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May 02, 2014

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2013-0130 Fort Frances Power Corporation

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

Attachment
Lori Cain, Finance & Regulatory Officer
e-mail: ffpc@fort-frances.com

REQUESTOR NAME	**VECC**
INFORMATION REQUEST ROUND NO:	**# 1**
TO:	**Fort Francis Power Corporation (FFPC or Fort Frances Power)**
DATE:	**April, 2014**
CASE NO:	**EB-2013-0130**
APPLICATION NAME	**2014 Cost of Service Electricity Distribution Rate Application**

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1. Foundation

1.1. Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

1.1 - VECC - 1

Reference: E2\Appendix 2A Distribution System Plan (DSP), pg. 345 / Board Staff Interrogatory 1.1-Staff-2

Pre-amble: At page 345 of the DSP FFPC outlines a program of $371,739 in capital costs and $18,587 in OM&A costs related to Long-Term Load Transfer elimination. At 1.1-Staff-2 Board Staff have asked a number of questions in respect to this program.

a) Please provide a schematic map showing the proposed LTLT program development and showing Hydro One and FFPC owned circuits.
b) Does Hydro One agree with FFPC that the 14 referenced customers are customers of FFPC under a load transfer agreement? If yes, please provide the correspondence (including e-mail) which notes this agreement. Please provide any other relevant correspondence between Hydro One and FFPC on this matter.
c) Please provide a description of FFPC service territory as stated in its OEB licence.
d) Did FFPC identify all Hydro One assets and customers within the described service territory when

it applied for an OEB licence? If so, please provide that correspondence.

e) FFPC's LTLT proposal would result in an investment of over $27,000 per customer for the 14 customers currently served by Hydro One. Why does FFPC believe it prudent to invest this amount to connect these customers rather than maintain serving these customers by Hydro One?
f) Do the 14 customers that will be connected currently receive their bill from Hydro One or FFPC?
g) Please confirm that the $18,587 in OM&A costs associated with this project is included in FFPC's 2014 cost of service proposal.
h) Please describe the purpose of the OM&A costs and whether they are annual or one-time costs.

1.1-VECC-2

Reference: E1/T1/S8/pg.23 & E2/Appendix 1/OPA Letter of Comment

a) FFPC has allocated a capital budget of $229,673 to be spent over 6 years to allow its transformer station to accommodate load and generation. At page 2 of OPA Letter of Comment "[A*]s a result of this change to the FIT Program Rules, the OPA will be discontinuing any large FIT applications that it has received for connection in FFPC's distribution service territory*." What is FFPC current forecast for generation that would require these investments?

1.2. Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?

1.2 - VECC - 3

Reference: E1/T2/S1

a) Does FFPC undertake transactional surveys (i.e. after engagement with a customer)? If so please provide a summary of these. If not, please explain why such surveys are not used.

1.2 - VECC - 4

Reference: E1/T2/S1/

a) Does FFPC track and categorize customer enquiries and complaints? If so please provide a summary of the annual results for 2010 through 2013

2. Performance Measures

2.1. Does the applicant's performance in the areas of: (1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance; (3) service quality, and (4) efficiency benchmarking, support the application?

2.1 - VECC - 5

Reference: E2/T3/S8

a) Please provide the 2013 SAIDI, SAIFI and CAIDI figures (with and excluding loss of supply).
b) At page 64 of the Distribution System Plan it shows a marked increase in outages due to weather. Please explain the event(s) which occurred.

3. Customer Focus

3.1. Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

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4. Operational Effectiveness

4.1. Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the associated level of revenue requirement requested by the applicant?

4.1 - VECC - 6

Reference: E2/Appendix 2A/Distribution System Plan

a) Please explain what metrics (reliability targets etc.) or other objectives that FFPC is using to assess the success of its

Distribution System Plan. Specifically, please discuss the separate metrics used to judge, (1) the success of the plan itself (e.g. in achieving any stated goals) and, (2) the success of the plan's implementation.

4.2. Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?

4.2 - VECC - 7

Reference: E4/T1/S1/ Table 4.2.3 / Table 4.2.5

a) Please update Tables, 4.2.3.,4.2.5 , 4.2.7 through 4.2.11 to reflect 2013 actual results.

4.2 - VECC - 8

Reference: E4/T2/S3

a) Please confirm that FFPC's change in capitalization policy has had no impact on 2014 OM&A costs.

4.2 - VECC - 9

Reference: E4/T2/S3/

a) Please provide FFPC's estimate of the incremental cost of smart/TOU metering. Please itemize the costs (e.g. incremental IT hardware, staff, etc.) and any offsets (e.g. decrease in meter reading).

4.2 - VECC - 10

Reference: E4/T2/S3/pg.6

a) Please provide all training, conference and travel costs for each year 2010 through 2014.
b) Please explain how the 2014 bad debt forecast is calculated.

4.2 - VECC - 11

Reference: E4/T2/S2

a) FFPC is proposing to spend significantly more in 2014 on Community Relations/Safety ($29,150) than it actually spent it expected to spend in 2013 ($4,750). Please explain what amount of this increase is related to the educational program FFPC proposes.
b) Are any of these amounts for compensation for the proposed new Technical Customer Service Representative?

4.2 - VECC - 12

Reference: E4/T2/S2/Table 4.2.11 E4?T1/S1/Table 4.2.6(a)

a) Please reconcile the 2013 and 2014 regulatory costs shown in Table 4.2.11 ($40,000 & $70,000 respectively) with the same costs category shown in Table 4.2.6(a).
b) Please also show how the one time regulatory costs shown in Table 4.2.6(b) of $19,600 reconcile with the one-time costs shown in lines 12 and 13 of Table 4.2.6(a) ($18,000 & $66,200 respectively).

4.2 - VECC - 13

Reference: E4/T2/S4/pg.5

a) Please confirm that between 2006 and 2014 (forecast) FFPC added an incremental 2 employees, one which was a lineman and the other which is a (proposed) service representative.
b) Are any of the FTE positions in 2014 backfilling for an expected retirement (i.e. the expected Line Superintendent retirement)?

4.2 - VECC - 14

Reference: E4/T2/S2

a) For each year in the period 2006 through 2014 please provide the amounts expended on:
   i) EDA Fees;
   ii) MEARIE Insurance Premiums;
   iii) Other memberships (please describe).

4.3. Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rate increases for customers, or is any additional rate mitigation required?

4.3 - VECC - 15

Reference: E2/T3/S3, pg. 4

a) Please update Table 2.3.1 (b) Capital Projects to show 2013 actual results and any necessary update to 2014 expenditures that may result from uncompleted 2013 programs.

4.3 - VECC - 16

Reference: E2/T3/S3/pg.4

a) Has the Bucket Truck identified in the table on the page been purchased?
b) If not please provide the estimated delivery date. If yes please provide any variance from the estimated purchase price of $120,000.

4.3 - VECC - 17

Reference: E2/T3/S3

a) There is a significant increase in the category of miscellaneous capital projects in 2013 and 2014 as compared to prior years and no amounts included in this category in 2015 through 2016. Please explain the large variation in spending in miscellaneous capital spending.

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4.3 - VECC - 18

Reference: E2/Appendix 2A – Distribution System Plan (DSP) /E2/T4/S1/Table 2-AA

a) There appears to be significant variation in the average cost of installed poles. For example in 2007 FFPC installed 52 poles (page 150 of DSP) at a cost of $76,776. In 2011 35 poles were installed at a cost of $135,340. Please explain the variation in the average cost of installing poles between 2006 and 2013.

b) Please provide the number of poles expected to be installed in 2014. Please provide the average cost of installed pole in 2014 and how this average was derived.

4.3 - VECC - 19

Reference: E2/T3/S1/pg.4/Table 2-AA

a) Please confirm that FFPC has received no capital contributions in 2006 through 2013 and is forecasting no contributions for 2014.

4.3 - VECC - 20

Reference:E2/T3/S1/Table 2-AB

a) If one ignores vehicle purchases and renewable generation investments, FFPC annual capital budget between 2006 and 2013 averages $202,000 per year. Between 2015 and 2018 FFPC is forecasting investments of approximately $670,000 per year. Since 2003 FFPC has experienced a decline in customer growth. Much of the increase is in the category of System Renewal. The spending pattern suggests significant underinvestment during the IRM period. Please explain why this occurred.

b) If the reason was lack of funds please explain why FFPC did not seek relief from the Board earlier than for 2014 rates.

5. Public Policy Responsiveness

5.1. Do the applicant's proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

5.1 - VECC - 21

Reference: ALL

a) Please provide FFPC's estimate of the ongoing cost in 2014 of meeting all new government and OEB obligations established since 2006. Please itemize each requirement and FFPC's estimated cost of meeting the requirement.

6. Financial Performance

6.1. Do the applicant’s proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?

6.1 - VECC - 22

Reference: E4/T1

a) Please provide the following inflation information for the period 2006 through 2013:
   - i) CPI (Statistics Canada);
   - ii) GDPI;
   - iii) FFPC’s 2006-2014 IRM productivity factor, and
   - iv) FFPC’s 2006 – 2014 Stretch Factor.
   - v) FFPC’s annual increase for union labour costs (contract).

6.2. Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?

7. Revenue Requirement

7.1. Is the proposed Test year rate base including the working capital allowance reasonable?

7.1 - VECC - 23

Reference: E2/T4/S1

a) Are all customer classes billed on a monthly cycle? Has there been any change in billing cycles to any class since 2010?
b) Is FFPC aware of the difference in working capital requirements of Ontario Utilities who use monthly as opposed to bi-monthly billing? Why does FFPC believe the 13% working capital allowance is an appropriate amount for a utility which monthly bills?

7.2. Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board`s accounting policies?

7.2 - VECC - 24
Reference: E1/T5/S9

a) In a number of accounts FFPC has adopted an asset useful life which is not within the parameters of the Kinectric Study (for example elements of Power Transformers). Please explain the reasons for these deviations.
b) What would the revenue requirement impact be of moving all deviations to within the Kinectric asset life boundaries? (The purpose of this question is to understand the materiality of the deviations – therefore an estimate of the impact is sufficient).

7.3. Are the proposed levels of taxes appropriate?

7.4. Is the proposed allocation of shared services and corporate costs appropriate?

7.5. Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?

7.5 - VECC - 25
Reference: E5/T1?S1/pg.4

a) Does the 1905 Agreement preclude the shareholder (municipality) from being a lender to FFPC?

7.6. Is the proposed forecast of other revenues including those from specific service charges appropriate?

7.6 - VECC - 26

Reference**:** E3/T3/S2, pages 2 and 4

a) Please update the table on page 4 for 2013 actual values.

7.7. Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

8. Load Forecast, Cost Allocation and Rate Design

8.1. Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements

8.1 - VECC - 27

Reference: E3/T2/S1, pages 3 and 9

a) If available, please update Table 3.2.1 for the 2013 actual values by customer class.
b) If available, please provide the actual Heating and Cooling Degree Days by month for 2013.

8.1-VECC- 28

Reference: Response to VECC Clarifying Question #3 (April 17, 2014)

a) Please update the table provided in response to part (a) for 2013 data.
b) Are there any further updates on Resolute's status?
c) With respect to the response to part (b), with the reduction in Resolute's operations do these do customers still have the "option" to purchase directly from Resolute's power mill?

8.1 -VECC -29

Reference: E3/T2/S1, pages 3 and 6

Response to VECC Clarifying Question #2 (April 17, 2014)

Preamble: The employment data provided in response to Clarifying Question #2 suggests a gradual decline in Resolute's operations over time as opposed to a one time change.

a) Please re-do the regression equation explain FFPC's power purchases and replace the "2012 Flag" with a variable that reflects the number of Resolute employees in each year concerned. Please provide the results in terms of equation coefficients and regression statistics along with the resulting forecast purchase value for 2014.

8.1-VECC – 30

Reference: E3/T2/S1

a) The customer count for all customer classes has been virtually stable since 2009. Why not hold the customer counts constant at the 2012 (or updated 2013 levels)?

8.2. Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?

8.3. Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?

8.4. Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?

8.5. Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?

8.6. Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?

9. Accounting

9.1. Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?

9.1 - VECC - 31

Reference: E8/S1/pg.1 & E2/T2/S1/pg.12

a) Please explain why for account 1860 Meters the 2011 and 2012 accumulated depreciation amounts in Table 2.2.6 (Continuity Schedule) are different from that for stranded meters in Table 8.8 (they are the same for prior years).

b) Please explain why FFPC removed conventional meters from the continuity schedules in 2012 rather than for in 2013?

c) Please update the 2013 Continuity Schedules for Year-end actuals.

9.2. Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?

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