Fort Frances Power Corporation ("FFPC")
2012 Smart Meter Cost Recovery
EB-2012-0327

Board Staff Interrogatories

The following are Board staff's interrogatories.

1. Manager's Summary

On page 2 of its Application, FFPC states that it is seeking approval for:

- A Smart Meter Disposition Rider (SMDR) for all capital and operating, maintenance, and administrative (OM&A) expenses for meters installed up to December 31, 2011of $1.20 per month per RES metered customer (charge) and $8.05 per month per GU<50kW metered customer (charge), GS>50kW of $13.47 per month over a one year period. The request to collect this over a one year period is in keeping with the Stable for the Utility and Stable for the customers outlined in the "Principles of Rate-Making".
- A smart meter incremental revenue requirement rate rider (SMIRR) for the revenue requirement for the smart meters installed up to December 31, 2011in 2012 of $2.9904 per month per RES metered customer (charge), $6.10 per month per GU<50kW customer (charge) and $8.43 per month per GS>50kW customer (charge) until smart meters are incorporated into FFPC's rate base.

The SMIRR is a fixed monthly charge for a ratepayer in a metered customer class. Why is FFPC proposing a rate of $2.9904 per month for Residential customers, and how does it propose to implement the fractional charge?

2. Ref: Application, page 3 – Procurement of Smart Meters and Installation Services

On Page 3 of the application, FFPC states that:

> FFPC was part of the Northwest Group (Thunder Bay Hydro, Kenora Hydro, Fort Frances Power, Atikokan Hydro and Sioux Lookout Hydro), who contracted with Util-Assist Inc. (Util-Assist) to manage the various smart meter related procurements, develop the overall project plan and to

monitor and guide the project through to time-of-use (TOU) bill production.

The Northwest Group contracted with Kinetiq Canada Ltd. (Kinetiq) to prove that the Elster automated metering infrastructure (AMI) system was meeting the provincial standard, to integrate the AMI data with the meter data management repository (MDM/R), to reconcile the meter data sent to the MDM/R matched the data received back to the utility, and finally to automate business processes so as to avoid increasing staffing in the Billing Department.

Please confirm that participation in the Northwest Group – and contracts with Util-Assist and Kinetiq – were/are cost effective for FFPC and its ratepayers. Please provide quantitative examples that demonstrate the benefits, such as reduced costs.

3. Ref: Application, page 12 – Web Presentment

On page 12 of its Application, FFPC states that it forecasted 2012 TOU billing expense of $12,000 for web presentment.

Please confirm that FFPC has procured the same vendor for web presentment services as the rest of the Northwest Group. If not, please describe FFPC's procurement process and discuss how FFPC determined that the chosen option was most beneficial and cost effective for FFPC and its cost payers.

4. Ref: O. Reg. 426/06 and O. Reg. 393/07 – Provincial MDM/R Costs

O. Reg. 426/06 s. 2(1) states that, "No distributor shall recover any costs associated with meter data functions to be performed by the Smart Meter Entity." O. Reg. 393/07 defines the exclusive authority of the Smart Meter Entity as, among other functions, "providing all services, as specified by the Smart Meter Entity, performed on smart metering data to produce billing quantity data, including validation, estimating and editing services."

a) Are there any functions performed by smart meter-related contractors for FFPC which are duplicative of functions performed (or to be performed) by the provincial MDM/R?
b) If yes, please identify the nature and quanta of all such costs, and provide support for how these should be recoverable in accordance with O.Reg. 426/07.

5. Ref: Application, page 6-7 – Smart Meter Cost Variances

FFPC has provided a variance table on page 6 which shows the differences between the budgeted and cumulative actual expenditures as of 2011, based on its expenditures for smart meters from 2008 to 2011. Listed below the table are explanations of the variances. Board staff would like additional information on this table.

a) The line descriptions for smart meters and computer hardware/software state that the costs are unit costs. However, the table entries appear to be total costs. Please confirm that the table cell entries represent total costs for each category rather than unitized costs (i.e. per smart meter).
b) FFPC states that "the Computer and Hardware costs were $34,946 greater than expected and the incremental OM&A Costs had higher than anticipated software costs". It is unclear what incremental OM&A costs are referenced in this statement. Please provide a detailed explanation of the quoted statement.
c) Please identify Other Incremental OM&A and Other Admin Expenses and state detailed reasons for the variances in the Incremental OM&A Costs. Specifically, please explain in detail the unfavourable variance (i.e. cost overrun) of $128,287 for Incremental AMI Admin Expenses. Further, please identify which OM&A expenses are one-time costs, and which are recurring (e.g. annual security audits, TOU billing, etc.).

6. Ref: Smart Meter Program Summary Actual Costs

On page 4 of its Application, FFPC lists smart meter actual costs as at December 31, 2011. In the table on sheet 4, FFPC documents $619,382 for smart meter capital costs, $90,665 for Computer Hardware/Software capital costs, and $54,402 for capital costs "beyond minimum functionality". This is a total amount of $764,449. However, at the bottom of the table, FFPC documents a total capital cost of $790,261 for "minimum functionality" and $54,402 for capital costs "beyond minimum functionality", for an aggregate total of $844,663. Finally, sheet 2 of Smart Meter Model Version 2.17 documents total capital costs of $870,111 from 2006 to 2011, as no capital costs are claimed for 2012. Please provide a reconciliation of the capital costs shown in the table on sheet 4 and with the Smart Meter Model.

7. Ref: Smart Meter Program Summary Actual Costs, Page 4

In a Smart Meter Program Summary FFPC calculated the average per meter cost of $248.57 for installed residential and GS<50 kW smart meters and $262.57 including capital costs beyond minimum functionality (GS>50 kW).

In applications to date, smart meter costs have typically averaged below $200 per meter on even a total cost (capex plus OM&A) basis. Please provide further explanation of FFPC's circumstances that support its higher than average costs, and of efforts that FFPC took during its smart meter deployment, or is taking ongoing, to control its capital and operating costs for the program and ongoing operations for smart meters, AMI, and TOU billing.

Costs beyond Minimum Functionality

The Board's *G-2011-0001 Guideline Smart Meter Funding and Cost Recovery – Final Disposition December 15, 2011* (the "Guideline) at page 17 states the following:

> "Costs for other matters such as CIS changes or TOU bill presentment may be recoverable, but the distributor will have to support these costs and will have to demonstrate how they are required for the smart meter deployment program and that they are incremental to the distributor's normal operating costs."

8. Ref: Remote Disconnect Technology

On page 9 of its application, FFPC states that it is seeking to recover $18,723 in costs incurred for the capability to perform remote disconnect service for about 200 meters, mostly residential (89%). This corresponds with row 2.6.3 of Sheet 2 of the Smart Meter Model, where FFPC documents $18,523 in 2009.

a) Please identify which amount is correct and if necessary update Sheet 2 of the Smart Meter Model.

b) What is the annual impact on OM&A for operating these 200 meters?

c) Are the ongoing OM&A costs for operating these meters incremental to OM&A costs related to high risk or bad credit accounts that may have not been factored into FFPC's distribution revenue requirement at the time of the last rebasing?

d) What benefits or cost savings are realized for FFPC for the installation of these remote disconnect customers? How do FFPC's ratepayers share in or benefit from these savings?

9. Ref: Installation of Smart Meters for GS > 50 kW

On page 9 of its application, FFPC states that it has a stable rate base of 47 customers in the GS >50 kW class and corresponding capital costs related to this customer class were recorded in row 1.6.2 of Sheet 2 of the Smart Meter Model. On row 103 "1.6.2 Costs for deployment of smart meters to customers other than residential and small general service", FFPC documents $25,703 for 2010.However, no OM&A costs related to deployment of smart meters directly allocated to this customer class have been identified.

a) Please explain why no OM&A costs for deployment of 47 smart meters to GS > 50 kW customers were recorded in row 2.6.2 of Sheet 2 of the Smart Meter Model.

b) If required, please revise applicable tables in the application and schedules of the Smart Meter Model.

10. Ref: Smart Meter Model, Sheet 2 – Cost of Capital

On Sheet 2 of the Smart Meter Model, FFPC, documents a Return on Equity of 8.00% for 2006 to 2010 inclusive, 8.50% for 2011 and 0.00% for 2012. FFPC also documents debt rates of 0% for all years.

FFPC last rebased its distribution rates in 2006 in its 2006 EDR application considered under file number RP-2005-0020/EB-2005-0366. In the Board's Decision RP-2005-0020/EB-2005-0366, the Board approved the deemed debt rate of 6.25% and an ROE of 0%, as proposed by FFPC. Since FFPC has not rebased its rates through a cost of service rates application since then, those cost of capital rates should continue to apply until the utility is next approved rates through a cost of service application.

Please provide an explanation for the debt rates and ROE input into the smart meter model, and why the cost of capital rates approved in FFPC's 2006 EDR rates application should not apply.

11. Ref: Smart Meter Model, Sheet 2 – Taxes/PILs Rates

FFPC has used the maximum taxes/PILs rates input on Tab 3 Cost of Service Parameters, for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 and beyond. These are summarized in the following table:

Year	2006	2007	2008	2009	2010	2011	2012 and beyond
Aggregate Corporate Income Tax Rate	18.50%	18.50%	16.50%	16.50%	16.00%	15.50%	15.50%

Please confirm that these are the tax rates underpinning FFPC's rates for each of the respective years. This should be readily available from spreadsheets used in annual cost of service or Incentive Regulation Mechanism ("IRM") rates applications. If required, please correct the affected models.

12. Ref: Smart Meter Model, sheet 8A – Interest on Depreciation and OM&A expenses

Please update sheet 8A providing actual or estimated monthly OM&A and depreciation expenses for all months in 2012.

13. Ref: Application, page 13 – Stranded Meters

On page 13 of its Application, FFPC states that it is not seeking disposition of its stranded meter costs in this Application. FFPC states that it continues to recover these costs by including the net book value of stranded meters in its rate base.

a) Please confirm that FFPC continues to record depreciation expense for conventional meters in rate base but stranded by replacement by smart meters.

b) Please provide FFPC's estimate of the NBV of stranded meters as of December 31, 2012, and an estimate of the depreciation expense for each of 2012 and 2013.

14. Ref: Smart Meter Model – Cost Allocation

The design for Smart Meter Model, Version 2.17, as issued by the Board with Guideline G-2011-0001, assumed a May 1, 2012 effective date and allowed for interest calculations on SMFA revenues and OM&A and depreciation expenses to that date.

FFPC filed its application on July 18, 2012 and has proposed an effective date of November 1, 2012.

With the SMDR and SMIRR to be implemented later in 2012, it is appropriate that interest charges on the SMFA revenues recorded in the sub-account of Account 1555 – Smart Meter capital costs and on the OM&A and depreciation expenses recorded in the sub-accounts of Account 1556 – Smart Meter Operating Expenses be taken into account in the determination of the net deferred revenue requirement to be recovered via the SMDR. It is noted that these interest charges may largely be offsetting and hence that they may be of a minimal impact on the SMDRs.

Accordingly, Board staff has revised the model to allow for the interest to be calculated up to the end of any month in 2012, and for this to be factored into the calculation of the uniform SMDR. Board staff has assumed an implementation date of November 1, 2012, and hence interest should be calculated up to the end of October 2012. The model is labelled as Version 2.17FFPC and attached to these IRs.

FFPC should revise this model to reflect any other adjustments that it feels appropriate as result of responses to interrogatories from Board staff and VECC.

a) If FFPC has made revisions to its Smart Meter Model, Version 2.17 as a result of its responses to interrogatories, please update the attached Smart Meter Model V. 2.17FFPC.

b) Similarly, please update the calculation of class-specific SMIRRs and SMDRs to correspond with the updated Smart Meter Model in a). Where possible, please provide the calculations for the class-specific SMIRRs and SMDRs (i.e. Appendix D of FFPC's Application) in working Microsoft Excel spreadsheets.