

The agreement value is determined by all costs attributable to the 2.984 MW of electricity and are recorded in account 4721 (offsetting expense account):
The cost of power components are established from:

1 Daily Settlement Statement - Physical Bilateral Agreement (PBC) redirects 3.0 MW of energy charges to ACH Limited from FFPC's metering point:

The following charges are redirected to ACH Limited by the PBC:

		USOA
Charge 101 -	Non-Dispatchable Cost of Power	4705
Charge 150 & 155-	Market Settlement/Congestion Management	4708
Charge 186	Intertie Failure	4708
Charge 250,252, 254	Market Reserve Charges	4708

The value of the charge components are realized and the correct expense accounts are increased to show FFPC's true cost of power and an equal entry to increase an offsetting negative expense account (4721) is used to track benefits realized by the 1905 Agreement.
Sheet 3, Column H and T shows that ACH's Metering Point (101694) is charged for the cost of power for 3.0 MW each hour.

2 Monthly IESO Invoice -

The following charges are NOT adjusted via the PBC facilitated by the IESO and are adjusted by a manual invoice sent to ACH Limited at month end:

Charge 164, 169, 170, 183, 450,451, 452, 550, 1463, 650, 651, 753, 754, 9990

These charges represent Wholesale, Network, Connection and Regulatory Charges.

The accounting treatment for these charges is to increase the ACH tracking account (4721) and to increase an accounts receivable with ACH Limited for those cost of power components outside of the PBC.
In this manual invoice, FFPC pays ACH Limited for the Cost of Power of the 2.984 MW at 2.1416 cents per kWh.
A sample of the monthly invoice is featured on **Sheet 2**.

***Note - The preliminary settlement statement at month end should be the source for the adjustment calculation for Global Adjustment and the relationship to the 1905 Agreement.**

The extracted data from the January 31, 2008 settlement statement (sample) below details that the Global Adjustment Charge was reduced.

Example below: (The full original final settlement statement is detailed on **Sheet 3**.)

2008	Summary	- Charge + Credit	Days in Month	Global MWh FFPC billed	Global MWh Factor	IESO \$ Global Adjustment	ACH LTD PBC MWH	Total FFPC MWH		
146	Global Adjustment	31-Jan-08	-65215.77 N							
146	Global Adjustment	31-Jan-08	-0.69 Y							
146	31-Jan-08	0	0	-65215.77 ONZN	31	7508.47	13529918.86	-117515820	2220.096	9728.566
146	31-Jan-08	0	0	-0.69 ONZN	31	7508.47	13529774.09	-117515820	2220.096	9728.566

This charge above represents GA charged on 7508.47 MWh, not the full 9728.566 MWh consumed.

TO DETERMINE GLOBAL ADJUSTMENT RATE

-8.685719314 CALCULATED AS =J39/H39
-8.685718928 OR =SUM(E38:E39)/H39

The entry that should have been done for January 2008 should have been:

	DR	CR
E-495-4705-1682 Global Adjustment Expense	\$19,283.13	(PBC MWh 2220.096 x Rate \$-8.685718928)
E-495-4721-0000 Power Contract Expense Reductions		\$19,283.13

(This adjustment to Global Adjustment is the only PBC adjusted charge that is adjusted monthly and not hourly as all other PBC charges.)

3 The ACH Limited 1905 Agreement value is tracked in account 4721 and refunded through monthly credits on customer bills and annual rebates, if needed.
The expense reductions in accounts 4721 are offset on the income statement by equal credits/rebates.

4 All regulatory accounting processes are followed in that all expenses are adjusted to reflect the true COP to FFPC. All expenses, with the exception of Global Adjustment are made whole and all revenues represent only those received in the current Rate of Tariffs approved by the OEB.

2010 ACH Limited Global Adjustment Recalculation Methodology Summary and Review

History of Global Adjustment Charge and the Historical Mill Agreement held by Abitibi/ACH Limited Agreement. The Global Adjustment was attached to Physical Bilateral Contract (PBC) for the May 2005 invoice.

Key Point Review:

2005-1 In 2005, the Global Adjustment (GA) charge began, primarily as a credit to LDC's. Jan-Apr 2005, the GA was not adjusted by the PBC and FFPC was charged the full amount. The total charge for 2005 Q1 of \$1,618.63 should have been adjusted through a manual invoice. With Abitibi's bankruptcy, this will remain as a regulatory asset of FFPC. (Sent request to IESO for PBC attachment by L. Cain to Rayhan Malik, IESO Feb 23, 2005)

2005-2 \$197863.77 is an actual credit charge on FFPC's May -Dec 2005 invoices.

2006-1 Change in GA method of calculation display. All other factors (PBC, rates are consistent and correct) The GA is adjusted for PBC with ACH Limited - ie 2.984 MW of power per hour each day is redirected. The GA rate is checked by comparing the Total IESO Distribution Chg/Rate vs FFPC Chg/Rate and then calculating the GA for the PBC amount. Correcting entries calculate the new rate, but only adjust for the difference.

The summary below features the calculated annual claim amounts from IESO for ACH LTD GA:

Global Adjustment Expense

E-495-4721-1682

2005 Summary	ACH Limited Adjustment Total	\$196,250.48 CREDIT
2006 Summary	ACH Limited Adjustment Total	-\$118,449.35 DEBIT OR INCREASING EXPENSE
2007 Summary	ACH Limited Adjustment Total	-\$106,373.33 DEBIT OR INCREASING EXPENSE
2008 Summary	ACH Limited Adjustment Total	-\$162,439.35 DEBIT OR INCREASING EXPENSE
2009 Summary	ACH Limited Adjustment Total	-\$817,210.76 DEBIT OR INCREASING EXPENSE
2010 Summary - YTD Oct	ACH Limited Adjustment Total	<u>-\$575,756.05 DEBIT OR INCREASING EXPENSE</u>
		-\$1,583,978.36