for the Provincial Rate Protection on an actual basis, FFPC will ensure the correct allocations and percentages are used to determine the eligible portions of the in-service capital assets and depreciation, and incurred operation maintenance and administrative expenses. No direct benefits as defined in O. Reg. 330/09 associated with the aforementioned capital assets and expenses will be included in the revenue requirement impact.
- C. There will be a prudence review undertaken for not yet in-service capital assets and incurred expenses. FFPC has provided estimates for these amounts to determine the revenue requirement impacts to derive amounts eligible for the Provincial Rate Protection. At the time of FFPC’s request for disposition of the balance in this account in its next rebasing application, the Board will conduct a prudence review of the actual incurred spending for the by then in-service capital assets and expenses. The Board may also determine whether changes to revenue requirement impact amounts require changes to the Provincial Rate Protection payment amounts to be received by FFPC from the Independent Electricity Systems Operator. Upon the completion of this review, FFPC will continue to on an ongoing basis track and record amounts in the “Sub-account Provincial Rate Protection Variances” as outlined above in paragraph A compliant with any changes the Board may require or approve.

- D. No accounting carrying changes will accrue on the balance in “Sub-account Provincial Rate Protection Payment Variances.”
- E. The Provincial Rate Protection payments, as approved by the Board, received from the Independent Electricity Systems Operator will be recorded in “Sub-account, Provincial Rate Protection Payments” of Account 4080. The offsetting entry to “Sub-account Provincial Rate Protection Payment Variances” should be to this sub-account of Account 4080.
- F. Detailed records will be maintained showing the derivation of the amounts recorded in “Sub-account Provincial Rate Protection Payment Variances” including supporting documentation for the calculation of revenue requirement impacts for the Provincial Rate Protection eligible amounts.