

**IN THE MATTER OF the Ontario Energy Board Act, 1998, SO 1998, c15, Schedule B;**  
**AND IN THE MATTER OF an application by Fort Frances Power Corporation for an Order to**  
**amend its Electricity Distribution Licence (ED-2003-0028) pursuant to section 74 of the**  
**Ontario Energy Board Act, 1998**

**SERVICE AREA AMENDMENT APPLICATION OF FORT FRANCES POWER CORPORATION**

**SUBMITTED: April 21, 2016**

## INTRODUCTION

1. Fort Frances Power Corporation ("FFPC" or the "Applicant") is filing this service area amendment ("SAA") application with the Ontario Energy Board (the "Board") under section 74 of the *Ontario Energy Board Act, 1998* for an order of the Board to amend the licensed service area in Schedule 1 of electricity distribution license ED-2003-0028.
2. This application has been prepared in accordance with the Board's Filing Requirements for Service Area Amendments, Chapter 7 of the Filing Requirements for Transmission and Distribution Applications (March 12, 2007) (the "Filing Requirements"). We have followed the outline and numbering system of the Filing Requirements and have indicated where there is no applicable information for a given heading under the circumstances of this Application.
3. FFPC's current license provides that its service territory is "The Town of Fort Frances as at January 1, 1960".
4. Presently, FFPC does not service all of the residents of the Town, as some are serviced by Hydro One Networks Inc. ("Hydro One"). Hydro One intends to transfer those customers, and assets to serve them, to FFPC. The asset transfer requires an order under section 86(1) the OEB Act, which Hydro One has obtained with Decision and Order EB-2015-0338, attached hereto as Appendix A. FFPC will also be extending its distribution system in three geographical locations, as detailed in FFPC's 2014 Cost of Service (COS) Rate Application, case number EB-2013-0130, to facilitate the connection of all customers currently located in the Town of Fort Frances that are presently serviced by Hydro One. The planned McIrvine and Frog Creek Road feeder expansion detailed in the (COS) application will be reduced to approximately 1/3 of the original planned expansion length, as a result of FFPC's acquisition of the above mentioned feeder section from Hydro One. No service area amendment is required to transfer the customers currently within the Town who are serviced by Hydro One, given that the licensed service territory of FFPC is the entire Town of Fort Frances (the "Town"). A complete listing of all customers being transferred from Hydro One to FFPC is attached as Appendix G.
5. In the course of the asset transfer negotiations between Hydro One and FFPC, it became clear to both Hydro One and FFPC that there are additional Hydro One customers that, for efficiency purposes, should also be transferred from Hydro One to FFPC, and there are current FFPC customers that are not formally recognized as being in FFPC's service territory:
  - a. There are customers just outside the boundaries of the Town in Hydro One's licenced service territory that are physically connected to the distribution assets that FFPC is acquiring from Hydro One in the above mentioned asset transfer; and it would be efficient for FFPC to serve these particular customers as the construction of a separate circuit is thereby avoided.
  - b. There are customers that reside just outside the boundaries of the Town in Hydro One's licensed service territory who are already connected to FFPC assets. HONI

and FFPC agree that these customers should remain as customers of FFPC to avoid construction and a service area amendment should formalize that relationship.

6. This SAA application is required to permit FFPC to offer to connect the customers outside of the Town of Fort Frances and to revise the service territory description of FFPC to properly recognize its existing customers outside of the Town boundaries (the “Affected Customers”).

## **BACKGROUND**

7. Two important documents underlie this application:

- a. 1905 historic Power Agreement [Appendix B].
- b. This Board’s Decision and Order dated August 14, 2014 in FFPC’s cost of service rate application, EB-2013-0130 (the “Rate Decision”) [Appendix C].

The pertinent effect of each of these documents for the purposes of this application is described briefly below.

### **1905 Power Agreement**

8. Since 1905, the residents of the Town have enjoyed the benefit of a contract between the Town and the local pulp and paper mill (the “1905 Power Agreement”). The 1905 Power Agreement obligates the mill owner, or more precisely, the owner of the generation assets on the Rainy River, to provide to the Town 4,000 horsepower (2.984 Megawatts) per annum, at a price of \$14 per horsepower per annum. In 1983, the Supreme Court of Canada confirmed that it is as a perpetual right for the Town to call for power at this price “for Municipal purposes and public utilities” [*Fort Frances v Boise Cascade Ltd*, [1983] 1 SCR 171 at 184].

9. Today, the 1905 Power Agreement is filed as a physical bilateral contract with the IESO and represents a financial obligation of H2O Power LP, the current owner of the generation assets on the Rainy River (“Owner”). The Owner is obligated to provide to the Town, in perpetuity, 4,000 horsepower (2.984 Megawatts) at \$14 per horsepower per annum (0.21416 cents per kilowatt hour). Essentially, for 2.984 Megawatts, which represents approximately 25% of the power purchases of FFPC, the Owner pays to the IESO the additional costs of power above 0.21416 cents per kilowatt hour, and the IESO credits FFPC for that amount.

10. The volume of electricity under the Power Agreement is also exempt from the Global Adjustment charge, in accordance with O. Reg. 398/10. In other words, the customers do not pay any additional charges above the agreed \$14 per horsepower per annum (0.21416 cents per kilowatt hour) for 4,000 horsepower (2.984 Megawatts), consistent with the 1983 Supreme Court of Canada ruling. FFPC provides a credit to its customers who, in effect, pay a blended commodity rate reflecting the benefit of the 1905 Power Agreement. The amount of the benefit currently exceeds \$2.5 million annually.

## **The Rate Decision**

11. FFPC filed a complete cost of service application with the Board on February 14, 2014 (the “Rate Application”). In the context of the Rate Application, FFPC advised that there were residents of the Town, entitled to share in the benefits of the 1905 Power Agreement, that were not receiving their entitlement because they were connected to the distribution network of Hydro One. These customers were customers of Hydro One, despite being within the territorial boundaries of the Town and hence within FFPC’s service territory, for historical reasons, primarily because the distribution system of FFPC was not in close proximity to these residents when they were electrified. In the Rate Decision, the Board agreed with FFPC that all of the customers in the Town should become customers of FFPC and have the benefit of the 1905 Power Agreement.

12. FFPC explained in the Rate Application that the system expansion to connect these customers would benefit all current customers and future customers, because the completion of the project would unlock access to approximately 25.4% of FFPC’s serve territory that is not yet developed, while also offering considerably improved access for potential renewable generation facilities.

13. In the Rate Decision, the Board approved capital expenditures for \$371,739 in connection with FFPC’s distribution system expansion.

## **The Asset Transfers**

14. Hydro One and FFPC agreed in principle that FFPC would purchase from Hydro One 32 poles, 32 transformers and 7,011 meters of conductor (a section of Crozier DS F2 – 14.4kV primary conductor), which run along Frog Creek Road from 1775 Frog Creek Road on the east to 1725 McIrvine Road. The physical location of the assets is entirely within FFPC’s service territory. This asset transfer has now been approved by the Board [EB-2015-0338]. Because of this asset transfer, it is now efficient for FFPC to also begin to serve the customers who reside just outside of the Town boundaries but are connected to the section of feeder being transferred from Hydro One to FFPC.

15. FFPC has proposed that it would provide an offer to connect all of the new customers formerly with Hydro One on the basis that the system expansion costs would be borne by all FFPC customers by way of the September 1, 2014 distribution rates approved in the Rate Decision.

## 7.1 BASIC FACTS

### General

#### 7.1.1 Contact information

16. The Applicant:

Fort Frances Power Corporation  
Joerg Ruppenstein, President & CEO  
320 Portage Avenue  
Fort Frances, Ontario  
P9A 3P9  
Tel: 807-274-9291  
Fax: 807-274-9375  
Email: jruppenstein@fort-frances.com

The Incumbent Distributor:

Hydro One Networks Inc.  
Pasquale Catalano, Regulatory Analyst  
7<sup>th</sup> Floor, South Tower  
483 Bay Street  
Toronto, Ontario  
M5G 2P5  
Tel: 416-345-5405  
Fax: 416-345-5866  
Email: Regulatory@HydroOne.com

17. The customers subject to this application are the following:

- a. Affected Customers physically connected to the assets being transferred from Hydro One to FFPC: as per 5 (a)

Customer Name	Address	Customer Type	Meter	Abbreviated Parcel Register Property Identifier	Township
Customer D	2600 McIrvine Rd	Residential - TOU RPP			Miscampbell
Customer H	1411 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell
Customer S	3 Frog Creek Rd	Residential - TOU RPP			Alberton
Customer T	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell
Customer U	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell
Customer V	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell

Customer W	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell
Customer X	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell
Customer Y	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell
Customer Z	1300/4 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell
Customer AA	1300/0 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell
Customer AB	1300/148 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell
Customer AC	1300/2 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell
Customer AD	1300/1 Frog Creek Rd	General Service under 50 kW - TOU RPP			Miscampbell

- b. Affected Customers outside of Town boundaries that are already connected to FFPC's distribution system: as per 5 (b)

Customer Name	Address	Customer Type	Meter	Abbreviated Parcel Register Property Identifier	Township
Customer BA	1509 Mill Road	General Service under 50 kW - TOU RPP			Couchiching
Customer BB	1509 Mill Road	General Service under 50 kW - TOU RPP			Couchiching
Customer BC	Balsam Road	General Service under 50 kW - TOU RPP			Alberton
Customer BD	Balsam Road	General Service under 50 kW - TOU RPP			Alberton
Customer BE	Balsam Road	General Service under 50 kW - TOU RPP			Alberton

### 7.1.2 Reasons for amendment

18. In order to comply with the Rate Decision, and consistent with the Asset Transfer Decision, FFPC is purchasing from Hydro One assets along Frog Creek Rd. When the assets are transferred to FFPC, it will be most efficient that the Affected Customers connected to these assets become customers of FFPC as Hydro One will no longer have assets in the area with which to connect them.

19. The amendment is also required to incorporate into FFPC's formal service territory the Affected Customers that reside outside of Town boundaries but are already connected to FFPC's distribution system.

### Proposed service area

#### 7.1.3 Description of proposed service area

20. This is a land parcel-specific service area amendment request.

21. Only the License of FFPC requires amendment as follows. Schedule 1 of electricity distribution license ED-2003-0028 current reads as follows:

1. The Town of Fort Frances as at January 1, 1960.

The license amendment would require the addition of the following language:

- “2. The properties at the following addresses:

Customers Transferred as per 5 a)	
Address	Abbreviated Parcel Register Property Identifier
2600 McIrvine Rd	
1411 Frog Creek Rd	
3 Frog Creek Rd	
1300 Frog Creek Rd	
1300 Frog Creek Rd	
1300 Frog Creek Rd	
1300 Frog Creek Rd	
1300 Frog Creek Rd	
1300 Frog Creek Rd	
1300/4 Frog Creek Rd	
1300/0 Frog Creek Rd	
1300/148 Frog Creek Rd	
1300/2 Frog Creek Rd	
1300/1 Frog Creek Rd	
Customers Transferred as per 5 b)	
Address	Abbreviated Parcel Register Property Identifier
1509/1 Mill Road	
1509/2 Mill Road	
Balsam Road	
Balsam Road	
Balsam Road	

#### 7.1.4 Maps and diagrams

22. The borders of the proposed service territory of FFPC, the geographical and geophysical features of the area and the surrounding area are depicted in Appendix D. The current service territory of FFPC and the properties that are proposed to be added to the licensed service territory by this Application are described in Appendix E. There are no alternate distributors in the area.

## **Distribution infrastructure**

### **7.1.5 Description of proposed physical connection**

23. The Affected Customers are 2 residential customers and 17 commercial customers, of which 11 connection points are for the Fort Frances Airport.

### **7.1.6 Future expansion in adjacent lands**

24. FFPC has no immediate plans for expansion in the adjacent lands beyond the addresses listed in paragraph 21, above.

## **7.2 EFFICIENT RATIONALIZATION OF THE DISTRIBUTION SYSTEM**

### **Economic and engineering efficiency**

#### **7.2.1 Comparison of the economic and engineering efficiency for FFPC and Hydro One**

25. Hydro One will no longer have assets in the area with which to serve the Affected Customers. FFPC will cover all costs of connection. There will be no charges to or capital contributions from Affected Customers. There are no expected changes to the reliability of FFPC's infrastructure.

26. Hydro One has confirmed that there are no stranded assets from the proposed service area amendment. Hydro One will be required to remove its smart meters from all customer locations being transferred to FFPC.

27. FFPC and Hydro One operate distribution systems at different voltage levels. Servicing customers along sections of the Town boundary where customers are divided by roadways requires the presence of two separate distribution circuits. To avoid the cost of constructing separate dual circuits to service the Affected Customers, the most cost-effective solution is to proceed with transferring the Affected Customers to FFPC. Adhering to the existing service territory boundaries to service the 19 Affected Customers would require the construction of more than 6 km of duplicate (dual circuit) distribution feeder lines. The suggested approach limits construction to less than 1.5 km of single circuit distribution feeder lines, as detailed in FFPC's 2014 Cost of Service Rate Application, case number EB-2013-0130.

28. The lands adjacent to the feeder section as well as to the feeder expansion consist primarily of vacant fields. These fields would be ideal for future economic developments such as residential housing or business ventures including solar farms.

29. The proposed solution is the most economical method of resolving the issue of the disbursement of the 1905 Historic Power Agreement to all eligible customers within the Town of Fort Frances, and to provide continued service to the Affected Customers. Alternate solutions of constructing a joint use pole line or a parallel pole line would require significant capital investments, as the existing pole line cannot safely accommodate the necessary dual



circuits due to FFPC and Hydro One utilizing different supply voltages. An additional economic benefit is that the overall distribution circuit length from the electrical source to the affected customers is reduced significantly, as the source will now be from station Fort Frances MTS.

### **7.3 IMPACTS ARISING FROM THE PROPOSED AMENDMENTS**

#### **Description of Impacts**

##### **7.3.1 Affected Customers**

30. See paragraph 21 above.

##### **7.3.2 Customer Impacts within Subject Area**

31. The Affected Customers will be charged FFPC distribution rates, which are lower rates than Hydro One, and there are no expected changes to service quality or reliability.

##### **7.3.3 Customer Impacts outside Subject Area**

32. The amendment will not affect any other customers.

##### **7.3.4 Distributor Impacts**

33. The increase in customer count will help FFPC with the distribution of fixed operating costs such as the fixed billing system, smart meter system, Geographical Information System (GIS), and accounting system costs. The increase in load will improve FFPC's utilization of its "West Feeder", as it is currently lightly loaded. FFPC's smart meter MESH communication network performance will improve with the increase in meter density as the geographical areas are sparsely populated (the more meters, the better the communication performance).

##### **7.3.5 Stranded and Redundant Assets**

34. There are no stranded or redundant assets.

##### **7.3.6 Transferred Assets**

35. The transferred assets are those assets that have been approved for transfer between Hydro One and FFPC in Board Decision EB-2015-0338.

##### **7.3.7 Transferred Customers**

36. Please refer to 7.1.3 item 21.

##### **7.3.8 Eliminated Load Transfers or Retail Points of Supply**

37. Not applicable.

### **7.3.9 New Load Transfers or Retail Points of Supply**

38. Not applicable.

### **Evidence of Consideration of Mitigation of Impacts**

#### **7.3.10 Written Confirmation of Full Disclosure**

39. Hydro One has advised that it will provide written confirmation of full disclosure to its current customers who are Affected Customers following the issuance by the OEB notice of this Application.

#### **7.3.11 Consent of Incumbent Distributor**

40. The consent of Hydro One to this Application is attached as Appendix F.

#### **7.3.12 Consent of Developer**

41. Not applicable.

#### **7.3.13 Mitigation Efforts Related to Developer and Asset Transfers**

42. Not applicable.

### **7.4 CUSTOMER PREFERENCE**

#### **7.4.1 Written Statement of Customer Preference**

43. Customer consents will be provided after the issuance of notice of this Application by the Board and Hydro One's notification of the Affected Customers currently served by Hydro One.

### **7.5 CONTESTED APPLICATIONS - ADDITIONAL INFORMATION**

44. Not applicable.

### **CONCLUSION**

45. FFPC requests that this matter be disposed of without an oral hearing, pursuant to s. 21(4) of the *Ontario Energy Board Act, 1998*.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FORT FRANCES POWER CORPORATION**

# **Appendix A**

**Hydro One Asset Sale to FFPC Decision  
and Order - EB-2015-0338**



# **Ontario Energy Board Commission de l'énergie de l'Ontario**

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## **DECISION AND ORDER**

**EB-2015-0338**

### **HYDRO ONE NETWORKS INC.**

**Application under section 86(1)(b) of the *Ontario Energy Board Act, 1998* for leave to sell distribution assets to Fort Frances Power Corporation.**

**By Delegation Before: Peter Fraser**

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**December 22, 2015**

## THE APPLICATION

Hydro One Networks Inc. (Hydro One) filed an application with the Ontario Energy Board (OEB) on November 25, 2015 under section 86(1)(b) of the *Ontario Energy Board Act, 1998* (the Act), for an order granting Hydro One leave to sell certain distribution system assets to Fort Frances Power Corporation (FFPC).

The proposed assets to be sold include 32 poles, 7,011 meters of conductor and 32 transformers. The physical location of the proposed assets to be sold is entirely within FFPC's service territory. A section of Crozier DS F2 – 14.4kV primary conductor runs along Frog Creek Road from 1775 Frog Creek Road on the east to 1725 McIrvine Road to the west in Fort Frances Township. Upon purchase, these assets will be integrated into FFPC's distribution system to supply its customers.

## THE PROCESS

Hydro One requested, with FFPC's consent, that the OEB dispose of this matter without a hearing under section 21(4)(b) of the Act. I find, based on the evidence filed in the application, that no other person will be adversely affected in a material way by the outcome of this proceeding. I have proceeded to decide the application without a hearing pursuant to section 6(4) of the Act.

## FINDINGS

Section 86(1)(b) of the Act provides that leave of the OEB is required before a transmitter or a distributor can "sell, lease or otherwise dispose of that part of its transmission or distribution system that is necessary in serving the public." The assets that are the subject of this transaction are necessary in serving the public.

The evidence indicates that the assets currently serve and will continue to serve customers located in FFPC's service territory. In addition, these assets also serve and will continue to serve customers currently located in Hydro One's service territory. Hydro One and Fort Frances have agreed to transfer Hydro One's customers served by these assets to Fort Frances, conditional to the OEB's approval of the FFPC service area amendment application. Hydro One states that the transaction will not adversely

affect the safety, reliability, quality of service or operations of the applicant or FFPC. The proposed transfer will not impact distribution rates of the applicant.

The sale price for the assets to be transferred is \$102,466.11 plus \$13,320.59 (HST) and represents the net book value of the assets. The total sale price is \$115,786.70.

I find that the proposed transaction is reasonable and is not anticipated to have any negative effects. It is therefore in the public interest to grant Hydro One leave to sell the assets described above to FFPC.

The approval of this application should in no way be construed as providing the OEB's view as to the merits of any future rate proposal related to the assets that are the subject of this Decision and Order.

**IT IS THEREFORE ORDERED THAT:**

1. Hydro One Networks Inc. is granted leave to sell to Fort Frances Power Corporation 25 transformers, 7,011 meters of conductor and 32 poles located along Frog Creek Road from 1775 Frog Creek Road on the east to 1725 McIrvine Road to the west in Fort Frances Township.

**DATED** at Toronto December 22, 2015

**ONTARIO ENERGY BOARD**

*Original signed by*

Peter Fraser  
Vice President, Industry Operations & Performance

# **Appendix B**

## **1905 Power Agreement**



THIS INDENTURE made in triplicate this ninth day of January A.D. 1905.

BETWEEN

HIS MAJESTY represented by the Honourable the Commissioner of Crown Lands for the Province of Ontario (hereinafter called the Government).

OF THE FIRST PART .

-and-

EDWARD WELLINGTON BACKUS, of the City of Minneapolis in the State of Minnesota, Lumberman, and those associated with him (hereinafter called the "PURCHASERS").

OF THE SECOND PART.

WHEREAS the Rainy River in the District of Rainy River forms the International boundary between the Province of Ont., in the Dominion of Canada, which said River in the neighbourhood of the Town of Fort Frances forms a valuable and extensive water power.

AND WHEREAS the Municipal Council of the Town of Fort Frances and the Municipal Council of the Township of McIrvine and the residents of the said Town and Township have at various times petitioned the Government to develop or procure the Development of the said water power, so that the same might be utilized for Municipal purposes and for manufacturing and milling in the said Municipalities, thereby assisting in the development of the said Municipalities and of the surrounding District.

AND WHEREAS application has been made by the Purchasers for a grant in fee of such lands adjacent to the said River and of such lands covered by the said River, and of such privileges as are necessary to enable the Purchasers to develop the said water Power and to render the same available for municipal manufacturing and milling purposes:

AND WHEREAS the said water power can be more advantageously developed, and more power produced, by works embracing the entire width of the River and dealing with it as a whole, than by an independent development on the Canadian side of the International boundary, and it is therefore in the public interest to adopt such plan of development.



AND WHEREAS the Purchasers are the owners in fee simple of the lands and water power on the Minnesota side of the International boundary opposite the said Town of Fort Frances, and are desirous of obtaining from the Government of the Province of Ontario a grant in fee of the lands and power on the Canadian side of the International Boundary, for the purpose of developing the water power to the full capacity of the stream from side to side at high water mark, and of utilizing such storage facilities as may be available for maintaining the River at such high water mark, thereby rendering available a large amount of power on the Canadian side of the River, for municipal purposes and for the operation of pulp or paper mills, flour and grist mills, and other manufacturing establishments:

AND WHEREAS it is necessary in order to carry out such a scheme of development that the Purchasers should be permitted to construct a storage dam at the outlet of Lake Namakan, at or near Kettle Falls, on the International Boundary, and to set apart sufficient lands for the construction and maintenance of the said dam, and that they should also, if necessary, be in a position to create storage reservoirs on Upper and Lower Manitou Lake and Big Turtle Lake under conditions satisfactory to the Government by the construction of the necessary dams for that purpose, with the view of maintaining a more regular and uniform flow of water over the Falls at Fort Frances, by reinforcing the waters of Rainy Lake:

AND WHEREAS the construction of the said dams and the maintenance of the waters of Rainy Lake at a higher level during the low water period will be of greater advantage to navigation

AND WHEREAS it is expedient and desirable in the interests of the Town of Fort Frances of the said Township of McIrvine and of the public generally, that the said water power be ~~speedily~~ speedily developed to its full capacity and that an Agreement be entered into to that end, upon the terms and subject to the conditions and stipulations herein contained:

AND WHEREAS the Purchasers propose to form a Joint Stock Company under the provisions of the Ontario Companies' Act for the purpose of acquiring the said lands and water power and of taking over and acquiring this Agreement and all the benefits and advantages appertaining thereto, and of assuming the obligations hereby incurred by the Purchasers, and of carrying on



the development and operation of the said water power:

NOW THIS IDENTURE WITNESSETH and it is hereby agreed by and between the Purchasers and the Government as follows; that is to say:-

1. THE GOVERNMENT agrees to sell and the Purchasers agree to buy the following lands and lands covered by water, being ALL AND SINGULAR those certain parcels or tracts of lands and premises situate, lying and being in the Town of Fort Frances and adjacent thereto, and being composed of the lands and lands covered by the waters of the Rainy River shown and set out in the Plan and description hereunto attached, bearing the signature of the Commissioner of Crown Lands for Ontario, which said Plan and descriptions are hereby made part of this Agreement, the lands in question being colored red on the said plan, together with the lands or lands covered by water heretofore conveyed by the Town of Fort Frances to His Majesty, The King, for the purposes of this Agreement, together with all water powers and privileges, and all rights, easements and appurtenances thereto belonging or appertaining, for and in consideration of the sum of Five thousand dollars (\$5,000.) of Lawful money of Canada, payable in cash on the execution and delivery of this Agreement, and in further consideration of the covenants and requirements hereinafter contained and of the special agreement to supply power or electrical energy to the Town of Fort Frances and the Township of McIrvine, as hereinafter set out, to such extent as the said Town or Township may require:
2. THE PURCHASERS covenant and agree to construct a dam, conduit or such other works on or near the said River at Fort Frances, in accordance with the plans hereto attached, sufficient to develop power to the full capacity of said River ( including any increased capacity of said by reason of the construction of storage dams or works), according to the plans hereto attached, approved of by the Lieutenant-Governor in Council, and which are hereby made a part of this contract, such dam to be built of solid masonry or concrete, and to be of such character and of such dimensions as will make the same amply strong and safe for the purposes intended, and such works will be of such design as will fully provide for sufficient waste weirs to obviate danger in time of floods or freshets. The dams, head gates, waste weirs and



works in connection therewith or incidental thereto shall not be proceeded with unless and until the ~~plans~~ plans, drawings and specifications for the same shall have been submitted to and approved of by the Lieutenant-Governor in Council, which said plans, drawings and specifications shall show the precise site and location of the said work: PROVIDED; HOWEVER; that notwithstanding anything hereinbefore contained, and notwithstanding the approval of the Plan hereto attached, the waters of Rainy Lake shall not at any time be raised to a higher level than may be authorized by the Government, and the height of water to be maintained in the said Lake and the use or non-use of the Flash Boards as shown on said Plans shall at all times be subject to such control and direction by the Government as in the opinion of the Government ~~####~~ may be necessary to ensure safety and protection of property.

3. ALL Power Houses and buildings, machinery and appliances necessary for developing the total power capable of development on the Canadian side of the said River, in accordance with said Plans, shall be erected as fast as required for use and maintained on the Canadian side of the International Boundary, provided that the plans and location of such power houses shall be subject to the approval of the Lieutenant-Governor in Council:

4. THE PURCHASERS covenant and agree to commence the said dam and other works forthwith after the approval of the plans, drawings and specifications by the Lieutenant-Governor in Council, and to fully complete the said dam and works in accordance with said plans, drawings and specifications, by the First day of January 1907, and to develop and render available for the use on the Canadian side of the River, by the said date, the total amount of horse power to be capable of development, in accordance with said plans, at the said point (including increase in such power by reason of the construction and maintenance of storage dams or works) as provided in Paragraph Two hereof. And the Purchasers further covenant and agree to expend upon such works the Sum of Fifty Thousand Dollars (\$50,000.00) within nine months from the date hereof. PROVIDED that if the Purchasers fail to erect the said dam and works and to render the said amount of power available on the Canadian side by the First day of January, 1907, or to expend upon the said works the sum of Fifty Thousand Dollars (\$50,000.00) within the nine months from the date hereof, as above provided,



then this Agreement shall be null and void, and all moneys paid by the Purchasers shall be forfeited:

5. THE PURCHASERS covenant and agree that they will from and after the said First day of January 1907, deliver power to the said Town of Fort Frances and to the Township of McIrvine, by the method described A, B, or C hereinafter ~~#####~~, at the election of such Municipalities or either of them for Municipal purposes and for public utilities, but not for commercial purposes, which said power shall be kept constantly in operation and available twenty four hours each day (save and except such time as may be necessary to replace machinery or for repairs), and the Corporation shall have the right to elect to take the power or any portion of it (A) by cable or belt or other means of conveying the same direct from the power house of the Purchasers:

(b) by waves of electrical energy delivered on the wires of the said Corporation at the said power house? or (C) by electrical energy delivered to the premises of the Corporation, or to such other premises as the Corporation may specify, the same to be delivered within three miles from the power house of the Purchasers. The Corporations shall be entitled to take such portion or portions of the said power as the Corporation may desire by any of the methods of delivery above mentioned, and for such purposes the Purchasers shall install all water wheels, electrical and other machinery, shafting, motors, connections and appliances, with other attachments necessary to deliver the said power as required by either or all of the methods above mentioned, excepting that the Corporation or the public users may be required to furnish the electrical motors for propelling the machinery on or within their own premises, and the said power shall be supplied to the said Municipal Corporations for the purposes aforesaid at a specially favourable rate, which may not in any event exceed Twelve Dollars (\$12.00) per Horse Power per annum, where the same is taken under method A, or Fourteen Dollars (\$14.00) per Horse Power per annum, where the same is taken under method B. In the event of the said Corporations requiring the said power ~~####~~ or any portion thereof to be delivered under method C, the Purchasers may charge, in addition to the rate fixed for delivery by method B, such sum as may be mutually agreed upon, or determined, as herein provided, to cover the extra expense only necessarily incurred in such distribution. In the event of the said Corporations taking such power, or any portion thereof, at the power house of the



Purchasers, the said Corporations shall have the right of entering upon the lands and premises of the Purchasers for the purpose of erecting all necessary connections, belts, cables, poles, or wires, or other means of conveying or carrying said power, and for the purpose of repairing, maintaining or operating same from time to time, and for all other purposes necessary to satisfactorily procure the delivery of such power, and for such purposes to enter the Purchasers power House and premises as occasion may require, and no extra charge for rent shall be payable by the said Municipalities for the use and occupancy of the lands and premises of the Purchasers required for all poles or other structures, or works of the Municipalities for the transmission and distribution of the said power. PROVIDED that the Purchasers shall not be required to deliver power to the said Municipalities in less quantities than Fifty horse power at any one time, or by any one of the above mentioned methods. PROVIDED FURTHER, and it is specially agreed, that should the Corporations at any time deem the prices demanded by the Purchasers excessive, or more than sufficient to allow the Purchasers a fair profit, and in the event of the Corporations or either of them being unable to agree with the Purchasers as to such prices, or as to any other matter arising in respect of the carrying out of these presents, the same may be referred to the Lieutenant-Governor in Council, who may settle and determine the same and his findings shall be final and binding upon the parties in the same manner and to the same extent as if it were included in and a part of the Agreement. PROVIDED, however, that such prices and conditions as may be determined or agreed upon from time to time shall remain in force for at least five years before being subject to readjustment. PROVIDED, also, that the Corporations shall in all cases give the Purchasers three months notice in writing of the amounts of power required and of the <sup>method</sup> ~~#####~~ of delivery by which it is desired the same shall be delivered:

6. THE PURCHASERS further covenant and agree that they will at all times sell or rent and distribute to any person, firm, Company or Corporation making application therefor, any power or energy reserved for use on the Canadian side of Rainy River and not already in use, at such prices and on such conditions as may be agreed upon between the parties, or in case of disagreement, at such prices and on such conditions as may be fixed by the Lieutenant-Governor in Council, and the Purchasers shall provide and maintain all such generators and transmitters, machinery and appliances as may be <sup>requisite</sup> ~~#####~~ for the



delivery of such power or energy by any of the methods A, B, or C referred to in paragraph Five hereof, and shall afford to parties buying, or renting power or energy from them all reasonable and necessary access to their buildings, lands and premises for the purpose of erecting and maintaining wires, cables, or other means of carrying or conveying such power or energy, and shall erect such poles, wires and other appliances as may be necessary for the distribution of power by the method C, provided that the Purchasers shall not be obliged to erect new appliances, or to extend their appliances, for the purpose of delivering power by the method C to any ~~#####~~ party declining to accept and pay for at least one hundred horse power, or declining to furnish, if required, reasonable security for the payment of the purchase price or rent for such horse power for such period as may be ~~#~~ necessary to recoup the Purchasers' outlay in providing such appliances, the method of distribution of such power and the appliances ~~####~~ to be used to be subject to the approval of the Lieutenant-Governor in Council, and the streets, squares, lanes, or other public places along or across which such power is to be carried, to be subject to the approval of the Municipal Council of the Town of Fort Frances, or of the Township of McIrvine, as the case may be,. PROVIDED that parties requiring power from the Purchasers shall give them three months' notice in writing of the amount of power required and of the method of delivery by which it is desired the same shall be delivered:

7. IT IS FURTHER AGREED by and between the parties hereto that the fixing of the maximum price herein provided for delivery of power to the said Municipalities of Fort Frances and McIrvine forms a part of the consideration for this Agreement, and for the transfer of the said lands, power and priveleges, and that the same shall not be used to the prejudice of the Purchasers in any reference to the Lieutenant-Governor in Council to establish the price ~~###~~ at which power shall be sold to other consumers, but the Lieutenant - Governor in Council shall be at liberty to fix said prices at such figures as to him may seem just and proper: ~~#~~

8. IT IS FURTHER COVENANTED AND AGREED that they will at all times retain and reserve for use on the Canadian side of the International boundary line Four Thousand Horse Power and will render the same permanently available for use on the Canadian side: PROVIDED FURTHER that when and so soon as the said Four Tousand Horse Power so reserved shall be leased or in permanent use, the Purchasers will lease to any person, firm, or Company on the Canadian side of the boundary line



any further power which may be required on the Canadian side and which may be unleased or not in permanent use:

9. THE PURCHASERS FUTHER COVENANT AND AGREE that in leasing, selling or otherwise parting with such power, or any portion thereof, they will provide by contract therefor that such power so leased, sold or parted with, or any portion thereof, shall not be farmed out or sold or leased at any greater price or remuneration actually paid therefor to the Purchasers, and the Purchasers shall not sell or otherwise dispose of the said power in any way that would deprive the public of the benefit of the prices to be fixed or determined as herein provided:

10. THE PURCHASERS FURTHER COVENANT AND AGREE that in no case shall leasees or users of power or energy on the Canadian side of the International boundary line be charged higher rates or be subject to more onerous conditions than users or lessees of like amount of power on the Minnesota side:

11. THE PURCHASERS COVENANT AND AGREE that they will keep their work constantly in operation, so as to render power leased or sold by them available to the Purchasers or lessees for twenty-four hours each day (save and except such time as may be necessary to replace machinery and for repairs):

12. THE PURCHASERS shall have the right to construct a storage dam at or near Kettle Falls at the outlet of Lake Namakan and also at the outlet of Lower Manitou Lake and of Big Turtle Lake, subject to such regulations and conditions as may be imposed by the Lieutenant-Governor in Council, and may raise the water of the said Lakes to a point not higher than the high water mark, as ascertained by an officer appointed by the Government, and maintain them at such point, and the Government agrees to lease to the said Purchasers in perpetuity at a rental of One Dollar per annum such an area of land as may be found necessary at or near the said Kettle Falls, for the purpose of constructing the said storage dam and other necessary works or ~~structures~~ <sup>structures</sup> in connection therewith. PROVIDED that if it should be made to appear to the satisfaction of the Lieutenant-Governor in Council that there is a bona fide and substantial demand for power in the neighbourhood of the said Kettle Falls, which might be supplied therefrom, the Purchasers, upon being required so to do by the Lieutenant-Governor in Council, shall, by works constructed and water wheels and other necessary machinery and appliances installed on the Canadian side of the International boundary line, develop the water power at the said Falls to the full extent to which the same may be developed on the



Canadian side of the International boundary line, as determined by the Government Engineer to be appointed for such purpose, or to ~~###~~ such smaller extent as may be directed, and within such time as may be specified by the Lieutenant-Governor in Council. The height of water to be maintained in the said Lakes shall at all times be subject to the control of the Lieutenant-Governor in Council. PROVIDED FURTHER that if the Purchasers shall at any time develop a water power at Kettle Falls, the total amount of power so developed on the Canadian side shall be retained for use on the Canadian side and shall not at any time be diverted or used elsewhere, and all the terms and conditions herein contained, with reference to power at Fort Frances, shall apply to the said power at Kettle Falls, save and except the conditions as to supplying power to the Town of Fort Frances and the Township of McIrvine, provided that the rights of the Purchasers as to the storage of waters in the Upper and Lower Manitou Lake and Big Turtle Lake, shall not include any rights in or to the water powers at or near the respective outlets thereof or at or near the site or sites of any dam or dams constructed by the Purchasers, but the Government shall be free to deal with such water powers as occasion may require, reserving to the Purchasers the right of storing the waters of the said Lakes, subject to such conditions and regulations as to the Government <sup>may</sup> ~~####~~ seem necessary and proper. PROVIDED, however, that if the Purchasers are of opinion that there is not a bona fide and substantial demand for power in the neighborhood of the said Kettle Fall, they may decline to develop the water power, in accordance with the provisions of this section, and on their so declining, the Lieutenant-Governor in Council ~~###~~ shall have the power to determine all their right, title and interest in, to and out of the said Kettle Falls or the lands adjacent thereto, and all their rights and privileges thereto herein set forth, and may lease the said power at Kettle Falls to any other person or Company or dispose of it as may seem best, and that the default of the Purchasers under this Section shall not operate as a forfeiture of any of their rights, privileges or franchise granted under the other clauses of this Agreement:

13. IT IS FURTHER COVENANTED AND AGREED that any matters of dispute not herein especially provided for, between the Purchasers and the said Municipalities of Fort Frances and McIrvine, or between the Purchasers and lessees or Purchasers ~~###~~ from them of water power, shall be subject to the determination and direction of the Lieutenant-Governor in Council:



14. IT IS FUTHER UNDERSTOOD AND AGREED that this Agreement and the sale to the Purchasers is made subject, not only to the terms hereinbefore specified, but subject also to the following terms and conditions:-

(a) All the rights of the Dominion of Canada or the Province of Ontario as to navigation on the said River or Rivers and the~~##~~ said Lakes, and to the improvement thereof by the construction a lock or canal, or locks or canals, or otherwise, are reserved and excepted, and the Government of the Dominion of Canada or of the Province of Ontario~~#~~ shall have full power to enter upon the said land and premises and to construct, maintain, or repair any canal, lock, or dam or other work or works necessary or desirable for the maintenance and improvement of navigation upon the waters affected thereby, without let or hindrance, and without compensation:

(b) The right of Timber Owners and others is reserved to float logs and timber down the said River or Rivers and Lakes, for which purposes slides or other necessary works according to the plans approved by the Government are to be constructed by the Purchasers:

(c) The Purchasers shall construct proper fishways if required by the proper authorities:

15. THE PURCHASERS covenant with the Government that they will not at any time or any place deposit, empty, run or turn into, or permit to be placed, deposited, emptied, run or turned into the said River or Rivers or the said Lakes, any saw-dust, chemicals, refuse or matter of any kind which may have the effect of polluting the said waters, or of destroying, harming or driving away the fish therein:

16. THE GOVERNMENT agrees that as soon as the said dam at Fort Frances is completed and is in readiness for water wheels for one-half of the total quantity of power available for use on the Canadian side of the River, as hereinbefore provided, a Patent from the Crown shall issue to the Purchasers of the said lands and of the said power, subject to the forfeiture on breach of any of the conditions herein contained:

17. IT IS DISTINCTLY UNDERSTOOD AND AGREED that the lands, rights and privileges mentioned in this Agreement are confined solely to lands, rights, and privileges the property of the Crown in Ontario under the control and administration of the Government of Ontario, and that no permission is given hereby to the Purchasers to overflow, or cause to be overflowed any lands not the property of the Crown in Ontario and not under the control and administration of the said



Government, and if damage is done by the erection of any dam or the construction of any works under this Agreement, no recourse shall be had against the Government in respect thereof:

18. The Joint Stock Company to be incorporated by the Purchasers shall be composed of such persons and shall have such an amount of capital stock and such proportion paid up as shall be satisfactory to the Government. It shall assume all liabilities and engagements which are assumed and entered into herein by the Purchasers, and the Government shall accept its personal liability instead of that of the Purchasers in all respects, except the agreement to expend the first Fifty Thousand Dollars (\$50,000.00) as hereinbefore set out, and except as aforesaid the Purchasers' liability shall cease and determine when such liabilities and engagements have been assumed by such Joint Stock Company. It is understood and agreed that the Purchasers shall give to Canadian lines of railway and Steam Boats the preference in the carriage of all goods and articles produced by them on the Canadian side of the said International boundary line, at such rates not higher than those charged by other lines or Steamboats from or between the same point or points:

19. IT IS FURTHER UNDERSTOOD AND AGREED that nothing herein contained shall effect the rights of the inhabitants of the Town of Fort Frances, or the Township of McIrvine, or of the public, to free access to the shore and waters of the said Rainy River and Rainy Lake and the use of the said waters for Municipal and domestic purposes, and that the Purchasers shall not interfere with any street or streets now open, or that may hereafter be opened to the said River, nor with any wharves, docks or other structures now erected, or hereafter to be erected, for the purposes of navigation, but excepting, however, from the operation of this clause the construction of such buildings and works as are authorized under the terms hereof:

20. IT IS FURTHER UNDERSTOOD AND AGREED that failure on the part of the Purchasers to carry out or comply with any of the conditions herein contained, or any order or direction of the Government or the Lieutenant-Governor in Council made hereunder, after due notice given and after a reasonable time has been given within which the Purchasers may comply with the conditions in respect of which such default has been made, shall cause a forfeiture of the lands, rights and privileges in this Agreement mentioned, but the Government may, at its# option, require the payment of a penalty not exceeding One Hundred Dollars (\$100.00) per diem while the default has continued:



21. THIS AGREEMENT shall be binding not only upon the parties hereto, but upon their heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF the Commissioner of Crown Lands has hereunto set his hand and seal, and the parties of the Second part have hereunto set their hands and seals.

SIGNED, SEALED AND DELIVERED

In the presence of

(Sgd) Geo. W. Yates

(Sgd) A.G. Mackay

(Sgd) Edward Wellington Backus

# **Appendix C**

**FFPC 2014 Cost of Service Rate  
Application Decision and Order  
EB-2013-0130**



**EB-2013-0130**

**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 approving  
just and reasonable rates and other charges for  
electricity distribution to be effective May 1, 2014.

**BEFORE:** Cathy Spoel  
Presiding Member

Marika Hare  
Member

### **DECISION AND ORDER**

**August 14, 2014**

Fort Frances Power Corporation ("FFPC") filed a complete cost of service application with the Ontario Energy Board (the "Board") on February 14, 2014 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 FFPC charges for electricity distribution, to be effective May 1, 2014. The Board issued a Notice of Application and Hearing dated February 25, 2014.

On March 20, 2014, the Board issued Procedural Order No. 1 and Order for Interim Rates granting requests for intervenor status and cost award eligibility to the Vulnerable Energy Consumers Coalition ("VECC") and making FFPC's current approved rates interim effective May 1, 2014 pending the outcome of this proceeding. .

The Board held a written hearing preceded by interrogatories and a non-transcribed teleconference among the parties to allow for the clarification of interrogatory responses.

The following issues are addressed below in considering FFPC's application:

- Effective Date for Rates;
- Foundational Issues
- Performance
- Operating Revenue (Customer Forecast, Load Forecast and Other Distribution Revenue);
- Operating, Maintenance & Administration Expenses;
- Depreciation;
- Rate Base and Capital Expenditures;
- Cost of Capital and Financial Performance;
- Cost Allocation and Rate Design (Cost Allocation, Monthly Service Charges and Specific Service Charges);
- Deferral and Variance Accounts; and
- Implementation.

Unless specifically addressed in this Decision and Order, the Board finds that the evidence filed by FFPC on the issues in this proceeding is sufficient to support the application.

## **EFFECTIVE DATE FOR RATES**

FFPC applied for rates effective May 1, 2014. In Procedural Order No. 1, the Board declared FFPC's current rates interim effective May 1, 2014.

Board staff submitted that an effective date of July 1, 2014 would be appropriate as a complete version of FFPC's application was not filed with the Board until February 14, 2014 which was a delay of four and a half months from the filing date of October 1, 2013. However, Board staff also noted that subsequent to the filing of the application, FFPC filed all materials by the dates set out in the Board's Procedural Orders.

VECC agreed with Board staff that based on the late filing date the requested effective date of May 1, 2014 should not be granted. VECC submitted that rates should be declared on a forward basis subsequent to the issuance of the Board's final rate order.

FFPC agreed with Board staff's submission that an effective date for rates of July 1, 2014 would be appropriate.

The Board finds that a September 1, 2014 effective and implementation date is appropriate given the delay in filing the application, the standard time required for the Board to process a cost of service application (185 days) and the timing of the Board's Decision and Order. Under these circumstances, the Board finds that the first day of the month after the issuance of the Board's final rate order, September 1, 2014, is an appropriate effective date and is consistent with a number of previous decisions.

## **FOUNDATIONAL ISSUES**

FFPC stated that it had organized its Distribution System Plan ("DSP") according to the expected format contained within the March 28, 2013 "Chapter 5 Consolidated Distribution System Plan Filing Requirements Guide".

FFPC stated that it is dedicated to providing services in a manner that responds to customer preferences and that during the summer of 2013, it had conducted an extensive customer satisfaction survey that was instrumental in gauging satisfaction, identifying improvement opportunities and assessing future customer needs.

FFPC further stated that the feedback gathered has helped it to shape its capital expenditures, and has allowed it to devote operational resources over the planning period to aligning service offerings with the needs of its customer base.

Board staff submitted that the planning undertaken by FFPC and outlined in the Application, as clarified by interrogatory and teleconference responses, supported the appropriate management of the applicant's assets, subject to the disallowances recommended by Board staff.



Board staff further submitted that the customer engagement activities undertaken by FFPC are commensurate with the approvals requested in the Application considering that 2014 is a transitional year. Board staff also argued that FFPC should obtain more specific customer feedback on its next DSP.

VECC submitted that while it was generally supportive of the customer engagement of FFPC, it considered that there were two deficiencies: The first was that as with most other utility surveys, no effort was made to engage customers as to the cost effectiveness of the utility. The second is that FFPC did not attempt to understand its customers' preferences or interests with respect to its capital budget.

The Board finds that FFPC has appropriately addressed the foundational issues raised by the application and its customers have been adequately engaged, given that 2014 is a transitional year. The Board agrees with Board staff and VECC that FFPC's next cost of service application should be based on customer engagement activities that will provide customers with more specific information as to the costs of its proposals.

## **PERFORMANCE**

FFPC expressed its concern that its current performance scores derived from historic RRR reported OM&A cost data are flawed, as they include costs associated with the upkeep of the 1905 Historical Power Agreement (the "Agreement"), as well as costs associated with the upkeep and operation of a High Voltage Transformer Station, which prior to 2012 was improperly classified as a Distribution Station.

FFPC concluded that a fair assessment of its performance would be based upon its costs without the Agreement and the Transformation Station Costs or, alternatively, at the Total Bill level.

FFPC submitted that it was seeking in this proceeding an order directing Board staff and FFPC to work with the Pacific Economic Group ("PEG") to ensure that the calculations that support the scorecard and efficiency ratings for FFPC are adjusted to exclude capital and OM&A costs associated with the transformer station and the administration of the Agreement.



Board staff argued that most of the concerns expressed by FFPC either relate to costs that would have been incurred in the absence of FFPC's particular circumstances, or are already taken into account by the analysis used in determining the benchmarking categories. Accordingly, Board staff submitted that it was not necessary for the Board to provide the direction requested by FFPC upon this matter.

Board staff noted that FFPC's efficiency benchmarking performance is below average, but accepted that the beneficial effects of the Agreement offset this to some extent and considered that overall FFPC's performance supports the application.

VECC submitted that FFPC's service quality indicators are demonstrative of a well maintained utility. Where FFPC's benchmarking performance is concerned, VECC argued that as noted by Board staff, the costs related to FFPC's transformation station are a relatively small part of the overall costs of the utility and notwithstanding this fact, the FFPC benchmark performance is below average for its cohort. VECC concluded that this argued for a close examination of the proposed OM&A costs.

The Board understands that there may be some confusion as to the extent that the data sets used to determine FFPC's efficiency are appropriate. The Board directs FFPC and Board staff to work together to ensure that appropriate inputs are used for future benchmarking, if they have not already done so.

## **OPERATING REVENUE**

### **Customer Forecast**

FFPC forecast 4,754 customers and connections (including street lighting connections) for 2014. The forecast was derived from a review of historical customer/connection data which was used to determine growth with a geometric mean approach used to determine the 2013 and 2014 forecasts.

Board staff accepted FFPC's customer forecast. VECC submitted that the forecast customer counts by class for 2014 were reasonable, except that for the Streetlighting class, VECC submitted that the actual 2013 connection count of 1,030 should be used for 2014 in place of the forecast count of 1,006.

FFPC submitted that it is not appropriate to single out one customer class for adjustment in this way and that while using the 2013 number for Streetlighting connections happens to result in an expected decrease in rates, using the 2013 numbers for other classes will result in an expected increase in rates.

The Board approves FFPC's proposed customer forecast for 2014. The Board does not accept the adjustment proposed by VECC as it is selective and also unlikely to be material.

### Load Forecast

FFPC developed its load forecast by using a multifactor regression model to determine the relationship between historic load with weather data and calendar related events.

FFPC made further adjustments to the 2014 forecast to account for the impact of Conservation and Demand Management ("CDM") activity totaling 1,148,562 kWh to the 2014 test year forecast which has been broken down by rate class. This is determined as one half of the savings from 2012 programs, a full year of savings from 2013 programs and a half year of savings from 2014 programs.

FFPC's proposed load forecast for 2014 is as follows:

**Table 1: Load Forecast**

<b>Rate Class</b>	<b>kWh</b>
Residential	37,751,518
GS < 50 kW	13,617,679
GS 50 to 4,999 kW	26,376,324
Street Lighting	366,947
Unmetered Scattered Load	48,552
<b>TOTAL</b>	<b>78,161,019</b>

VECC submitted that overall FFPC's purchased power forecast model was reasonable, but that the forecast variables for 2014 will need to be adjusted to reflect any changes approved by the Board in its 2014 forecast customer count. VECC also agreed with FFPC's CDM adjustment. Board staff also accepted FFPC's load forecast as reasonable.

The Board finds that FFPC's load forecast is appropriate. The Board notes that no party opposed the load forecast.

### **Other Distribution Revenue**

FFPC forecast total other distribution revenue of \$108,033 for 2014. FFPC also proposed the removal of unused specific service charges and a revision of some existing charges to recover current business costs.

VECC noted that FFPC's actual Other Revenues for 2013 were materially higher than FFPC's forecasts for both 2013 and 2014. VECC argued that while FFPC claimed that some of the difference could be attributed to one-time events such as Non-Utility Rental, there was Non-Utility Rental Income in each of the previous four years averaging \$24,184 per year, whereas the forecast for 2014 is nil. VECC made a similar argument regarding Retail Service Revenues and submitted that it would accordingly be reasonable to increase the forecast for 2014 Other Revenues by at least \$10,000 resulting in an Other Revenue Forecast for 2014 of \$118,033.

Board staff noted that the proposed changes in FFPC's Other Revenues were well below its materiality threshold and accepted FFPC's evidence on this matter. Board staff also accepted the request by FFPC to remove the eight specific service charges and to increase six others, although Board staff did note that the eight charges which FFPC is requesting be removed are ones that normally appear on distributor tariffs.

FFPC submitted that its forecast Other Revenue is slightly reduced for 2014 relative to 2013 actuals to reflect realistic income levels as a result of minimal anticipated street lighting related maintenance work and customer capital projects.

The Board accepts FFPC's justification for the 2014 forecast level of Other Revenue and finds that no adjustment is necessary. The Board also accepts FFPC's proposed revisions to its specific service charges. The Board agrees that the reduction proposed by VECC to Other Revenue is well below FFPC's materiality threshold, as is the impact of the changes to FFPC's specific service charges.

**OPERATIONS, MAINTENANCE & ADMINISTRATION (“OM&A”)**

FFPC’s proposed 2014 OM&A of \$1,657,650 represents a 3.3% increase over the actual 2012 OM&A and a 66% increase over the 2006 Board approved OM&A level.

**Table 2: OM&A Expenses \$**

	<b>2006 Board Approved</b>	<b>2011 Actuals</b>	<b>2012 Actuals</b>	<b>2013 Bridge Year</b>	<b>2014 Test Year</b>
Operations	142,165	195,697	213,851	209,500	371,000
Maintenance	106,651	169,076	377,219	213,000	304,000
Billing & Collection	144,547	213,984	255,946	235,500	268,000
Community Relations	4,712	6,024	5,978	4,750	37,150
Administrative & General	603,271	717,211	751,977	763,500	677,500
<b>Total</b>	1,001,346	1,301,992	1,604,971	1,426,250	1,657,650
<b>% Change</b>		30.02	23.27	-11.14	16.22

VECC submitted that based on benchmarking FFPC is a high cost utility with OM&A costs per customer much higher than most Ontario electricity distributors. VECC argued that if FFPC’s 2006 Board Approved OM&A were adjusted only for customer growth, inflation and incremental responsibilities it would be expected to increase by between \$140,892 and \$273,129, rather than the \$656,304 increase proposed by FFPC. VECC submitted that while it had taken an envelope approach to its analysis, it submitted that there are areas in which OM&A savings might be achieved. VECC made a number of specific suggestions for reductions.

Board staff submitted that FFPC’s proposed 2014 OM&A level should be accepted subject to a disallowance of \$25,681 for proposed expenses related to the Long Term Load Transfer (“LTLT”) capital project which Board staff submitted should not be approved by the Board. Board staff stated that while it did consider FFPC to be a high-cost utility FFPC’s rate minimization strategy, characterized by a zero return on equity, has resulted in long term savings for ratepayers and, therefore Board staff is not

recommending further OM&A reductions.

FFPC agreed with Board staff's proposal that the only adjustment to its 2014 OM&A should be the disallowance of the \$25,681 proposed LTLT expenses.

FFPC submitted that VECC's model for determining expected OM&A costs is entirely unworkable, as VECC's proposed 2014 OM&A allowance would have been barely adequate for FFPC in 2008. FFPC noted that even with the staffing increase allowance of \$150,000 supported by VECC, the level of increase in FFPC's 2014 OM&A cost would be lower than its actual OM&A costs from 2012 forward, and would be significantly less than requirements demonstrated by the industry as a whole. FFPC argued that VECC's approach also did not take into consideration FFPC's adjustment of its business needs to align with the requirements of the RRFE and was a backward-looking analysis, while FFPC's is forward looking.

The Board finds that the level of OM&A proposed by FFPC in its application is appropriate subject to any adjustments that may arise from the Board's findings in the Rate Base and Capital Expenditures section of this Decision and Order. The Board will not disallow the \$25,681 of proposed expenses related to the LTLT capital project proposed by Board staff as the Board is approving the LTLT project as discussed in the Rate Base and Capital Expenditures section of this Decision and Order.

The Board agrees with FFPC that the adjustments to its OM&A proposed by VECC are unrealistic and therefore inappropriate for FFPC to undertake. The Board also agrees with Board staff that FFPC's rate minimization strategy has resulted in long term savings for ratepayers which allows for somewhat higher OM&A than might otherwise be the case.

## **DEPRECIATION**

FFPC proposed a depreciation/amortization expense of \$197,074 in 2014. FFPC stated that it had filed under Canadian Generally Accepted Accounting Principles ("CGAAP") for 2014, but had adjusted depreciation in 2012 to a Modified International Financial Reporting Standards ("MIFRS") calculation.

FFPC further stated that through its contracted services to the Town of Fort Frances, it did not use the Board depreciation policy of the “half-year” rule. FFPC stated that it realized its approach of using a full year of depreciation deviated from standard practice and would implement the half year rule methodology in 2014.

VECC and Board staff accepted FFPC’s proposed depreciation expense.

The Board accepts FFPC’s depreciation evidence and its proposed 2014 depreciation/amortization expense on the basis that FFPC will implement the half year rule methodology in 2014.

## RATE BASE AND CAPITAL EXPENDITURES

FFPC proposed a rate base of \$4,793,453, which would represent a 9% increase from the 2012 actual amount and a 7.5% increase from the 2006 Board approved amount. FFPC stated that the proposed increase in 2014 was primarily due to planned feeder expansions to eliminate LTLTs, new line transformers and transportation equipment.

FFPC projected capital expenditures to be in the \$660 to \$700 thousand range in the 2015 to 2018 period in its DSP, as is shown below:<sup>1</sup>

**Table 3: Distribution System Plan Forecast**

	Forecast Period (planned) (\$000)				
	2014	2015	2016	2017	2018
<b>Category</b>					
<b>System Access</b>	422	40	20	45	12
<b>System Renewal</b>	254	419	504	531	361
<b>System Service</b>	49	142	60	58	15
<b>General Plant</b>	97	76	76	33	311
<b>Total Expenditure</b>	820	676	660	667	698

<sup>1</sup> EB-2013-0130 *Fort Frances Power Corporation Application Filed December 20, 2013, Exh 2/Tab3/Sch 1, p.4*

Board staff's submission noted that FFPC's capital spending averaged about \$269,000 in the 2006 to 2012 period, but is forecast to average about \$704,000 in the 2014 to 2018 period which is close to a three-fold increase in the forecast period compared to in recent years.

Board staff submitted that FFPC's proposed 2014 LTLT project should not be approved at the present time, but that a phased development plan for the servicing of this territory would be appropriate.

Board staff also submitted that the \$95,648 requested by FFPC in the category of overhead and pad-mounted transformers should be reduced to \$50,000 as FFPC should only replace transformers that have customer impacts categorized by FFPC as "Very High" or "High" in addition to those reported as "Failed" or "Not suitable for reuse", rather than also replacing those in the "Medium" and "Low" categories as proposed by FFPC. This meant that for the 2014 Test year, funding should only be provided for 7 out of the 15 transformers proposed to be replaced.

Board staff suggested that where FFPC's DSP was concerned, while it was relatively comprehensive, the next DSP would benefit from more emphasis on specific customer feedback regarding the DSP. The DSP would also benefit from an attempt to monetize the savings to be achieved in FFPC's OM&A over the five year planning period as it moves from a maintenance mode to a proactive capital rebuild mode.

VECC expressed general agreement with Board staff with respect to the capital renewal program. VECC submitted that the relatively young vintage of the utility's plant and the lack of detailed information on existing plant argue for a more conservative approach. VECC noted that Board staff had suggested reducing the Overhead & Pad-Mounted Transformer Replacement Program by about 50% for 2014. VECC agreed and submitted that it would be reasonable for FFPC to reduce its anticipated spending on the program by 50% for the entire 5 year period.

VECC also argued that FFPC's LTLT proposal should not be approved as it was neither reasonable to its customers who would be faced with an inordinate cost burden and risk, nor is it economically efficient and in the public interest.

FFPC agreed with the proposal of Board staff that 2014 capital expenditures be reduced from \$820,316 to \$402,929 and proposed to bring forward the issue of its LTLT project in a future application, once the Board has completed its policy review on the topic. FFPC suggested that the costs of this project could be dealt with in a future Incremental Capital Module submission as part of FFPC's annual IRM submission.

FFPC stated that it made the LTLT expansion proposal both to be in compliance with the Distribution System Code by June 30, 2014 and to be consistent with its belief that under the Agreement, all residents of the Town of Fort Frances, including the 14 residents who are currently served by Hydro One, are entitled to the benefits flowing from that Agreement.

FFPC noted that both Board staff and VECC had commented in their final submissions that FFPC's capital plan with respect to transformers might be aggressive and would benefit from more specific customer feedback. FFPC expressed its general agreement with this point and stated that it was committed to further improving its customer engagement activities. FFPC also accepted Board staff's recommended approach for pacing transformer replacements.

Where FFPC's proposed LTLT is concerned, the Board first notes that the situation described by FFPC is not a typical load transfer arrangement because these 14 customers are not billed by FFPC which is the geographic distributor, nor do they pay FFPC's distribution rates. Hydro One is the physical distributor for these customers (i.e. owns and operates the assets that connect them) and has been billing them since the time they were connected. The Board also notes that in response to a Board staff teleconference question, FFPC confirmed that these customers are in FFPC's service territory.

FFPC was asked during this proceeding why it did not install its own meters for these customers. FFPC explained that at the time the LTLT homes were electrified, its distribution system was not in close proximity to most of the homes and the legal dispute over the Agreement was not resolved until 1983, when the Supreme Court of Canada issued its decision on the Agreement confirming FFPC's perpetual right to call for delivery of the low cost power.<sup>2</sup> FFPC stated that it does not believe that it has ever

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<sup>2</sup> *Supreme Court of Canada Decision ([1983] 1 SCR 171)*



had the consent from stakeholders, including Hydro One and the Board, to proceed with replacing the metering assets of Hydro One with its own.

FFPC was asked during the proceeding to quantify the annual savings for these customers were they to begin paying FFPC's distribution and commodity rates. FFPC estimated that for a residential customer consuming 1,000 kWh monthly in 2013, the savings would be close to 50% of the total bill.

Given the magnitude of these savings, the Board does not consider it necessary to await the completion of its policy review of long-term load transfers before making a decision on FFPC's LTLT proposal. The Board also notes that the policy review would not cover the unique circumstances of FFPC, given this is not a load transfer agreement per se, that no amendment is required to the service area, as based on the evidence provided by FFPC these customers are already within FFPC's service area, and due to the existence of the Agreement with respect to commodity prices. In addition the Board notes that FFPC stated that the completion of this project will unlock access to approximately 25.4% of its service territory that is not developed, while also offering considerably improved access for potential renewable generation facilities. A further benefit would be that the implementation of this project would provide an alternate supply of electricity in close proximity to the Fort Frances Airport.

The Board agrees with FFPC that all the customers in its service area should have the benefit of the Agreement and accordingly finds that this project is approved with one qualification. The Board notes that FFPC has stated that it believes it could extend its plant to only 13 of the 14 customers by the end of 2014. The financial impact for FFPC if it is unable to connect one of the 14 customers by the end of 2014 is between \$30,000 and \$46,446. The Board will approve funding of this project sufficient to allow for the connection of 13 customers in 2014. Accordingly, the Board will disallow \$40,000 from the proposed capital budget. As part of the draft rate order process, the Board will expect FFPC to provide adjusted capital expenditure and operating expense levels to reflect this adjustment along with all necessary explanations. Given the magnitude of the LTLT project compared to the total capital expenditures of FFPC, the Board will establish a variance account to track the expenditures to be reviewed in a future application. FFPC shall file a draft accounting order in its draft rate order to reflect this finding.

The Board considers that overall FFPC's proposed DSP may be somewhat aggressive and finds Board staff's recommended approach for pacing transformer investments is reasonable. The Board will accordingly approve \$50,000 of 2014 capital expenditures for transformers.

The Board therefore finds that it will reduce FFPC's 2014 capital expenditures request from \$820,316 to an approved level of \$734,668.

### **Capital Contributions**

VECC submitted that as FFPC was using a 'net' form of capital expenditure accounting it had not properly accounted for capital contributions.

The Board notes that in response to a Board staff teleconference question<sup>3</sup> FFPC confirmed that its treatment of capital contributions will be consistent with Article 430 of the *Accounting Procedures Handbook* (APH").

The Board finds that FFPC's confirmation that its treatment of capital contributions will conform to the APH adequately addresses the concerns raised by VECC. FFPC should include in its draft rate order filing confirmation that the treatment of capital contributions in the 2014 Test year is in conformity with the APH.

### **Working Capital Allowance**

FFPC proposed a \$1.1 million Working Capital Allowance based on the Board's default rate of 13%.

VECC submitted that a rate of 12% would be more appropriate because FFPC bills its customers on a monthly basis. VECC submitted that the Board's default rate was established when most utilities offered bi-monthly billing and that monthly billing utilities have a lower need for cash than bi-monthly utilities. VECC referred to a lead-lag study completed by London Hydro, a monthly billing utility, which indicated a lower working capital requirement close to 11%. Board staff took no issue with FFPC's proposal.

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<sup>3</sup> EB-2013-0130 *Fort Frances Power Corporation Response to Board Staff Teleconference on May 29, 2014 Filed on June 11, 2014*, p. 15, 4.2-Staff-43.

The Board has considered the arguments of VECC but finds no compelling reason to depart from its default rate. The Board does not consider it appropriate to adopt the results of a lead-lag study from another utility without a thorough analysis concluding that the two utilities are comparable.

### **Renewable Enabling Improvement (“REI”) Plan**

FFPC does not have any planned investments specific only to achieving smart grid objectives, but is proposing \$50,000 in 2014 investments related to its development of a REI plan. This is stated by FFPC as being aimed at safely and reliably accommodating the connection of renewable energy generation facilities through improvement to its transformer station “FFMTS,” which presently cannot accommodate 2-way or reverse electrical flow at any level.

FFPC is also proposing to recover \$53,757 for all renewable energy generation (“REG”) costs that FFPC incurred up to the end of the 2013 calendar year, including capital, OM&A and carrying charges booked in the Board established deferral accounts.

Board staff accepted FFPC’s proposed REG plan as reasonable, along with the proposed allocation percentages, but expressed some concerns about the extent to which FFPC’s proposed REI expenditures may also be considered as normal distribution system expenditures. Board staff argued that FFPC should provide a stronger rationalization in future applications as to how it distinguishes expenditures included in its REG plan from normal expenditures.

VECC supported the submissions of Board staff on this issue.

The Board accepts FFPC’s proposals regarding its REI and REG costs as appropriate expenditures for recovery under these plans. The Board agrees with VECC and Board staff that FFPC should provide stronger rationalizations in future applications as to how it distinguishes expenditures included in its REG plan from normal expenditures.

FFPC should include in its draft rate order filing a draft accounting order for account 1533, Renewable Generation Connection Funding Adder Deferral account, “Sub-account Provincial Rate Protection Variances”. In accordance with this Decision and Order, FFPC should also specify the amount that it would be expecting to receive from

the IESO on a monthly and annual basis for the 2014 rate year commencing September 1, 2014.

## **COST OF CAPITAL AND FINANCIAL PERFORMANCE**

FFPC's application included the following cost of capital parameters:

**Table 4: Proposed Cost of Capital Parameters**

<b>Cost of Capital Parameter</b>	<b>FFPC's Proposal</b>
Capital Structure	60.0% debt (composed of 56.0% long-term debt and 4.0% short-term debt) and 40.0% equity
Short-Term Debt	2.11%
Long-Term Debt	4.88%
Return on Equity (ROE)	0%
Weighted Average Cost of Capital	2.82%

FFPC stated that since it operates under a 0% rate-of-return, it does not have a profit margin buffer of up to 9.8% per year to absorb unforeseen expenses or the financial impact of not achieving expected efficiency gains. FFPC confirmed that it maintains a current cash investment level of \$2.1 million for future capital expenditures, as a matter of policy at the direction of its Board of Directors.

Board staff submitted it would be desirable that any rate relief received by FFPC as a result of this Application be sufficient to allow it to avoid developing another accumulated deficit similar to the one that has precipitated this application during the normal 5-year period between cost of service applications.

Board staff supported FFPC's cost of capital proposal. It submitted that given FFPC's unique circumstances, including cash reserves presently exceeding \$2 million, its proposed cost of capital parameters would be a sufficient buffer for FFPC in the years ahead, while resulting in considerable savings for its customers. Board staff also argued that its position is consistent with the Board's endorsement of FFPC's rate minimization strategy in 2006.

VECC submitted that nothing precluded FFPC from earning a rate of return sufficient to

enable stable long-term operations. VECC argued that FFPC's proposed 0% return for rate-setting purposes was not prudent since simply based on variations in demand induced by weather a utility will over earn in some years and under earn in others. VECC submitted that while FFPC has been able to build up a considerable reserve, this is because rates recover the Board approved debt costs, while FFPC is actually debt free.

VECC submitted that it is unlikely the Agreement would be threatened by having rates calculated with the inclusion of a modest return (1-3%) since in the long run such a return would equate to zero. VECC also suggested that if FFPC was to do so under an order of the Board, it would have the added protection of a regulatory defence.

VECC argued that with respect to FFPC's long-term debt, it would be prudent for FFPC to restructure so as to have affiliated debt issued by its shareholder, through the declaration of a dividend which would then be lent back in whole or in part to FFPC. VECC pointed out that this was the common structure of municipally owned utilities in Ontario.

VECC concluded that since the overall cost of capital is significantly below the allowable amount, it supported the current cost consequences of FFPC's proposal.

The Board accepts FFPC's proposals with regard to its cost of capital as the Board is of the view that FFPC should not take any risks which could endanger the Agreement, which the Board understands is for the benefit of the residents of the Town of Fort Frances on condition power is distributed on a non-commercial basis. As noted above, the benefit to residential ratepayers who consume approximately 1000 kWh is that their total bills are approximately half of those in surrounding areas served by Hydro One. The Board does not believe that there is any reason to require FFPC to depart from its 0% rate of return policy.

## **COST ALLOCATION AND RATE DESIGN**

### **Cost Allocation**

FFPC stated that it has filed its application using the cost allocation model that reflects the findings in the *Report on the Review of Electricity Distribution Cost Allocation Policy*,

March 31, 2011. ("Cost Allocation Policy Review") The following table summarizes FFPC's current and proposed revenue-to-cost ratios compared to the Board's target range for each customer class.

**Table 5: Revenue-to-Cost Ratios**

Customer Class	2006 Board Approved %	Cost Allocation Model %	Proposed 2014 %	Board Target Range %
Residential	91.60	83.44	97.50	85 – 115
GS < 50 kW	105.79	86.40	97.50	80 - 120
GS 50 to 4,999 kW	126.30	227.47	120.0	80 - 120
Street Lighting	89.56	94.69	97.50	70 - 120
Unmetered Scattered Load	117.05	119.68	119.31	80 - 120

VECC and Board staff accepted FFPC's cost allocation proposals as appropriate for the purposes of setting 2014 rates.

The Board finds that FFPC's proposed cost allocation is appropriate for the purpose of setting 2014 rates as all of the proposed 2014 ratios are within the Board target ranges.

### Monthly Service Charges

FFPC is proposing to increase its monthly service charges as well as its volumetric charges for four of its five classes. The exception is the GS 50 to 4,999 kW class for which the fixed charge would decrease from \$242.06 to \$165.98 and the volumetric charge from \$3.59 to \$2.51.

The table below shows the current and proposed fixed charges for each class, along with the ceiling values:

**Table 6: Monthly Service Charge**

<b>Rate Classes</b>	<b>Current</b>	<b>Proposed</b>	<b>Ceiling</b>	<b>Floor</b>
Residential	\$12.05	\$18.79	\$22.94	\$9.18
GS < 50 kW	\$29.03	\$43.62	\$33.19	\$16.08
GS 50 to 4,999 kW	\$242.06	\$165.98	\$72.00	\$44.24
Street Lighting (per connection)	\$1.17	\$1.60	\$8.93	\$0.75
Unmetered Scattered Load (per customer)	\$29.03	\$38.24	\$19.14	\$7.00

VECC submitted that for a number of FFPC's customer classes, the current 2013 fixed charge is already higher than the "ceiling" as established by the cost allocation model and that for these classes, the Board should consider keeping the 2014 fixed charge at the 2013 level.

Board staff noted that the fixed charges for the GS<50kW and USL customer classes are proposed to either move further away from the ceiling or to exceed the ceiling having been below it before. In the case of the GS 50-4,999 kW class the existing monthly charge was already above the ceiling and the proposed charge moves it closer to the ceiling.

Board staff submitted that in the normal course, it would suggest to revise the fixed/variable splits in order to avoid raising the fixed charges in the GS<50 kW and USL classes. However, this would mean raising the variable component of the inter class allocation for each of these classes, one of which is a class which may continue to be impacted by the economic situation faced by the Town of Fort Frances.

Board staff accepted FFPC's decision to maintain the current fixed/variable splits at the present time noting that for typical rate class consumption levels, the total bill impacts for all rate classes are below the 10% level.

FFPC submitted that it would not be appropriate to hold the fixed charge to the 2013 level as proposed by VECC since as business closures and housing vacancies increase in the Town of Fort Frances due to the recent mill closure, the 2014 proposed fixed charge is an appropriate safeguard to protect the financial viability of FFPC.

The Board accepts FFPC's and Board staff's arguments and approves the fixed charges proposed in the application.

## DEFERRAL AND VARIANCE ACCOUNTS

### Balances Proposed for Disposition

FFPC is requesting disposition of the Group 1 and Group 2 deferral and variance account principal balances as at December 31, 2012 and the forecasted interest to April 30, 2014, over a two year period. FFPC stated that the default disposition term of one year would create hardship for FFPC.

**Table 7: Proposed Group 1 and 2 Account Balances for Disposition**

Account #	Account Description	Disposition Amount <sup>4</sup>
1580	RSVA – Wholesale Market Service Charge	(\$99,297)
1584	RSVA – Retail Transmission Network Charge	\$1,588
1586	RSVA – Retail Transmission Connection Charge	(\$156)
1588 – Pwr	RSVA – Power (excluding Global Adjustment)	\$56,077
1589 – GA	RSVA –Global Adjustment	(\$224,583)
1508	OEB Cost Assessment	\$8,451
1508	IFRS Transition	\$27,183
1531	Renewable Generation Connection	\$1,966
1582	RSVA One Time	\$6,891
2425	Other Deferred Credits	(\$6,144)
1568	LRAM Variance Account	\$27,572
	<b>Total Proposed for Disposition excluding Global Adjustment</b>	<b>\$24,131</b>
	<b>Total Proposed for Disposition</b>	<b>(\$200,454)</b>

With the exception of the balance in the LRAM Variance Account 1568 which Board staff argued should only include the LRAMVA balance of \$5,050, Board staff stated that it did not have any concerns with the balances proposed for disposition. FFPC had also included an LRAM amount of \$22,523 in this account relating to a period prior to the establishment of the LRAMVA which Board staff submitted it should not be recorded in the account.

<sup>4</sup> Debit amounts are recoverable from FFPC's customers and credit amounts are refunded by FFPC back to its customers.



FFPC confirmed in its reply submission that it would amend the LRAMVA balance in Account 1568 to \$5,050, as proposed by Board staff and proposed that the LRAM amount of \$22,523 would be recovered through separate rate riders.

Board staff noted that as part of the disposition request of -\$200,454, FFPC had proposed disposition of its IFRS Transition Costs of \$27,183 which includes forecasted interest to April 30, 2014. FFPC has also stated that it is deferring implementation of IFRS until January 1, 2015, and that costs may be incurred in the future as FFPC completes its transition to IFRS. FFPC has also requested continuation of IFRS transition costs sub-account 1508.

Board staff noted that the Board's general policy and practice is not to dispose of the Account 1508 Sub-account IFRS Transition Costs until the distributor has completed its adoption of IFRS for financial and regulatory purposes and so has a complete record of such costs to review. Board staff submitted that it did not have any issues with FFPC's proposal to dispose of the balance in Account 1508, Sub-account IFRS Transition Costs, but that it was not clear whether FFPC has any more costs booked in this account for the 2013 calendar year. Board staff recommended that FFPC identify the 2013 costs, if any, in its reply submission and if the Board was to be satisfied with the nature and quantum of these costs they could be added to the overall balance to be recovered on a final basis. FFPC confirmed in its reply submission that it did incur \$12,000 in audited 2013 IFRS transition expenses which it wished to recover at this time.

VECC supported the submissions of Board staff except for the issue of disposition of Account 1508 Sub-account IFRS Transition Costs. VECC did not agree with Board staff's submission that 2013 amounts should be included in the disposition of this account. VECC submitted that FFPC should either dispose of the 2012 actuals or defer the disposition until it has completed all IFRS related spending and has a final balance for the account.

FFPC disagreed with VECC's position, submitting that it should be permitted to include the audited 2013 Account 1508 Sub-account IFRS transition costs for disposition, as it has completed the majority of the IFRS transition in 2013 and therefore, does not

foresee incurring any material additional expenses related to completing the IFRS transition.

The Board accepts FFPC's proposals for disposition of the Group 1 and 2 deferral account balances. The Board agrees with Board staff that the APH should be followed, and cautions FFPC to this effect, but will accept the departures noted by FFPC in its application on the basis that the amounts involved are immaterial.

The Board will permit the disposition of the 2013 amounts in Account 1508 Sub-account IFRS Transition Costs as FFPC completed the majority of its IFRS transition in 2013 and if the balance is not disposed of now, it would be carried forward until FFPC's next cost of service application which could be in 2018 or even later.

### **Stranded Meters**

FFPC is seeking disposition of its stranded meter costs. The net book value of the stranded conventional meters at December 31, 2013 was \$80,186. FFPC proposed a one-year recovery of this amount from the Residential, GS<50 kW and GS>kW classes to align with the cost recovery approved in FFPC's EB-2012-0327 rate order. The proposed Stranded Meter Disposition Rate Riders ("SMRR") per customer are outlined in the table below:

**Table 8: Proposed Stranded Meter Rate Riders**

<b>Rate Class</b>	<b>SMRR (\$/month)</b>
Residential	\$0.86
GS < 50 kW	\$6.99
GS > 50 kW	\$19.63

Board staff and VECC supported FFPC's proposal for recovery of stranded meter costs.

The Board approves FFPC's proposal for the recovery of the stranded meter costs as it is aligned with the cost recovery approved in FFPC's EB-2012-0327 smart meter rate order.

## CDM & LRAMVA

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "CDM Guidelines") issued on April 26, 2012 outline the information that is required when filing an application for lost revenues in relation to both pre-2011 CDM activities (i.e. LRAM) and 2011-2014 CDM activities (i.e. LRAMVA). FFPC requested approval for an LRAM recovery in relation to pre-2011 CDM program savings of \$22,523 arising from the recovery of lost revenues from persisting CDM savings from 2006-2010 CDM programs in 2011, 2012 and 2013.

FFPC also requested approval of an LRAMVA recovery in account 1568, specifically \$5,050 in relation to energy savings from new programs deployed in 2011 and 2012 that will contribute to FFPC's 2011-2014 CDM Targets.

VECC and Board staff supported FFPC's requests.

The Board approves FFPC's requests for LRAM and LRAMVA recovery as they comply with the Board's CDM guidelines.

## IMPLEMENTATION

The Board has made findings in this decision which change the proposed 2014 revenue requirement and therefore change the distribution rates from those proposed by FFPC. In filing its draft Rate Order, the Board expects FFPC to file detailed supporting material, including all relevant calculations showing the impact of this decision on FFPC's revenue requirement, the allocation of the approved revenue requirement to the classes of customer and the determination of the final rates. Supporting documentation shall include, but not be limited to, filing a completed version of the Revenue Requirement Work Form Excel spreadsheet. If as a result of these calculations the total bill increase for any customer class would exceed 10%, the Board requires FFPC to file a mitigation plan as contemplated by the Board's Filing Requirements.

## THE BOARD ORDERS THAT:

1. FFPC's new distribution rates shall be effective and implemented on **September 1, 2014**.

2. FFPC shall file with the Board, and serve on VECC, a draft Rate Order attaching a proposed Tariff of Rates and Charges reflecting the Board's findings in this Decision within **14 days** of the date of the issuance of this Decision.
3. VECC and Board staff shall file any comments on the draft Rate Order with the Board and serve them on the parties within **7 days** of the date of filing of the draft Rate Order.
4. FFPC shall file with the Board and serve on VECC responses to any comments on its draft Rate Order within **4 days** of the date of receipt of VECC's and Board staff's comments.

## **COST AWARDS**

1. The Board may grant cost awards to eligible parties pursuant to its power under section 30 of the Act. In this proceeding VECC is eligible for a cost award. In determining the amount its cost award, the Board will apply the principles set out in section 5 of the Board's *Practice Direction on Cost Awards* and the maximum hourly rates set out in the Board's Cost Awards Tariff. VECC shall file with the Board and serve on FFPC, its cost claim within **7 days** from the date of issuance of the final Rate Order.
2. FFPC shall file with the Board and serve on VECC any objections to the claimed costs within **17 days** from the date of issuance of the final Rate Order.
3. VECC shall file with the Board and serve on FFPC any responses to any objections for cost claims within **24 days** of the date of issuance of the final Rate Order.
4. FFPC shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings with the Board must quote the file number EB-2013-0130, and be made through the Board's web portal at [www.pes.ontarioenergyboard.ca/eservice/](http://www.pes.ontarioenergyboard.ca/eservice/), and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must be received by the Board by 4:45 p.m. on the stated date. Parties should use the document naming conventions and document submission standards

outlined in the RESS Document Guideline found at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca). If the web portal is not available, parties may e-mail their documents to the attention of the Board Secretary at [BoardSec@ontarioenergyboard.ca](mailto:BoardSec@ontarioenergyboard.ca).

**DATED** at Toronto, August 14, 2014

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

# **Appendix D**

## **Fort Frances Power Corporation Service Territory Map**





Township of  
Miscampbell

56015-0085

Fort Frances  
Municipal Airport

56015-0020

Frog Creek Road

56015-0087

## Appendix D

### Fort Frances Power Corporation Electrical Distribution Service Territory Map

Couchiching First Nations 16A

56021-0177

56021-0373

Balsam Road

McIrvine Road North

Township of  
Alberton

*Town of Fort Frances as at January 1, 1960.*

School Road

Fort Frances

Canada

United States

3rd St International  
Falls

9th Ave

3rd Ave

3rd Ave E

Rainy River  
State Jr College

13th St E

Ranier

Canada  
United States

Canada and  
United States of  
America  
International  
Border

#### Notes:

Yellow region denotes the Town of Fort Frances as at January 1, 1960.

Red region denotes specific properties included in service territory to serve Affected Customers.

# **Appendix E**

## **Fort Frances Power Corporation Service Territory Boundary Description**



## **APPENDIX E**

### **Town of Fort Frances Western Boundary**

The boundary starts at point #1 on the Rainy River at the Canada and United States of America international border and follows Boundary Road due north for 1.6 km to the intersection of Highway 11. The boundary continues due north for 4.8 km to point #2 on Frog Creek Road. The Township of Alberton borders the Town of Fort Frances along the section of boundary line between point #1 and #2.

### **Town of Fort Frances North-East Boundary**

At point #2 the boundary turns East and follows Frog Creek Road for 1.6 km to McIrvine Road North, and then continues east for another 0.5 km to point #3. The township of Miscampbell borders the Town of Fort Frances along the section of boundary line between point #2 and #3.

At point #3 the boundary turns south for 1.5 km to point #4, where it turns east for 3.4 km to point #5. At point #5 the boundary turns south for 0.5 km to point #6, where it turns east for 0.9 km until Mill Road at point #7.

At point #7 the boundary turns south along Mill Road for 1.3 km to the intersection of Lake Road at point #8, where it turns east for 0.3 km along Mill Road to the intersection of Idylwild Drive at point #9.

At point #9 the boundary turns north for 0.8 km along Idylwild Drive to the intersection of School Road at point #10. At point #10 the boundary turns east for 0.2 km to the Rainy Lake Shoreline at point #11.

From point #11 the boundary jogs north-eastwards across Rainy Lake for 6.5 km to Highway 11 at point #12. The boundary from point #3 to point #12 is boundary line between the Town of Fort Frances and Couchiching First Nations.

At point #12 the boundary turns east for 0.6 km and runs along Highway 11 to point #13.

### **Town of Fort Frances South-West Boundary**

At point #13 the boundary line turns south for 3 km to the Canada to United States of America international boundary line on Rainy Lake at point #14. At point #14 the boundary turns south-west and follows the Canada - United States of America international boundary line for 13.5 km along Rainy Lake and Rainy River to point #1. The Town of Fort Frances borders International Falls Minnesota along the section of boundary from point #1 to point #14.

### **Specific Properties Outside of Town Boundaries to be included in New Service Territory**

<b>Abbreviated Parcel Register Property Identifier</b>	<b>Township</b>
56015-0087	Miscampbell
56015-0020	Miscampbell
56021-0085	Alberton
Couchiching 16A	Couchiching First Nations
56021-0373	Alberton
56021-0177	Alberton

# **Appendix F**

## **Hydro One Letter of Consent**

**Hydro One Networks Inc.**7<sup>th</sup> Floor, South Tower

483 Bay Street

Toronto, Ontario M5G 2P5

www.HydroOne.com

Tel: (416) 345-5393

Fax: (416) 345-5866

Joanne.Richardson@HydroOne.com

**Joanne Richardson**

Director – Major Projects and Partnerships

Regulatory Affairs



BY COURIER

April 20, 2016

Mr. Joerg Ruppenstein  
President & CEO  
Fort Frances Power Corporation  
320 Portage Avenue  
Fort Frances, ON  
P9A 3P9

Dear Mr. Ruppenstein:

**Fort Frances Power Corp Application for Licence Amendment**

This is to confirm that Hydro One Networks Inc. ("Hydro One") supports your application to amend Fort Frances Power Corporation's ("FFPC") Distribution Licence as proposed in FFPC's service area amendment application. The intent of the application is to amend FFPC's distribution licence to include the lands described as:

Address	Abbreviated Parcel Register Property Identifier
2600 McIrvine Rd	[REDACTED]
1411 Frog Creek Rd	[REDACTED]
3 Frog Creek Rd	[REDACTED]
1300 Frog Creek Rd	[REDACTED]
1300 Frog Creek Rd	[REDACTED]
1300 Frog Creek Rd	[REDACTED]
1300 Frog Creek Rd	[REDACTED]
1300 Frog Creek Rd	[REDACTED]
1300 Frog Creek Rd	[REDACTED]
1300/4 Frog Creek Rd	[REDACTED]
1300/0 Frog Creek Rd	[REDACTED]
1300/148 Frog Creek Rd	[REDACTED]
1300/2 Frog Creek Rd	[REDACTED]
1300/1 Frog Creek Rd	[REDACTED]
1509/1 Mill Road	[REDACTED]
1509/2 Mill Road	[REDACTED]

Balsam Road	[REDACTED]
Balsam Road	[REDACTED]
Balsam Road	[REDACTED]

Also, Hydro One supports FFPC's request to proceed with this service area amendment without a hearing.

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson

# **Appendix G**

## **Complete Hydro One to FFPC Customer Transfer Listing**

### Appendix G - Complete Hydro One to FFPC Customer Transfer Listing

Customer Name	Address	Customer Type	Meter	Abbreviated Parcel Register Property Identifier	Township
Customer A <sup>1</sup>	1675 Frog Creek Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer B <sup>1</sup>	1615 Frog Creek Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer C <sup>1</sup>	1940 McIrvine Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer D <sup>3</sup>	2600 McIrvine Rd	Residential - TOU RPP	██████	██████	Miscampbell
Customer E <sup>1</sup>	1960 McIrvine Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer F <sup>1</sup>	1575 Frog Creek Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer G <sup>1</sup>	1551 Frog Creek Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer H <sup>3</sup>	1411 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer I <sup>1</sup>	1980 McIrvine Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer J <sup>1</sup>	1401 Frog Creek Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer K <sup>1</sup>	1725 McIrvine Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer L <sup>1</sup>	1880 McIrvine Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer M <sup>1</sup>	1775 Frog Creek Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer N <sup>1</sup>	851900 Crowe Ave.	Residential - TOU RPP	██████	██████	Fort Frances
Customer O <sup>1</sup>	8518 Minnie Ave.	Residential - TOU RPP	██████	██████	Fort Frances
Customer P <sup>1</sup>	1321 Minnie Ave.	Residential - TOU RPP	██████	██████	Fort Frances
Customer Q <sup>1</sup>	1509 Mill Rd	Residential - TOU RPP	██████	██████	Fort Frances
Customer R <sup>1</sup>	0 Hwy 11	Residential - TOU RPP	██████	██████	Fort Frances
Customer S <sup>3</sup>	3 Frog Creek Rd	Residential - TOU RPP	██████	██████	Alberton
Customer T <sup>3</sup>	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer U <sup>3</sup>	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer V <sup>3</sup>	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer W <sup>3</sup>	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer X <sup>3</sup>	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer Y <sup>3</sup>	1300 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer Z <sup>3</sup>	1300/4 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer AA <sup>3</sup>	1300/0 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer AB <sup>3</sup>	1300/148 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer AC <sup>3</sup>	1300/2 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer AD <sup>3</sup>	1300/1 Frog Creek Rd	General Service under 50 kW - TOU RPP	██████	██████	Miscampbell
Customer BA <sup>2</sup>	1509 Mill Road	General Service under 50 kW - TOU RPP	██████	██████	Couchiching 16A
Customer BB <sup>2</sup>	1509 Mill Road	General Service under 50 kW - TOU RPP	██████	██████	Couchiching 16A
Customer BC <sup>2</sup>	Balsam Road	General Service under 50 kW - TOU RPP	██████	██████	Albeton
Customer BD <sup>2</sup>	Balsam Road	General Service under 50 kW - TOU RPP	██████	██████	Albeton
Customer BE <sup>2</sup>	Balsam Road	General Service under 50 kW - TOU RPP	██████	██████	Albeton

<sup>1</sup>Service area amendment not required for customer being transferred, as customer resides within the Town of Fort Frances.

<sup>2</sup>Service area amendment required for customer being transferred, as customer resides outside of the Town of Fort Frances, however, customer is presently connected to FFPC distribution system.

<sup>3</sup>Customer connected to feeder section that FFPC is acquiring from Hydro One for whom a service area amendment is required as customer resides outside of the Town of Fort Frances.