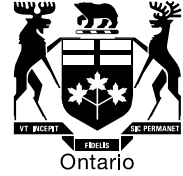


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BY E-MAIL

June 17, 2011

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

Dear Mr. Ruppenstein:

**Re: 2012 Electricity Distribution Rates
Board File No. EB-2011-0146**

By letter dated March 1, 2011, the Board identified Fort Frances Power Corporation (“FFPC”) as one of the distributors expected to file its 2012 rate application on a cost of service basis. The Board is in receipt of your letter dated April 29, 2011 requesting that FFPC be permitted to defer the rebasing of its rates beyond the 2012 rate year.

The Board has considered the rationale for deferral set out in your letter, as well as the following:

- FFPC’s financial position, as shown in its audited financial statements and financial reporting to the Board;
- FFPC’s 3-year performance with respect to system reliability indicators and electricity service quality requirements/indicators, as reported to the Board; and
- Credit rating information obtained about FFPC.

Based on these considerations, the Board has concluded that it will not require FFPC’s 2012 rates to be set on a cost of service basis. The Board is concerned, however, that FFPC’s rates have not been rebased since 2006. The Board will therefore place FFPC on the list of distributors whose rates will be scheduled for rebasing for the 2013 rate year and will require FFPC to file its 2012 incentive regulation mechanism (“IRM”) application under the 3rd generation IRM and in accordance with the filing requirements and process for 3rd generation IRM.

Under the Board's multi-year plan for setting electricity distribution rates, 2010 should have been the last year in which the 2nd generation IRM applied. Due to the deferral of cost of service rate applications, 2nd generation IRM continued into 2011 for some distributors. The Board considers it appropriate to migrate all such distributors to 3rd generation IRM at this time, regardless of whether or not the distributor's rates have been rebased since 2006.

The Board has reserved file number EB-2011-0146 for FFPC's 2012 rate application. Please refer to this file number in all correspondence related to your 2012 rate application.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary