



October 9, 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, EB-2012-0327–
Response to Vulnerable Energy Consumers Coalition (VECC) Submission

This letter acknowledges the receipt of the Vulnerable Energy Consumers Coalition (VECC) Submission on October 1, 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, which appears to read 'Joerg Ruppenstein', is written over a white background.

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 Final Submission**

Information Requests of the Vulnerable Energy Consumers Coalition (VECC)

Prudence Review of Smart Meter Costs

Reference: VECC Submission, Page 3

“FFPC indicates it had no incremental internal labour costs and only external incremental labour costs were included in this application.⁶ In response to VECC interrogatory #3 to provide a breakdown of “smart meter costs – other”, FFPC states that “The total costs incurred is made up of FFPC’s external contract labour costs (Olamater and FFPC’s retired meter technician), as well as FFPC’s internal labour costs.” VECC is unclear how internal labour costs are reflected in this application and submits FFPC should provide a more detailed explanation of this in its reply submission.”

Response: FFPC, in response to VECC Question 2 (c), responded to questions regarding the internal and external labour costs that were incremental in nature, where incremental is interpreted as additional hiring of workers (internal and external). As FFPC did not hire any additional internal staff, FFPC interprets this as not having incurred any incremental labour costs. FFPC notes that it did incur internal labour costs associated to the installation of smart meters. For clarity, all internal labour costs in this application are the costs associated with the utilization of existing FFPC line crew staff to conduct the more complex meter installations.

These costs were included in FFPC’s Smart Meter model, Appendix A, Smart Meter Costs, ‘Installation Costs, 1.1.2’ line item.

For clarity, in response to VECC Question 3 (e), “smart meter installation costs other” represent all (internal and external) labour costs FFPC incurred, in connection with the installation of smart meters.

As previously mentioned Olamater was the external contractor obtained to conduct the bulk installation of all standard single-phase socket style meters, FFPC’s existing line crew however, installed all remaining single-phase socket style meter that the contractor could not

install due to safety, accessibility or complexity concerns. For clarity, FFPC contracted the services of its retired meter technician to educate and assist FFPC crews with installation of all remaining three-phase and A-Base (hard wired) meter installations. The costs associated with the services provided by FFPC's retired meter technician are also included as external labour costs. FFPC believes that the use of its existing line staff under the guidance of its retired meter technician was the most cost effective and safest approach. With respect to work load, FFPC chose to defer lower priority maintenance and capital work to meet the provincially mandated smart meter installation deadline.

Reference: VECC Submission, Page 4

"FFPC identified a savings of \$29,000 annually in reduced contracted meter reading costs that were offset by \$30,000 annually in operating costs of a Master Application Server (MAS), an Operational Data Store (ODS) and a Wide Area Network (cost associated with operating collectors). VECC notes that in other recent applications, reduced meter reading costs have not been offset by these operating costs. VECC submits that FFPC should provide a more detailed explanation of this in its reply submission.

Response: FFPC has historically used external contract staff to perform meter reading services, instead of utilizing internal staff.

With the installation of Smart Meters, FFPC contract costs for this service is limited to sporadic visits to demand type meters, as demand registers currently need to be reset while physically being located at the meter installation site.

Although labour costs associated with the manually reading of conventional meters has been greatly reduced, FFPC is incurring new costs associated with operating its automatic meter reading system or in other words, operating its Advanced Metering Infrastructure (AMI). Specifically FFPC now has to pay the equivalent of monthly cell phone bills (cell phone service with Data Plan) for each collector location, monthly Operational Data Store expenses for the hosting/storage of data as well as for having the ability to manage billing data (process data errors etc.), additional external labour and operating costs for the administration/operation of the AMI's Master Application Server (MAS) server.

Within the requirement of the Smart Meter monthly operation, FFPC is incurring these new costs that were not required to be incurred with conventional metering technology:

Projected Annual MAS ODS Costs	2010	2011	2012*
Thunder Bay Hydro - MAS/ODS System Fee	\$24,000	\$24,000	\$24,000
Kinetiq Canada - Fixed Fee	\$5,973	\$6,283	\$6,324
Tbay Telephone - Monthly Phone Services	\$4,796	\$5,059	\$5,175
* Estimated	\$34,769	\$35,342	\$35,499

FFPC agrees with the Board Staff Submission, page 15 that:

“ FFPC has also described savings from utilizing internal staff for the implementation stage of the Smart Meter program that allowed avoiding additional labour costs, however has not quantified these cost savings. Board staff takes no issue with FFPC’s explanations, and recognizes that it may take time for savings from business process redesign to fully take advantage of the operational capabilities of smart meters and related systems to be recognized.”