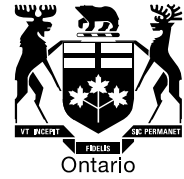


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BY E-MAIL

August 2, 2012

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

Dear Mr. Ruppenstein:

**Re: Multi-year Electricity Distribution Rate Setting Plan
2013 Electricity Distribution Rates EB-2012-0083**

By letter dated January 26, 2012, the Board identified Fort Frances Power Corporation ("Fort Frances") as one of the distributors expected to file its 2013 rate application on a cost of service basis. In a letter dated March 1, 2012, Fort Frances requested to defer its cost of service rate application beyond the 2013 rate year.

Board staff notes that Fort Frances last rebased in 2006 using 2004 as the historical test year. This results in a considerable time period since the Board has reviewed Fort Frances's operations in detail; and Group 2 Deferral and Variance accounts have not been cleared since that time. Board staff also notes that the return on equity underpinning base rates is 0% and that in some years there has been negative net income.

In its recent 2012 IRM proceeding, Fort Frances requested that the most recent 12-month of actual data be used instead of Board approved data from Fort Frances' last cost of service application, citing examples of how the profile of its customer base has changed over time. This raises some concerns that Fort Frances' rates may need to be recalibrated based on an updated cost allocation study to better reflect cost causality. In addition, Board staff notes that Fort Frances requested certain changes to specific service charges which the Board denied in the 2012 IRM proceeding, noting that these matters were best dealt with as part of a cost of service application.

Board staff also observes that since Fort Frances last rebased, the Board has established new requirements intended to facilitate the implementation of various initiatives by way of a cost of service proceeding, such as the review of updated asset

management planning and more recently, formal Green Energy Act Plans supporting the connection of renewable generation facilities.

Based on these factors, the Board is not prepared to make a final determination on whether Fort Frances' request to defer its cost of service rate application should be granted at this time. Board staff will first undertake a comprehensive review of Fort Frances' circumstances. To that end, Daria Babaie, the Board's Manager, Regulatory Audit and Accounting will be contacting you shortly to schedule time for this review. You may contact me to discuss this matter at 416-440-7720.

Yours truly,

Original Signed By

Lynne Anderson
Managing Director Applications and Regulatory Audit