FFPC
FORT FRANCES POWER CORPORATION

February 27, 2018

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

RE: Fort Frances Power Corporation
Request to Defer 2019 Scheduled Rate Rebasing to 2021

Please accept this letter as an official deferral request application filed with the Ontario Energy Board (the "OEB" or the "Board") by Fort Frances Power Corporation (FFPC) in order to defer its 2019 scheduled rate rebasing to 2021. This deferral request application is being made in response to the Board's December 7th, 2017 letter that sets out the list of electricity distributors scheduled to apply for rebasing for 2019 rates.

FFPC's business and operating model is unique in that the utility operates as a not-for-profit Corporation, with no debt, under the principle of "Power at Cost", for the benefit of its customers. FFPC's intentions are to defer its rate rebasing as long as the utility's customers are well served, operational performance is stable, and the corporation's financial viability is maintained, while ensuring that the deferral does not negatively impact customers or operational effectiveness.

FFPC has conducted a comprehensive analysis and assessment of its key operational, financial and regulatory related business aspects, a summary of which has been included as Appendix A. Appendix A includes information on FFPC's customer classes, financial performance, operational effectiveness, the results of past and ongoing customer engagement activities, and a summary of the initiatives the utility has undertaken to fully address the issues and requirements set out in FFPC's last COS Decision and Order EB-2013-0130, dated August 14, 2014 (the "Decision and Order"). FFPC has also started planning a number of initiatives to align its corporate governance model with the Board's governance requirements and to adopt good utility corporate governance. FFPC's ROE performance for 2014 - 2017 has remained within the +/- 300 basis point dead band. Customer growth across the utility's service territory for residential, general service < 50 kW, and general service > 50 kW customer classes has been very flat for the last 5 years (2013 -

2017). There have not been any material changes to the number of customers in each customer class or to the corresponding electricity consumption by class. The distribution revenues obtained from these customer classes have remained stable and steady since FFPC's last rebasing in 2014. There have not been any material changes to FFPC's revenue and cost structures. FFPC expects that the utility's customer growth, distribution revenues, and cost structure will remain relatively unchanged (flat) for the next five years.

FFPC exhibited very solid performance in the Performance Outcomes of Customer Focus and Operational Effectiveness categories of its 2016 scorecard that spans from 2012 to 2016. The scorecard illustrates that the utility has consistently delivered quality customer services. The testimonials received in FFPC's 2017 Customer Satisfaction Survey indicate that customers are enjoying low electricity rates in Fort Frances and that they are proud of their local distribution company. Our customers informed us that in 2017 FFPC's "*customer service was exceptional and phenomenal".* They told us that they viewed FFPC as *a "customer service oriented and progressive company."* (Please refer to Appendix C for sample testimonials received). FFPC strives to continue earning the same positive feedback in 2018 and beyond.

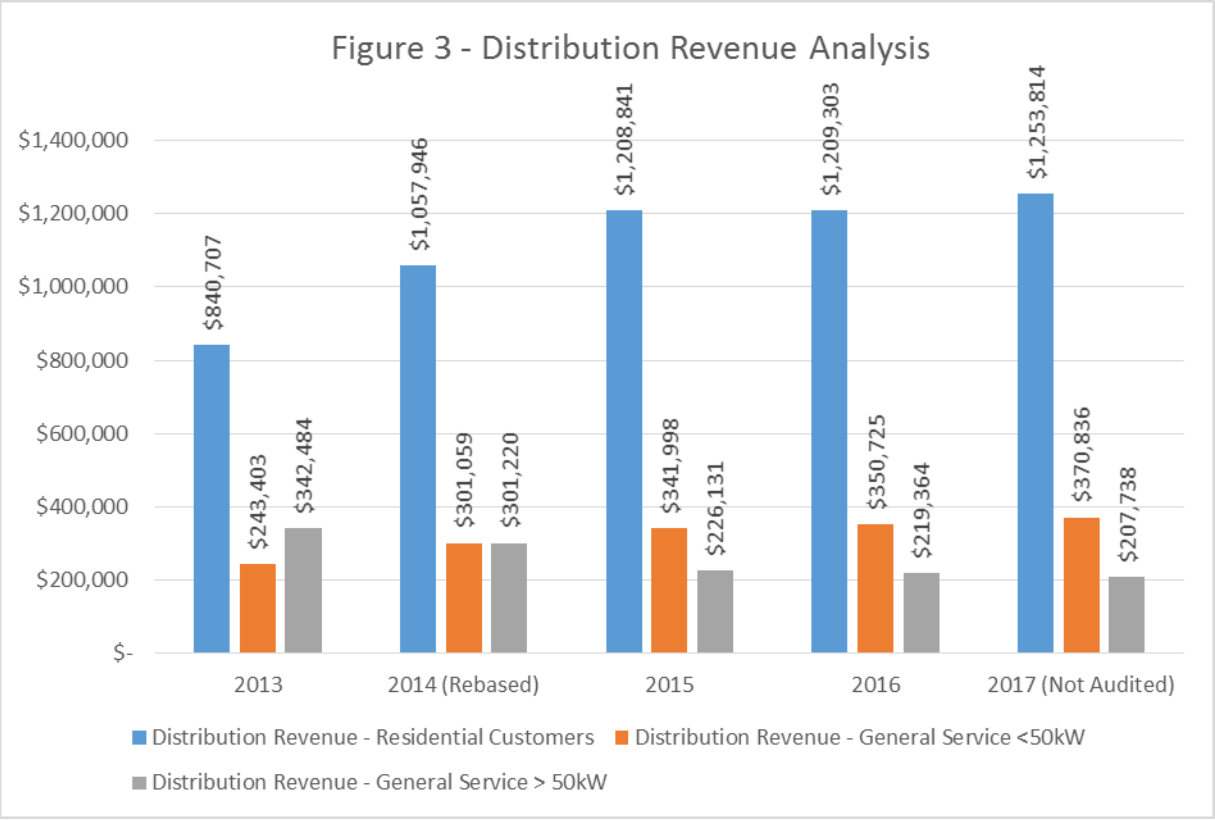
FFPC's reliability data indicates that the utility is exceeding customer reliability expectations, the Board's performance targets, as well as outperforming reported industry averages. In 2016, FFPC was presented with the IESO's LDC Target Champion Award, for its 2011 to 2014 conservation efforts. The utility is also hopeful on achieving its 10 Year Lost Time Accident Free milestone in May of 2018. FFPC expects that these strong performances will continue throughout the next 5-year scorecard-reporting period of 2017 to 2021.

FFPC has been successfully implementing its 2014 - 2018 distribution system plan (DSP), per its plan, and the utility's investment in its infrastructure has been steady since its last cost of service filing in 2014. The utility is on track to achieving 100% Distribution System Plan Implementation Progress by the end of 2018. In spring of 2018, FFPC will start to develop its 2019 - 2023 DSP, and e e

As Figure 2 illustrates, FFPC's revenues and costs have been stable and steady since rebasing in 2014. This is because FFPC's customer base has stabilized from the permanent closure of the local pulp and paper mill in 2014 (idled in 2012) generating consistent year-over-year revenues, and cost structures have not changed materially, as the utility continues to find innovative ways to reduce its operating costs, as further discussed under "Assessment of Operational Effectiveness". FFPC foresees the revenues collected and the costs incurred by the utility to serve its customers to remain very stable (flat) in 2018 and over the next five years.

Distribution Revenue Analysis

Figure 3 below illustrates FFPC's distribution revenue breakdowns for residential, general service < 50 kW, and general service > 50 kW customer classes. As the figure shows, distribution revenues collected after FFPC's last rebasing in 2014 have been stable and steady. There have not been any material changes in numbers of customers or the electricity consumption across the various customer classes. FFPC does not foresee the distribution revenues collected from its customer classes to change materially in 2018 or in the next five years.



Assessment of Operational Effectiveness:

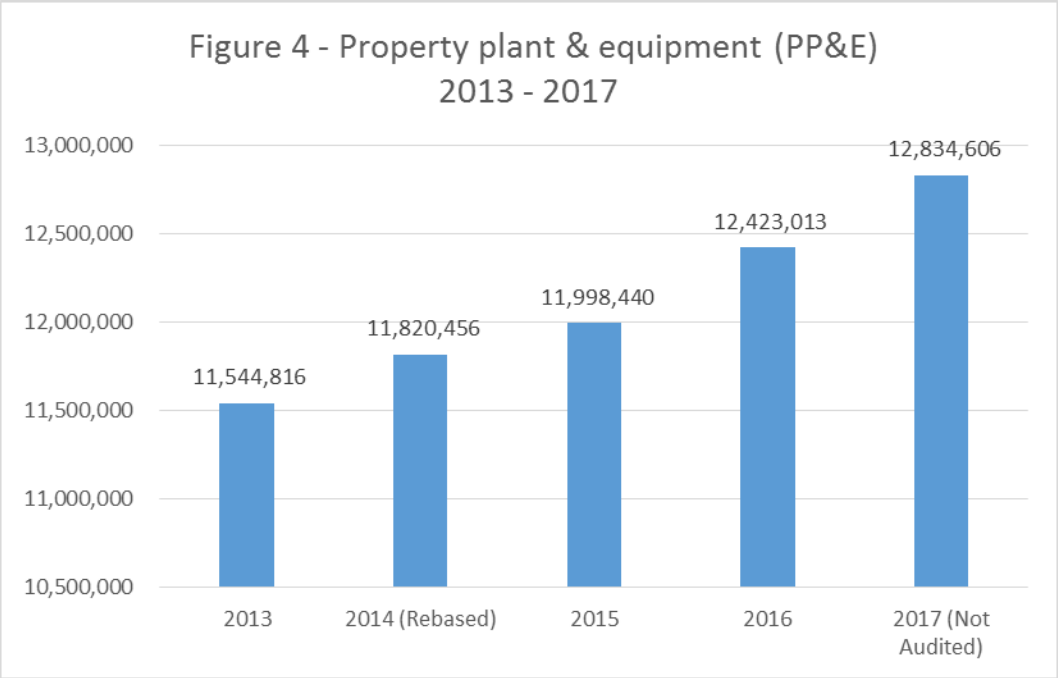
The Board approved FFPC's first formal Distribution System Plan (DSP) as part of FFPC's 2014 COS application. The DSP spans across the 2014 to 2018 planning horizon and was shaped by the data outputs of FFPC's Asset Management and Inspection Systems, as well as by the results of FFPC's customer engagement activities. Customers felt that the following new service offerings would be of benefit to them, and accordingly FFPC included them as specific projects within the DSP:

- Customers felt that investing in transitioning customer billing to true monthly billing (consumption period is from the first day to the last day of each calendar month) would be of value to their needs
    - Complete - True monthly billing has been implemented for 100% of FFPC's customers
- Customers felt that investing in offering a choice of receiving a paper or electronic bill would be of value to their needs
    - Complete – FFPC offers all customers a choice of receiving a paper or e-bill
- Customers felt that having the ability to access their consumption and billing data online would be on value to their needs
    - Complete – All e-billing customers have access to their hourly consumption data as well as their billing history
- Outage management / Mass customer contact system
    - 2018 – FFPC will be implementing the system in 2018

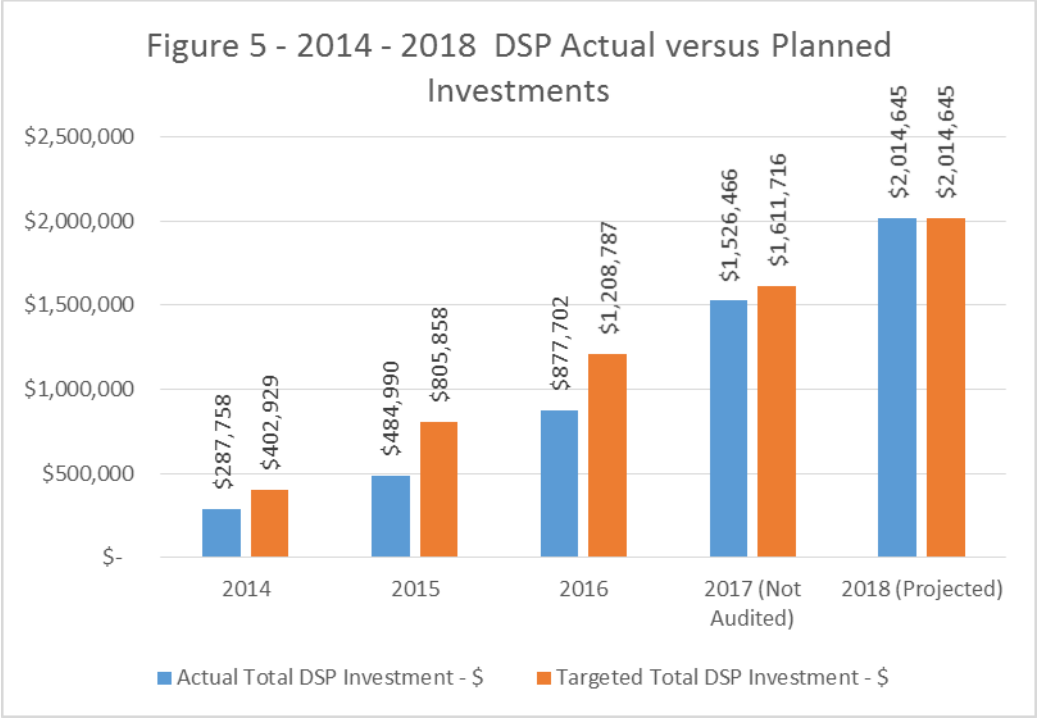
FFPC is a firm believer in integrating innovation and technology into its business model to unlock operational efficiencies. In 2017, the utility purchased a new Microsoft Dynamics Great Plains enterprise management software solution for processing Accounts Payables, Accounts Receivables, Payroll, Inventory, Purchasing, as well as General Ledger/Accounting. The system has been instrumental in streamlining processes, reducing the duplication of efforts, and transitioning to paperless workflows. FFPC estimates realizing in excess of $50,000 annual operating cost savings, which will help to offset rising business expenditures.

The utility recently identified more opportunities for realizing operating cost savings by reviewing the benefits and insurance coverage policies for its employees with a third party. FFPC is projecting that it can realize as much as 20% sustained premium reductions by changing insurance carriers.

The trend of FFPC's annual property, plant, and equipment (PPE) value for the last five years (2013 - 2017) has been increasing, which indicates that the utility has been investing steadily in its distribution infrastructure through the implementation of its Board approved 2014 - 2018 DSP. Figure 4 below illustrates the rising annual value of FFPC's PPE.



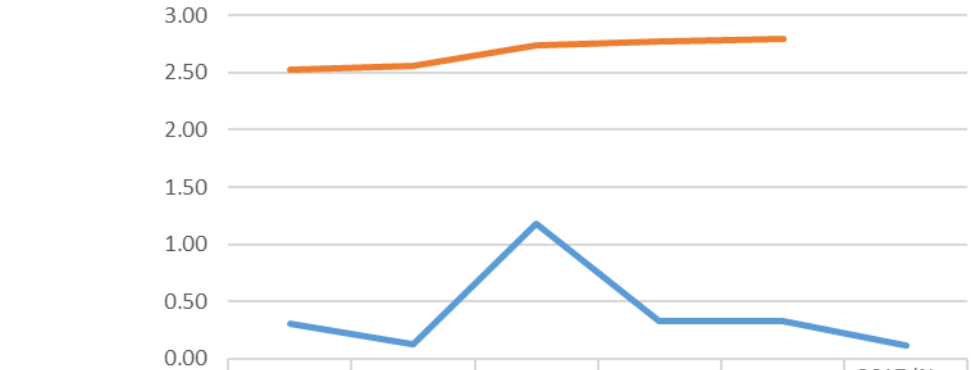
FFPC is progressing well with the completion of the approved programs and projects contained within the DSP, and is on track to achieve 100% completion of the entire plan by the end of 2018. FFPC's annual capital investment target as per its DSP is $402,929 or $2,014,645 over the five-year planning horizon. Figure 5 below shows FFPC's actual versus planned investment progress over the 2014 to 2018 planning horizon (2018 is projected).



In the spring of 2018, FFPC will start launching the planning process for the development of its 2019 - 2023 DSP, which is expected to be filed with the Board by December 1, 2018.

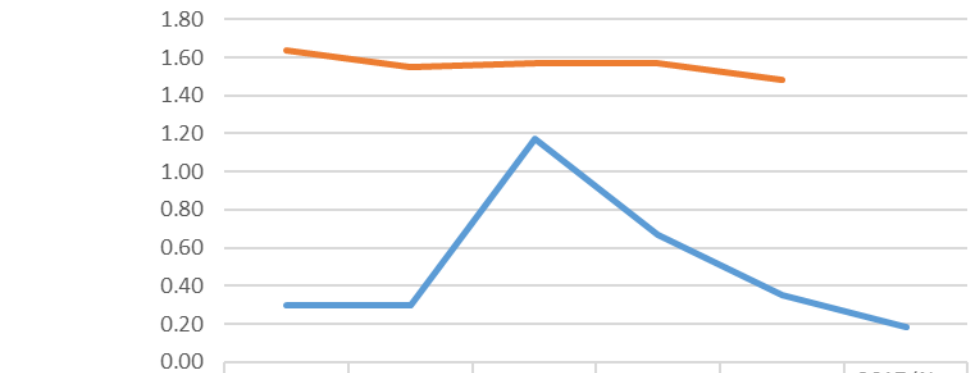
FFPC's reliability data indicates that the utility is exceeding customer reliability expectations, the Board's performance targets, as well as outperforming reported industry averages for 2012 - 2017. Figures 6 and 7 below illustrate FFPC's electrical distribution system reliability performance compared to industry averages, based on the Board's 2016 LDC Yearbook and Scorecard publications. This comparison excludes Loss of Supply type outages (as these are out of the control of distributors) and are the metrics that appear on distributor performance scorecards.

Figure 6 - FFPC SAIDI Reliabity Index vs Industry



	2012	2013	2014	2015	2016	2017 (Not Audited)
SAIDI - FFPC	0.30	0.13	1.18	0.33	0.33	0.12
SAIDI - Industry	2.53	2.56	2.74	2.77	2.79	

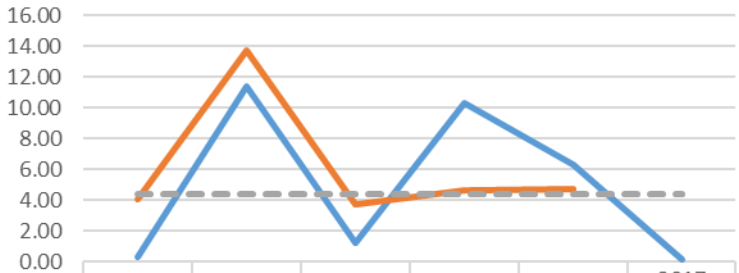
Figure 7 - FFPC SAIFI Reliabity Index vs Industry



	2012	2013	2014	2015	2016	2017 (Not Audited)
SAIFI - FFPC	0.30	0.30	1.17	0.67	0.35	0.18
SAIFI - Industry	1.64	1.55	1.57	1.57	1.48	

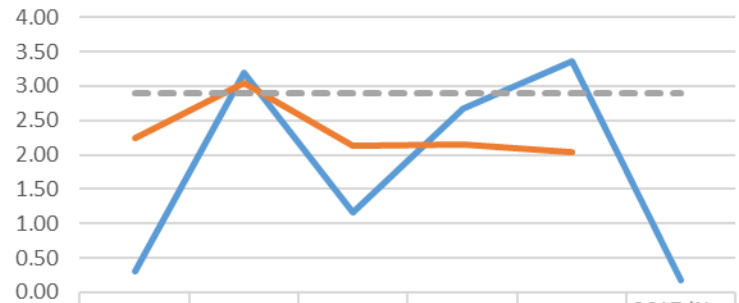
Figures 8 and 9 illustrate the reliability of the supply of electricity to customers including events of Loss of Supply from the provincial transmission system, which are out the control of distributors.

Figure 8 - FFPC SAIDI Reliabity Index vs Industry



	2012	2013	2014	2015	2016	2017 (Not Audited)
SAIDI - FFPC	0.30	11.37	1.18	10.27	6.27	0.12
SAIDI - Industry	4.02	13.73	3.74	4.64	4.75	
SAIDI - FFPC Customer Expectation	4.4	4.4	4.4	4.4	4.4	4.4

Figure 9 - FFPC SAIFI Reliabity Index vs Industry



	2012	2013	2014	2015	2016	2017 (Not Audited)
SAIFI - FFPC	0.30	3.19	1.17	2.67	3.37	0.18
SAIFI - Industry	2.25	3.04	2.14	2.15	2.03	
SAIFI - FFPC Customer Expectation	2.9	2.9	2.9	2.9	2.9	2.9

With the inclusion of Loss of Supply related outages, FFPC's customers have experienced longer and more frequent outages as illustrated in 2013, 2015 and 2016. In 2013, 2015 and 2016, Loss of Supply outages accounted for 98.9%, 96.8% and 94.7% respectively, of the total customer interruption hours reported in that calendar year. The dominance of this outage type is related to the nature of the transmission system design in remote parts of Ontario, where communities are typically connected via only a single supply point. With the inclusion of Loss of Supply related outages Customers' expectations were not met in 2013, 2015 and 2016.

In preparation for drafting the 2019 – 2023 DSP, FFPC has undertaking a number of planning initiatives aimed at reducing Loss of Supply type outages in an attempt to improve the reliability of transmission supply to improve customers' experience. FFPC has been working jointly with

Hydro One Networks to explore transmission supply connectivity options that would reduce Loss of Supply type outages to FFPC's transformer station, including the construction of a parallel supply point as the station is in close proximity additional provincial and international supply points.

Assessment of Customer Engagement Activities:

FFPC's scorecard illustrates the utility's ongoing commitment to customer focus. FFPC has met and consistently exceeded the Board's targets for New Residential/Small Business Services Connected on Time, Scheduled Appointments Met on Time, Telephone Calls Answered on Time and Billing Accuracy. The utility received scores of 90%, 88.5% and 89.3% respectively, for Customer Satisfaction during its 2013, 2015 and 2017 Customer Satisfaction Surveys. Please refer to FFPC's 2016 Scorecard in Appendix B that illustrates the utility's strong performance track record.

Appendix C provides a number of customer testimonies that FFPC received from its 2017 Customer Satisfaction Survey. In 2017, customers stated that our "*customer service was exceptional and phenomenal".* Customers indicated that they enjoyed "*lowest electricity rates".* They were *"grateful and fortunate to have a non-profit local utility."* They were "*happy customers".* They viewed FFPC as *"customer service oriented and a progressive company."* FFPC is grateful for receiving the outstanding support and feedback from its customers. The positive feedback motivates and encourages FFPC staff to continue their hard work towards the utility's journey in keeping rates as low as possible while further enhancing and sustaining quality customer service!

Development of Multiyear Customer Engagement Plan

In compliance with the OEB's requirement for electricity distributors to establish formal, ongoing customer engagement to inform utility planning, in 2017 FFPC developed and implemented a customer engagement planning process and its first formal multiyear Customer Engagement Plan.

Throughout 2017, FFPC conducted one-on-one customer site visits, customer questionnaires and various focus group meetings, reaching out to 100% of its customer base and obtaining feedback from close to 15% of all customers. Overall customers were very supportive of FFPC and its activities. FFPC is progressing very well with the implementation of its 2018 Customer Engagement Plan and expects the plan to be fully implemented by December 31, 2018.

Addressing Outstanding Issues from FFPC's last OEB's CoS Decision and Order (EB-2013-0130)

In FFPC's last COS rate application proceeding (EB-2013-0130), Board staff and parties submitted that while they were generally supportive of the customer engagement of FFPC, they considered that there were two deficiencies in FFPC's rate application. The OEB's Decision and Order stated that the first deficiency was that FFPC made no effort to engage its customers as to the cost effectiveness of the utility. It further stated that the second deficiency was that FFPC did not attempt to understand its customers' preferences or interests with respect to its capital budget. Specifically, OEB staff argued that FFPC should obtain more specific customer feedback on its next DSP. In its Decision and Order, the OEB stated that following,

> 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.

Per the information provided in this application for the deferral request, FFPC has fully addressed all of the above issues and the requirements from the Decision and Order. This has been accomplished through establishing a formal customer engagement planning process and a formal multiyear Customer Engagement Plan in 2017, as an integral part of FFPC's annual business planning and operational activities and processes. The plan specifically addresses engaging customers to obtain their preferences and interests with respect to capital expenditures, as well as the utility's DSP as a whole.

Appendix B – FFPC 2016 Distributor Scorecard

Scorecard - Fort Frances Power Corporation 9/24/2017

Performance Outcomes	Performance Categories	Measures		2012	2013	2014	2015	2016	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		100.00%	100.00%	100.00%	100.00%	100.00%	flat	90.00%	
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	98.90%	down	90.00%	
		Telephone Calls Answered On Time		93.60%	100.00%	94.30%	94.30%	97.70%	up	65.00%	
	Customer Satisfaction	First Contact Resolution				98.6%	99.0%	99.4			
		Billing Accuracy				99.27%	99.59%	98.26%	down	98.00%	
		Customer Satisfaction Survey Results			90%	90%	88.5%	88.5			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness					79.35%	79.35%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C	flat		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	flat		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	flat		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		0.30	0.13	1.18	0.33	0.33	down		0.47
		Average Number of Times that Power to a Customer is Interrupted [2]		0.30	0.30	1.17	0.67	0.35	up		0.46
	Asset Management	Distribution System Plan Implementation Progress			100%	71.4%	49.8%	97.5			
	Cost Control	Efficiency Assessment		4	3	3	3	3			
		Total Cost per Customer [3]		$637	$622	$638	$660	$688			
		Total Cost per Km of Line [3]		$32,533	$30,237	$31,495	$32,382	$32,194			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings [4]					6.37%	20.50%			4.00 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%		flat	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		2.67	3.38	4.15	5.28	4.48			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.00	0.00	0.00	0.00	0.00			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	0.00%	0.00%	0.00%	0.00%	0.00%			
			Achieved	-17.20%	14.47%	0.05%	1.88%	-2.52%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
4. The CDM measure is based on the new 2015-2020 Conservation First Framework.

Legend:
5-year trend: up, down, flat
Current year: target met, target not met

Appendix C – 2017 Customer Testimonials

The following were some of the responses received when FFPC asked its customers *"Do you have a testimonial that you would allow FFPC to place on its website?"*

"When the transformer at 752 Riverview Drive was shorted out, FFPC had repair people there within the hour to change the transformer and get all residents on Riverview back to normal. Good job, guys!"

"The FFPC service is great where the costs is one of the cheapest in the Province. Keep up the good work."

"I think that we have a very knowledgeable power utility and well up kept grid, keep up the good work."

"I love getting my electric bill in July and August...zero dollars always!"

"Good service for over 30 years for me."

"I think that having some of the lowest electricity rates in the province should be a major consideration in attracting new residents here. Indeed it has been one of the top three reasons I choose to stay within town boundaries. I do NOT want to pay Hydro One rates!"

"Thank you to the FFPC staff for making my utilities hook up so easy as I am a new resident of Fort Frances and this part of moving here was a pleasure."

"Very satisfied with the service and the employees of the FFPC"

"I have no complaints about this vital service. My family receives an essential product at a comparable price."

"We are grateful and fortunate to have a non-profit local utility. FFPC is customer service oriented and a progressive company. Thank you!"

"Years ago our tree was damaged by a storm... FFPC came out on the weekend to cut the limbs off the power line. Awesome!"

"Everyone has always been friendly and always willing to help with any questions I have ever had."

"Customer service response has been phenomenal."

"FFPC impresses me with their focus towards customer needs, value added services, and reliability of their utility."

"Sure. Keep on doing what you are doing! Great job!"

"I've had a great customer service experience with FFPC."

"FFPC does an exceptional job in comparison to other places in Ontario. I appreciate all that you do! Thank you."

"I am a happy customer of FFPC. The level of detail that the company provides in its services are second to none. Great job staying current in the age of large overpriced utilities."

"FFPC does a great job at providing excellent service and fair prices."

"FFPC customer service was exceptional for my recent move into the town of Fort Frances."

"I love the credits received this year. I haven't paid for power since April!"

"A great preventative maintenance record of replacing poles + other equipment ahead of downtime helped our community to be on top of the pile to receive fibre service. Well done FFPC + staff!"

"I'm a happy solar partner."

"Top notch, reliable service."

"FFPC provides great and inexpensive service to residents!"

"We have been quite satisfied with FFPC for over 45 years."