



September 13, 2012

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street, Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Fort Frances Power Corporation –
Response to Vulnerable Energy Consumers Coalition (VECC) Interrogatories

This letter acknowledges the receipt of the Vulnerable Energy Consumers Coalition (VECC) Interrogatories dated August 28th, 2012. Fort Frances Power Corporation submits two (2) hard copies of its responses to the VECC Interrogatories.

An electronic copy has been submitted through the OEB's RESS on-line filing system, and via email to all intervenors.

If you have any further questions, please do not hesitate to contact me at (807)274-9291 or via email at ffpc@fort-frances.com.

Yours truly,

A handwritten signature in black ink, appearing to read 'Joerg Ruppenstein', with a long horizontal flourish extending to the right.

Joerg Ruppenstein
President and CEO

Encl/

**Fort Frances Power Corporation
Application for Smart Meter Cost Recovery
OEB Application EB-2012-0327
Effective November 1, 2012
Response to VECC Interrogatories**

Information Requests of the Vulnerable Energy Consumers Coalition (VECC)

VECC Question # 1

Reference: Application, Page 3

Preamble: FFPC indicates it had expected to implement Time of Use billing (TOU) billing in June 2011 but the actual implementation of TOU was delayed until November 2011.

a) Please provide an explanation of the reason(s) for the delay.

Response: As a member of the Northwest Group, Fort Frances Power Corporation's (FFPC's) project plan was combined and contingent upon all participating group members due to sharing implementation resources. The group also shares a common Customer Information System (CIS) that is administered by Thunder Bay Hydro. In late May the group became aware of unforeseen technical software issues with the group's common CIS system. The associated software fixes required considerable software development work on the part of the vendor and significant additional software testing for the group. Due to cycle billing constraints, LDC's logical TOU transition date only occurs once a month (corresponds to the billing date of the first customer cycle). This means that an LDC only has a small monthly window of opportunity during which to begin transitioning. If this window is missed, the LDC must wait an additional month until the next window of opportunity opens. As previously mentioned due to technical CIS software integration issues, FFPC had to delay its anticipated June 2011 TOU transition.

VECC Question # 2

Reference: Application, Page 3

Preamble: FFPC indicates it has installed 3,777 smart meters in the residential, GS<50 kW and GS>50 kW customer classes.

a) Please summarize the types of meters installed for each rate class.

Response: Fort Frances installed the following meter families:

Residential: Elster Rex 2 (single phase meters)
GS<50 kW: Elster Rex 2 (single phase) meter and Elster A3 (three phase) meters
GS>50 kW: Exclusively Elster A3 (three phase) meters

Note: Additional Rex 2 and A3 meter variations exist due to the size of customer services as well A-Base (hardwired style) versus S-Base (socket style) installations.

b) Please complete the following table to show average customer costs based on meter type.

Response: FFPC did not segregate costs by meter type but has provided a recap of totalized labour costs.

Class	Type of Meter	Quantity	Meter Cost	Average Meter Cost	Installation Cost	Average Installation Cost	Other Costs	Average Other Costs	Total Average Cost
Residential & GS<50 kW	As above	3730	\$461,847	\$123.	\$111,109.	\$30.	.	.	\$153.00
GS>50 kW	A3	47	\$21,474	\$457	\$4,230	\$90			\$547.

c) Please provide a summary of FFPC's incremental internal labour costs included in this application in terms of positions, contract type (permanent vs. temporary, part-time vs. full-time), length of employment and work activities.

Response: FFPC had no incremental internal labour costs. Only external incremental labour costs were included in this application. Both costs were temporary contractual services for:

- Olameter, for the smart meter install;
- Meter technician to assist in standardizing meter inventory, to provide line-crew meter training, as well as assisting with all complex meter installations.

VECC Question # 3

Reference: Application, Pages 6 to 7

Preamble: The table on page 6 provides a smart meter program summary of 2011 LTD actual costs versus the original budgeted costs. On Page 7, FFPC provides a brief explanation of the variances. VECC seeks more details on the variance explanations provided.

- a) Please provide a breakdown of “smart meter installation costs other” for 2011 LTD actual costs compared to original budgeted costs and explain the variance for each component.

Response: The “smart meter installation costs other” for 2011 LTD actual costs represents the labour costs incurred for installing all Residential and GU < 50kW Smart Meters. The total costs incurred is made up of FFPC’s external contractor labour costs (Olameter and FFPC’s retired Meter Technician), as well as FFPC’s internal labour costs.

- b) Please provide a breakdown of “smart meter other equipment” for 2011 LTD actual costs compared to original budgeted costs and explain the variance for each component.

Response: The \$12,214 was for the purchase of a hand-held meter inspector (“EA Inspector) and associated components.

- c) Please identify the specific computer hardware and software costs and explain why the computer and hardware costs are \$34,946 greater than expected.

Response: FFPC’s original estimate of \$8,836 for AMI Computer Software costs was underestimated. FFPC’s actual major expenses incurred as referenced under “AMI Computer Software Costs” and “Other Computer Software Costs” respectively were:

- Elster Service Agreement-Software Fee \$28,940.
- Elster Support & System Set-Up Fee \$28,141.

- d) Please provide further details on the incremental OM&A costs. Please provide further details to support the statement on page 7 “Fixed monthly fees for MAS and ODS maintenance created an unfavourable variance of \$83,776 versus budgeted expenses.”

Response: FFPC paid \$2000 each month (and continues) to Thunder Bay Hydro for AMI System operating and administration fees. FFPC also pays approximately \$5,000 annually for cellular phone charges for operating its Wide Area Network (WAN).

- e) Please explain why the TOU billing budget resulted in a favourable variance of \$58,581.

Response: FFPC's 2008 budget over estimated the cost of the TOU Billing due to the many unknown aspects of TOU deployment. FFPC was able to realize cost-savings by participating in the Northwest Group (who jointly procured, deployed and operates common AMI systems as well as jointly implemented TOU Rates).

VECC Question # 4

Reference: Application, Page 4

Preamble: The table on page 4 provides a summary of the actual capital and OM&A costs as at December 31, 2011. VECC notes that the total average cost (capital and OM&A) for 3,776 installed meters is \$248.17 (excluding costs related to minimum functionality). The total average cost including costs beyond minimum functionality is \$262.67 (\$248.17 + \$14.41).

The Board's report, "Sector Smart Meter Audit Review Report", dated March 31, 2010, indicates a sector average capital cost of \$186.76 per meter (based on 3,053,931 meters (64% complete) with a capital cost of \$570,339,200 as at September 30, 2009). The review period was January 1, 2006 to September 30, 2009. The average total cost per meter (capital and OM&A) is \$207.37 (based on 3,053,931 meters (64% complete) with a total cost of \$633,294,140 as at September 30, 2009).

The Board followed up on this review on October 26, 2010 and issued a letter to all distributors requiring them to provide information on their smart meter investments on a quarterly basis. The first distributors' quarterly update represented life-to-date investments in smart meter implementation as of September 30, 2010 and as of this date, the average total cost per meter is \$226.92 (based on 4,382,194 meters (94% complete) with the total provincial investment in smart meter installation of \$994,426,187).¹

- a) Please explain why FFPC's total average total costs per meter are higher than the recent distributor average of \$226.92.

¹ Monitoring Report Smart Meter Investment – September 2010, March 3, 2011

Response: FFPC believes that small northern LDC's are disadvantaged when compared to either the provincial or large LDC total cost per meter. Large LDCs benefit from many economies of scale (computer hardware and software costs, larger deployable work force, greater purchasing power, professional fees, etc.) that is unavailable to smaller, northern LDCs. A comparison within FFPC's proper cohort group, small Northern LDC, would be a more appropriate comparison.

VECC Question # 5

Reference 1: Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Page 19

Preamble: The Guidelines state, "The Board also expects that a distributor will provide evidence on any operational efficiencies and cost savings that result from smart meter implementation."

- a) Please identify any operational efficiencies and cost savings such as reduced meter reading costs that FFPC has experienced or anticipates will result from smart meter implementation.

Response: FFPC has realized a savings of \$29,000 annually in reduced contracted meter reading costs. These savings however, are offset by the operating costs of a Master Application Server (MAS), an Operational Data Store (ODS) and a Wide Area Network (Cost associated with operating Collectors) of approximately \$2,500 per month or \$30,000 annually.

- b) Please quantify any savings and confirm whether any realized cost savings have been included in this application.

Response: FFPC realized additional cost savings by utilizing existing internal staff to execute or 'ramp-up' for the implementation stage of the Smart Meter program. Additional workloads were assigned to and borne by key staff without incurring additional labour costs. This is a good illustration of how FFPC operates under a rate-minimization-model.

VECC Question # 6

Reference 1: Application, Page 7

Preamble: The evidence indicates FFPC used Guelph's model (EB-2011-0123) to calculate class-specific SMDRs by using a more direct allocation of SMFA revenues and specific cost recovery by rate class

Reference 2: Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Page 19

Preamble: The Guideline states, "The Board views that, where practical and where data is available, class specific SMDRs should be calculated on full cost causality."

a) Please complete a separate smart meter revenue requirement model by rate class.

Response: FFPC does not have the data available nor is it practical to complete a class specific SMDR, beyond the Guelph allocation model.

b) Please re-calculate the SMDR & SMIRR rate riders based on full cost causality by rate class.

Response: FFPC is unable to provide the specific class rate riders as FFPC did not collect the data on a class specific basis.

c) If FFPC is unable to provide separate smart meter revenue requirement models by rate class, please provide a detailed explanation.

Response: FFPC used the OEB recommended methodology by determining class specific rate riders through the Guelph model. Within the model, FFPC prorated the specific costs for Return on Capital, Amortization and Interest Expense, OM&A costs and Tax and PILs to determine a revenue requirement.

When possible, FFPC allocated rate specific costs to the appropriate rate class, as demonstrated with the cost allocation for those costs beyond minimum functionality.

VECC Question # 7

Reference: 2012 Smart Meter Model, 20120718, Sheet 2

a) Please provide a breakdown of the costs by year for line 1.5.3 Professional Fees.

FFPC 1.5.3 Professional Fees	2009	2009	2010	2011
Util-Assist- Project Management Consulting	\$17,305	\$16,227	\$14,732	\$13,814
CRTC-Licensing	\$4,147			
N Dimension - Security Assessment		\$5,188		
Thunder Bay- Legal Fees - shared		\$5,472		
London Hydro - RFP Consulting		\$2,724		
Elster System Planning		\$2,564		
	\$21,452	\$32,175	\$14,732	\$13,814

b) Please identify the costs by year under 2.5.6 Other AMI Expenses.

Response: All expenses recorded under 2.5.6 Other AMI Expenses are in relation to FFPC's AMI System Security. Specifically FFPC joined a consortium of LDCs who deployed the Elster AMI solution. The group procured N-Dimensions to perform an analysis of the AMI systems/technology as well as LDC specific security requirements. FFPC participated in the consortium to ensure that proper due-diligence is exercised to minimize the likelihood of cyber- attacks and any corresponding damages. FFPC recovered costs under 2.5.6 –Other AMI Expenses as:

2011	\$11,307	N Dimension	AMI Security Audit & Services
2012	\$16,200	N Dimension	" (Estimate \$1,350 per month)