



**RP-2005-0020**  
**EB-2005-0366**

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

**AND IN THE MATTER OF** an Application by Fort  
Frances Power Corporation for an order or orders  
approving or fixing just and reasonable distribution rates  
and other charges, effective May 1, 2006.

**BEFORE:** Paul Vlahos  
Presiding Member

Bob Betts  
Member

## **DECISION AND ORDER**

Fort Frances Power Corporation (“Fort Frances Power” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. Fort Frances Power filed an Application (the “Application”) with the Ontario Energy Board (the “Board”) for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other matters, to be effective May 1, 2006.

Fort Frances Power is one of over 90 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board developed and issued the 2006 Electricity Distribution Rate Handbook (the “Handbook”) and complementary spreadsheet-based models. These materials were developed after extensive public consultation with distributors, customer groups, public and environmental interest groups, and other interested parties. The Handbook contains requirements and guidelines for filing an

application. The models determine the amounts to be included for the payments in lieu of taxes (“PILs”) and calculate rates based on historical financial and other information entered by the distributor.

Also included in this process was a methodology and model for the final recovery of regulatory assets flowing from the Board’s decision dated December 9, 2004 on the Review and Recovery of Regulatory Assets – Phase 2 for Toronto Hydro, London Hydro, Enersource Hydro Mississauga and Hydro One Networks Inc. In Chapter 10 of the decision, the Board outlined a Phase 2 process for the remaining distributors. By letter of July 12, 2005, the Board provided guidance and a spreadsheet-based model to the distributors for the inclusion of this recovery as part of their 2006 distribution rate applications.

In its preliminary review of the 2006 rate applications received from the distributors, the Board identified several issues that appeared to be common to many or all of the distributors. As a result, the Board held a hearing (EB-2005-0529) to consider these issues (the “Generic Issues Proceeding”) and released its decision (the “Generic Decision”) on March 21, 2006. The rulings flowing from that Generic Decision apply to this Application, except to the extent noted in this Decision. The Board notes that pursuant to ss. 21 (6.1) of the *Ontario Energy Board Act, 1998*, and to the extent that it is pertinent to this Application, the evidentiary record of the Generic Issues Proceeding is part of the evidentiary record upon which the Board is basing this Decision.

In December 2001, the Board authorized the establishment of deferral accounts by the distributors related to the payments that the distributors make to the Ministry of Finance in lieu of taxes. The Board is required, under its enabling legislation, to make an order with respect to non-commodity deferral accounts once every twelve months. The Board has considered the information available with respect to these accounts and orders that the amounts recorded in the accounts will not be reflected in rates as part of the Rate Order that will result from this Decision. The Board will continue to monitor the accounts with a view to clearing them when appropriate.

Public notice of the rate Application made by Fort Frances Power was given through newspaper publication in its service area. The evidence filed was made available to the public. Interested parties intervened in the proceeding. The evidence in the Application was tested through written interrogatories from Board staff and intervenors, and the

Applicant had the opportunity to file written argument. While the Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

Fort Frances Power has requested an amount of \$1,470,952 as revenue to be recovered through distribution rates and charges. Included in this amount is a credit of \$76,162 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Fort Frances Power has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding Fort Frances Power's general compliance with the Handbook and associated models, in considering this Application the Board reviewed the following matters in detail:

- Return on Equity and Cost of Debt;
- Unmetered Scattered Load; and
- Impact of the Generic Decision (EB-2005-0529).

### **Return on Equity and Cost of Debt**

Fort Frances Power proposed a 0% rate of return on equity because it operated under a rate minimization model. This is due to an agreement with the local paper mill which provides about 25% of Town of Fort Frances' wholesale electric power requirements at reduced commodity prices. Fort Frances Power submitted that the 0% rate of return on equity ensures compliance to all clauses in the agreement and no contravention to the reference "not commercial purposes" within the agreement. Fort Frances Power stated that its services are to be delivered at the lowest cost to the citizens of Fort Frances.

Fort Frances Power also proposed a 6.25% debt rate, using the Handbook's deemed debt rate for debt issued after May 13, 2005 in conjunction with a deemed debt/equity ratio of 50/50, although the Applicant does not carry any debt. The Applicant submitted that it is appropriate to earn interest on a notional debt component of cost of capital consistent with the Handbook, as this will contribute to the cost of financing the company.

The Board notes that Fort Frances Power is foregoing the allowed return on equity. The Board accepts Fort Frances Power's concern about its compliance with all clauses in

the historical agreement and therefore its selection of 0% rate of return on equity. The Board finds the Applicant's explanation adequate to justify an interest component of the cost of capital, since a 50/50 debt/equity ratio and the interest rate on the debt are both consistent with the Handbook.

### **Unmetered Scattered Load**

Currently the Applicant does not have a separate USL sub-classification, but includes the accounts in its General Service < 50 kW sub-class. The billing is on a per customer basis. To ensure consistency with the rate schedules of other electricity distributors, the Board finds that a separate sub-class for USL should be created. This will be billed in the same manner as the General Service < 50 kW sub-class, including the billing on a per customer basis. This rate design change will not affect the revenue requirement of the Applicant. Details of the new rate are included in the Tariff of Rates and Charges.

### **Consequences of the Generic Decision on this Application**

The Generic Decision contains findings relevant to funding for smart meters for electricity distributors. The Applicant did file a specific smart meter investment plan but it lacked clarity in terms of the number of meters that were to be installed. Absent a sufficiently specific plan, the Generic Decision provides that \$0.30 per residential customer per month be reflected in the Applicant's revenue requirement. The Board finds that this increase in the revenue requirement amount will be allocated equally to all metered customers and recovered through their monthly service charge. This increment is reflected in the approved monthly service charges contained in the Tariff of Rates and Charges appended to this Decision. Pursuant to the Generic Decision, a variance account will be established, the details of which will be communicated in due course.

### **Resulting Revenue Requirement**

As a result of the Board's determinations on these issues, the Board has adjusted the revenue requirement to be recovered through distribution rates and charges to \$1,436,628 including a credit amount of \$76,162 for the recovery of Regulatory Assets.

In its letter of December 20, 2004 to electricity distributors, the Board indicated that it would consider the disposition of the 2005 OEB dues recorded in Account 1508 in this proceeding. However, given that the final 2005 OEB dues are not available because of the difference in fiscal years for the Board and the distributors, and given that the model

used to develop the Application does not incorporate this provision, the Board will review and dispose of the 2005 OEB dues at a later time.

### **Cost Awards**

This Application is one of a number of applications before the Board dealing with 2006 rates chargeable by distributors. Intervenor may be parties to multiple applications and, if eligible, their costs associated with a specific distributor may not be separable. Therefore, for these applications, the matter of intervenor cost awards will be addressed by the Board at a later date, upon the conclusion of the current rate applications. If an intervenor that is eligible to recover its costs is able to uniquely identify its costs associated with this Application, it must file its cost claim within 10 days from the receipt of this Decision.

### **THE BOARD ORDERS THAT:**

- 1) The Tariff of Rates and Charges set out in Appendix "A" of this Order is approved, effective May 1, 2006, for electricity consumed or estimated to have been consumed on and after May 1, 2006. The application of the revised distribution rates shall be prorated to May 1, 2006. If Fort Frances Power Corporation's billing system is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors shall be implemented upon the first subsequent billing for each billing cycle.
- 2) The Tariff of Rates and Charges set out in Appendix "A" of this Order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Fort Frances Power Corporation and is final in all respects.
- 3) Fort Frances Power Corporation shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 12, 2006.

**ONTARIO ENERGY BOARD**

A handwritten signature in black ink, appearing to read "John Zych". The signature is written in a cursive style with a large initial "J" and a stylized "Z".

John Zych  
Board Secretary

Appendix "A"

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April 12, 2006

ONTARIO ENERGY BOARD

# Fort Frances Power Corporation

## TARIFF OF RATES AND CHARGES

### Effective May 1, 2006

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

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#### APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

#### EFFECTIVE DATES

- DISTRIBUTION RATES - May 1, 2006 for all consumption or deemed consumption services used on or after that date.  
SPECIFIC SERVICE CHARGES - May 1, 2006 for all charges incurred by customers on or after that date.  
LOSS FACTOR ADJUSTMENT – May 1, 2006 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

#### SERVICE CLASSIFICATIONS

##### **Residential**

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

##### **General Service Less Than 50 kW**

This section governs small commercial services and includes small stores, small service stations, restaurants, churches, small offices and other establishments with similar loads and whose monthly average peak demand is less than, or forecast to be less than, 50 kW.

##### **General Service 50 to 4,999 kW**

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

##### **Unmetered Scattered Load**

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

##### **Street Lighting**

This classification refers to an account for roadway lighting with a Municipality within the service boundaries. The consumption for these customers is based on the calculated load times the established hours of use in the OEB load shape template.



# Fort Frances Power Corporation

## TARIFF OF RATES AND CHARGES

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#### MONTHLY RATES AND CHARGES

##### Residential

Service Charge	\$	11.50
Distribution Volumetric Rate	\$/kWh	0.0082
Regulatory Asset Recovery	\$/kWh	(0.0007)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0017
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

##### General Service Less Than 50 kW

Service Charge	\$	27.35
Distribution Volumetric Rate	\$/kWh	0.0061
Regulatory Asset Recovery	\$/kWh	(0.0011)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0015
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

##### General Service 50 to 4,999 kW

Service Charge	\$	226.13
Distribution Volumetric Rate	\$/kW	3.3537
Regulatory Asset Recovery	\$/kW	(0.5067)
Retail Transmission Rate – Network Service Rate	\$/kW	1.9322
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.6063
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

##### Unmetered Scattered Load

Service Charge (per customer)	\$	27.09
Distribution Volumetric Rate	\$/kWh	0.0061
Regulatory Asset Recovery	\$/kWh	(0.0011)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0015
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

##### Street Lighting

Service Charge (per connection)	\$	1.09
Distribution Volumetric Rate	\$/kW	2.8467
Regulatory Asset Recovery	\$/kW	(0.4456)
Retail Transmission Rate – Network Service Rate	\$/kW	1.4572
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.4687
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

# Fort Frances Power Corporation

## TARIFF OF RATES AND CHARGES

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#### Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Notification Charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	30.00
Collection of account charge – no disconnection – after regular hours	\$	165.00
Disconnect/Reconnect charge - At Meter - during regular hours	\$	20.00
Disconnect/Reconnect charge - At Meter – after regular hours	\$	185.00
Disconnect/Reconnect charge - At Pole - during regular hours	\$	45.00
Disconnect/Reconnect charge - At Pole - after regular hours	\$	415.00
Install/Remove load control device - during regular hours	\$	65.00
Install/Remove load control device - after regular hours	\$	185.00
Service call – customer owned equipment	\$	30.00
Service call – after regular hours	\$	165.00
Temporary Service – Install & remove – overhead – no transformer	\$	500.00
Temporary Service – Install & remove – underground – no transformer	\$	300.00
Temporary Service – Install & remove – overhead – with transformer	\$	1000.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

#### LOSS FACTORS

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