FFPC
FORT FRANCES POWER CORPORATION

May 22, 2014

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 26th Floor
Toronto, Ontario M4P 1E4
Attn: Ms. Kirsten Walli, Board Secretary

Via RESS; Via courier to Board Secretary, Michael Janigan, Mark Garner and Bill Harper;
Via e-mail to Board Secretary and all ccs.

Fort Frances Power Corporation, Response to Interrogatories
2014 COS Rate Application, Board File EB-2013-0130

Dear Ms. Walli:

Fort Frances Power Corporation is pleased to submit the enclosed responses to interrogatories from Board Staff and VECC.

In addition, separate files have been submitted vis RESS as requested within the interrogatories:

- FFPC_2014_Custom_Chapter2_Appendices_Rev_20140522
- FFPC_2014_9.1-Board-38_Tbl_9.15_9.17.xlsx

Sincerely,

Joerg Ruppenstein,
President and CEO
Encl.

Cc Michael Janigan, Mark Garner and Bill Harper for VECC

320 Portage Avenue, Fort Frances, Ontario P9A 3P9 Phone: 807-274-9291 Fax: 807-274-9375 email:ffpc@fort-frances.com

Fort Frances Power Corporation ("FFPC")
Response to Board Staff and VECC Interrogatories
2014 Cost of Service Rate Application
EB-2013-0130
May 22, 2014

1. Foundation

Issue 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?

INTERROGATORY

1.1-Staff-1
Ref: E2.Appendix 2A, p.97.

In the above reference, it is stated that:

> FPCC is working towards having all asset attribute and condition data linked to the assets themselves within the GIS system. […] In future iterations of the DS Plan FFPC, also plans to link risk ratings, health indexes and consequence of failure data to all individual assets.

a) Please indicate FFPC's anticipated timing for the achievement of each of the two stages referenced above and whether or not all asset groups will be covered by these two stages as they are completed.

Response:

FFPC is planning on increasing its staff count by 1 full time employee, namely a "Technical Customer Service Representative", which would increase FFPC's employee count from nine (9) full time employees to ten (10) full time employees. A significant aspect of this new position will be to oversee FFPC's newly developed asset management and capital planning processes, as well as to oversee (and enhance) the data sets that support them. The data sets such as the asset register, asset inspection results and asset condition testing results are instrumental in supporting the future of data-driven planning.

Over the course of the rate horizon (2014 to 2018), the new employee will be tasked with linking risk ratings, health indexes and consequence of failure attributes to all individual assets within the following asset groups: Fully Dressed Wood Poles; Overhead Line Switches; Overhead Transformers; Primary TR XLPE Cables in Duct; Secondary Cables Direct Buried; Pad-Mounted Transformers; Underground Foundations and Cable Chambers.

FFPC is planning on completing linking health indexes to the above-mentioned asset classes by the end of 2016. Risk ratings and consequence of failure attributes are projected to be linked by the end of 2017. FFPC plans to be able to rely on these enhancements for the development of its next DS Plan which is expected to cover the 2019 to 2023 planning period.

The addition of a Technical Customer Service Representative will be instrumental in allowing FFPC to successfully execute and enhance FFPC's Asset Management and Capital Planning Processes, as well as allowing FFPC to implement its current and future DS Plans.

b) Please state whether or not FFPC would anticipate that once the above referenced enhancements are in place, FFPC would be able to develop a process to determine the probability of failure at end of life for each asset and if so what such a process would encompass. If not, please explain why not.

Response:

FFPC anticipates that it will be able to apply a process to determine the probability of failure for each individual major asset. FFPC has not fully investigated how to apply this approach. Conceptually, FFPC is planning to investigate developing probability of failure scores for individual assets based on failure rate as a function of:

- *age*
- *operating environment/conditions*
- *inspection/condition test results*

INTERROGATORY

1.1-Staff-2
Ref: E2/T3/S1, p.4 and E2.Appendix 2A, p.32 and *Electricity Distribution Licence* ED-2003-0028 Fort Frances Power Corporation.

With respect to the first reference, "Table 2-AA: Capital Projects Table" includes in the category "Mandated Service Obligations" Project 14-14-006 Elimination of Long Term Load Transfers in the amount of $371,739.

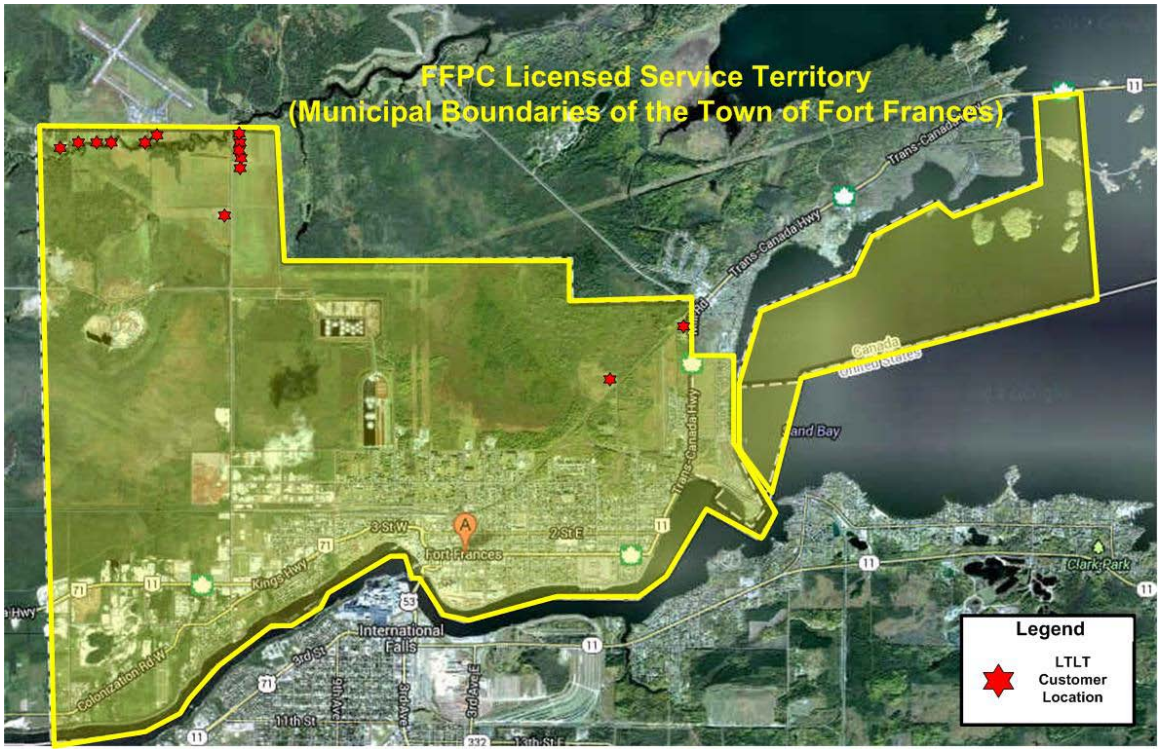
In the second reference, with respect to this project, it is stated that:

> There are currently fourteen (14) customers within FFPC's licensed electrical distribution service territory that are physically connected to and serviced by Hydro One Networks Inc.'s electrical distribution system…FFPC is planning on extending its feeders to eliminate the LTLT's in 2014, as per the requirements of the DSC….The feeder expansions will unlock access to approximately 25% of FFPC's distribution service territory that is currently not developed."

a) Please provide verification that the 14 customers are in FFPC's licensed service area.

Response:

FFPC has verified that the fourteen (14) customers reside within FFPC's licensed distribution service area, which is the territory within the Municipal boundaries of the Town of Fort Frances. The following map illustrates these customer locations relative to the Municipal boundaries of the Town of Fort Frances.



b) Have these 14 customers been described in FFPC's LTLT implementation plans filed with the Board? If not, why not? If so, please file the most recent implementation plan.

Response:

FFPC confirms that these fourteen (14) customers have been described in FFPC's LTLT plans filed annually with the Board. FFPC's most recent Elimination of LTLT Plan was filed with the Board on December 3, 2013. The submission contained an implementation plan that is aligned with the approach described in FFPC's DS Plan. FFPC has included the December 3, 2013 filing as Appendix 1.

c) In typical LTLT arrangements, there is a settlement process between the physical and geographic distributors to true up any differences in the costs to serve the subject customers. Please confirm that there is no, and never has been, a settlement process between Hydro One and FFPC.

Response:

FFPC confirms that there is no, and never has been a formal settlement process between Hydro One and FFPC.

d) Please state whether or not FFPC has had any discussions with Hydro One Networks Inc. regarding the connection of these customers to FFPC and, if so, please comment on the status of these discussions. If not, please explain why not, including the basis for FFPC's belief that this project can be completed in 2014.

Response:

FFPC has had discussions with Hydro One Networks Inc. regarding the connection of these customers to FFPC, and in 2010 FFPC formally met with a Hydro One official to conduct a joint site visit of all fourteen (14) customer locations. During the joint site visit Hydro One confirmed that all fourteen (14) customers were located within the municipal boundaries of the Town of Fort Frances and as such are within FFPC's licensed distribution service territory.

Following the site visit, FFPC was verbally informed that Hydro One's LTLT team is backlogged with projects and resolving this particular issue was assigned a low priority given the relatively small number of customers involved.

Since this time, FFPC has approached Hydro One on several occasions but has not been able to receive a status update regarding this matter. Although FFPC has not received formal consent from Hydro One to proceed servicing these customers, FFPC understands that it has the authority with Board approval to extend its plant to connect to these customers.

At this point in time, FFPC believes that it could extend its plant to thirteen (13) of the fourteen (14) customer by the end of 2014. One customer connection is complicated by FFPC having to cross a Canadian National Railroad (CNR) right-of-way (rail road tracks), and obtaining the necessary project clearances has been known to take up to a year. As such, FFPC cannot guarantee that it will be able to connect to this customer by the end of 2014; however, FFPC is committed to eliminating this issue as soon as possible.

Alternately, FFPC is open to implementing this project in three annual phases, in the interest of smoothing capital expenditures, as this project represents a disproportionately large portion of FFPC's planned 2014 Capital Budget. As previously mentioned, FFPC has planned this work for 2014 to comply with the requirements of the DSC.

e) Please state which requirements of the DSC FFPC is referencing in the above paragraph.

Response:

FFPC understands that Section 6.5.4 of the Distribution System Code is applicable:

> *6.5.4 - During the period between May 1, 2002 and June 30, 2014, a geographic distributor that services a load transfer customer shall either:*
> *(a) negotiate with a physical distributor that provides load transfer services so that the physical distributor will be responsible for providing distribution services to the customer directly, including application for changes to the licensed service areas of each distributor; or*
> *(b) expand the geographic distributor's distribution system to connect the load transfer customer and service that customer directly.*

In this context, FFPC understands that it is the "Geographic Distributor" and that Hydro One is the "Physical Distributor". As such, FFPC understands that it has a regulatory obligation to resolve this issue.

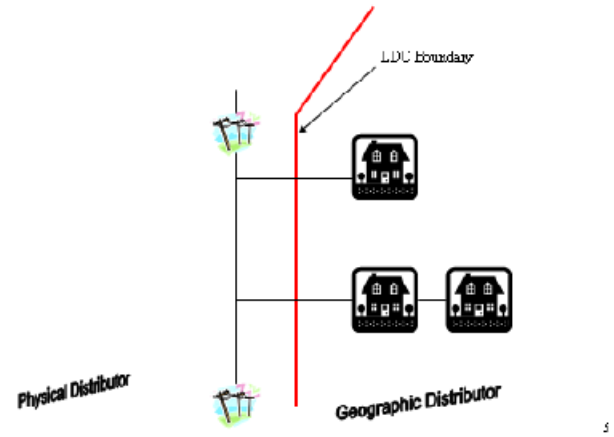
In 2007, the Electrical Distributors Association's (EDA) Long Term Load Transfer Working Group released a guide for Ontario Distributors entitled "Planning for Compliance With the Regulatory Requirements to Eliminate Long Term Load Transfers". The guide described "Load Transfer" or "LTLT, "Geographic Distributor" and "Physical Distributor":

- *"Load Transfer" or "LTLT" means an arrangement to supply a customer or customers of one distributor from the system of another distributor.*
- *"Geographic Distributor" means the distributor that is licensed to serve a customer but may not have the facilities to serve that customer from within its service territory.*
- *"Physical Distributor" means the distributor that is not licensed to serve a customer in its adjacent service territory.*

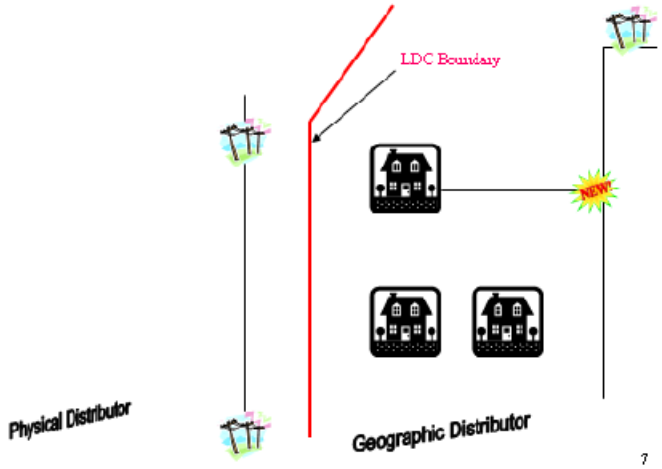
The guide also provided pictorial illustrations of "What is a Long Term Load Transfer?" and "Eliminating LTLT with new infrastructure" as per the following.

FIGURES 3 and 4

What is a Long Term Load Transfer?



Eliminating LTLT with new infrastructure



FFPC understands that the fourteen (14) customers which are supplied by Hydro One are considered to be LTLT arrangements, and FFPC is planning to eliminate the arrangements by extending its distribution plant as illustrated above.

Several among these 14 customers have repeatedly expressed their position that, as residents of the Town of Fort Frances, they are entitled to benefit from the 1905 Historic Power Agreement. The planned extension would allow FFPC to provide the financial benefit of the 1905 Historic Power Agreement to them.

In 2014 the value of the 1905 Agreement was approximately $2.5 Million. The financial benefit is distributed amongst FFPC's customers based on their

proportionate share of the total volume of electricity consumed by FFPC's customer base. There are currently roughly 3800 Residential customers within the Town of Fort Frances, representing approximately 50% of FFPC's total annual consumption. With the assumption that every household consumes the same volume of electricity, every household would receive $329 dollars in annual rebates through FFPC from the 1905 Agreement.

f) Of the total expenditure of $371,739 anticipated for this project, please state how much of this amount is related to the connection of the 14 referenced customers and how much is related to unlocking access to the approximately 25% of FFPC's distribution service territory currently not developed.

Response:

FFPC would like to clarify that the total expenditure of $371,739 is required to extend FFPC's plant to connect to the fourteen (14) customers. At the same time, a collateral benefit of this expansion would be that the extended distribution feeder path will provide access to approximately 25% of FFPC's distribution service territory which is currently not developed and where there is currently is no access to electricity. In essence, the expansion could prompt new land developments for both commercial and residential applications as the land would have direct access to FFPC's distribution feeders.

In addition, once the 14 customers become FFPC customers, FFPC can distribute to them credits associated with the 1905 Historic Power Agreement, and they will benefit in like manner as all other residents and small businesses located within the Town of Fort Frances. FFPC believes that such sharing of the benefits of the 1905 Historic Power Agreement is consistent with the intent of that Agreement.

Please refer to the response to Issue 1.1 - VECC - 1 for a schematic map illustrating FFPC's LTLT circumstances.

g) What is FFPC's expectation for additional customers (beyond the 14 customers) to be connected to the new feeders in the next 5-years.

Response:

FFPC has received several inquiries from developers regarding locating large scale renewable generation along the path of the feeder extensions. One such inquiry was

for a 10 MW solar farm which would have direct access to FFPC's transformer station once the expansion was completed.

FFPC understands that the Town of Fort Frances is currently working very hard to rebrand itself and to encourage economic development. As a community partner, FFPC believes that the feeder expansion will make the parcels of land adjacent to them much more desirable as they will have direct access to electricity.

FFPC further understands that the Town of Fort Frances is currently also evaluating a wide range of economic development opportunities. Economic development projects being considered range from casinos to data centres. A key motivating factor for such development is that the Town of Fort Frances currently has among the lowest rates for electricity in all of Ontario. The parcels of land adjacent to the feeder expansions are therefore well suited to host new economic ventures.

INTERROGATORY

1.1 - VECC - 1

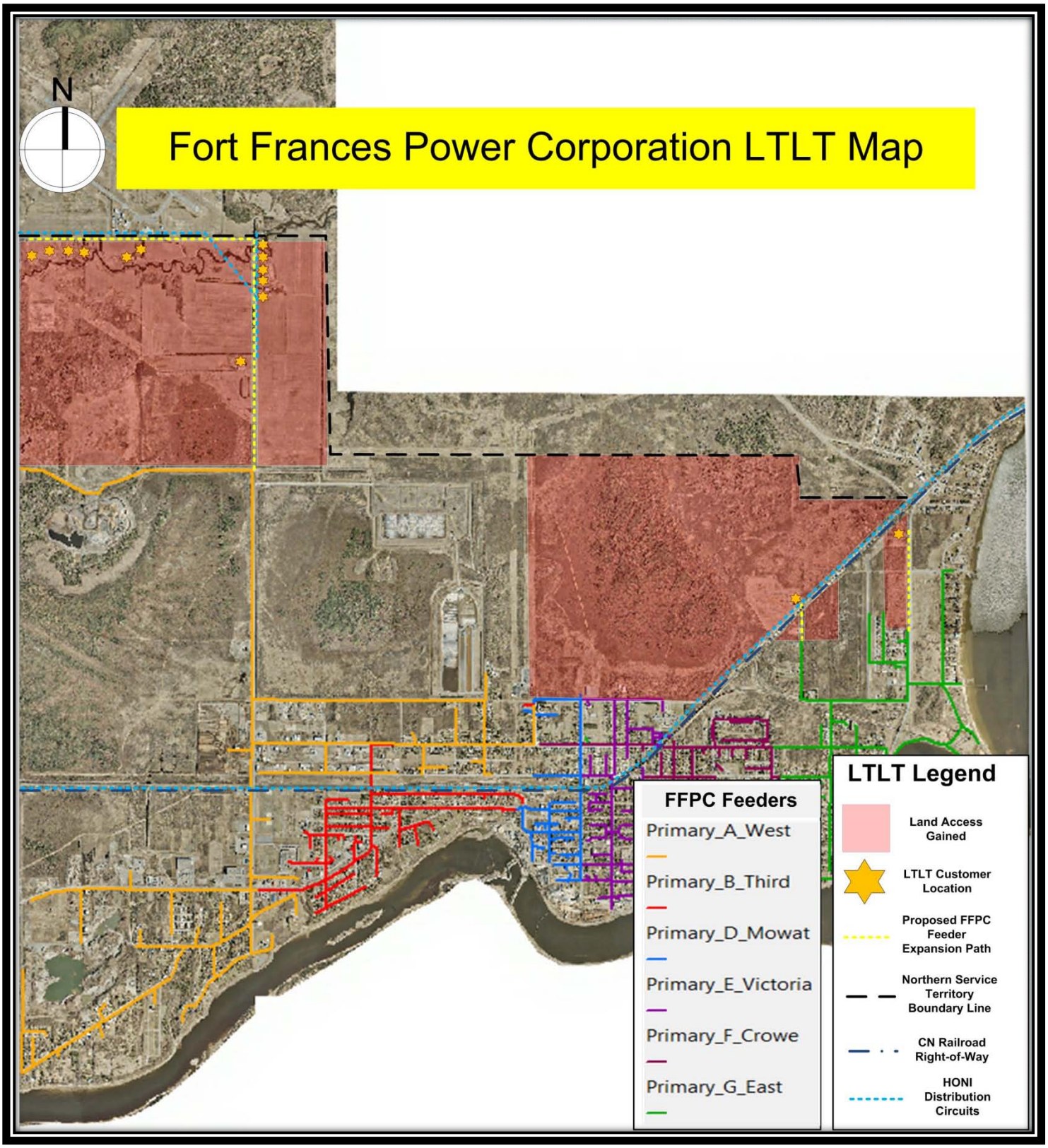
Reference: E2\Appendix 2A Distribution System Plan (DSP), pg. 345 / Board Staff Interrogatory 1.1-Staff-2

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.

Response:

FFPC has drafted a schematic map highlighting the proposed plan to eliminate LTLT customers as follows:


N
Fort Frances Power Corporation LTLT Map
FFPC Feeders
Primary_A_West
Primary_B_Third
Primary_D_Mowat
Primary_E_Victoria
Primary_F_Crowe
Primary_G_East
LTLT Legend
Land Access Gained
LTLT Customer Location
Proposed FFPC Feeder Expansion Path
Northern Service Territory Boundary Line
CN Railroad Right-of-Way
HONI Distribution 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.

Response:

In 2003, FFPC applied to the Board for the renewal of its Electricity Distribution License. Within this application, FFPC was asked to define its Legal Distribution Service Area. FFPC defined it as:

> *"The Municipal Corporation of the Town of Fort Frances in the Territorial District of Rainy River in the Matter Of By-law Number 1701 of the Corporation of the Town of Fort Frances as of Wednesday, the 6th Day of February 1957."*

The by-law was passed following the issuance of Town of Fort Frances' Quieting Order that defined the legal boundaries of the community.

The 2003 application process involved sending a copy of FFPC's renewal application to Hydro One. Hydro One reviewed FFPC's Electricity License Renewal Application and formally responded to it by way of letter to the Board and FFPC. The letter stated the Hydro One believes that the distribution area set out in FFPC's application to be accurate. A copy of this letter has been included for reference in Appendix 2.

In 2008, Hydro One sent a representative to Fort Frances to conduct a joint site visit with FFPC of all LTLT customer locations. The representative verbally confirmed that the fourteen customers are indeed located within the FFPC's licensed distribution service territory and that Hydro One was also of the understanding that FFPC's distribution service territory is defined by the municipal boundaries of the Town of Fort Frances. Most of FFPC's correspondence with Hydro One since this time has been verbal; however, in an email following the site visit the representative stated as follows:

> *"I spoke to some of our strategy team about the other sections and customers in question within your service Territory and am just providing them some drawings and maps in order that we can discuss in detail. I should have an answer shortly on the suggestion option from a Hydro One point of view".*

Shortly after receipt of this email, the Board announced that it was extending the Distribution System Code deadline regarding the elimination of LTLT arrangements. FFPC has followed up regarding receiving a response from Hydro One on several occasions;

however, to date FFPC has not received any further correspondence from Hydro One regarding this matter.

c) Please provide a description of FFPC service territory as stated in its OEB licence.

Response:

Schedule 1 "Definition of Distribution Service Area" states "This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with condition 8 of this License. The Town of Fort Frances as at January 1, 1960."

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.

Response:

FFPC has reviewed its 1999 Transitional Distribution License application as well as its 2003 Distribution License Renewal application to the Board but could not find any reference to where Hydro One asset information would have been provided. In Section 10 of the 2003 renewal application, FFPC was asked to provide estimates for its number of Residential, Commercial and Industrial customers. FFPC responded with its estimate of 3292 Residential, 499 Commercial and 0 Industrial customers including the 14 LTLT customers.

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?

Response:

FFPC has a very compact licensed distribution service territory spanning only 26 square kilometers. FFPC believes that undertaking the distribution feeder expansions is in the best long term interest of its customers as it facilitates potential future customer growth. FFPC is hopeful that, in the long term, customer density will increase along the proposed line expansions thereby enabling fixed costs to be spread over a larger customer base.

Further, many of the affected customers have repeatedly approached FFPC to request being connected to FFPC's distribution system. In light of the Renewed Regulatory Framework for Electricity, FFPC also believes that undertaking the feeder expansions is aligned with FFPC's commitment to aligning its DS Plan with customer preference.

f) Do the 14 customers that will be connected currently receive their bill from Hydro One or FFPC?

Response:

The fourteen (14) customers currently receive their bill from Hydro One.

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.

Response:

FFPC confirms that the $18,587 for OM&A costs associated with the LTLT project is included in FFPC's 2014 OM&A cost model contained within this cost of service proposal.

h) Please describe the purpose of the OM&A costs and whether they are annual or one-time costs.

Response:

The purpose of the OM&A costs are to cover FFPC's incremental increase in cost to maintain, operate and administer the extended new assets constructed as well as to serve the new customers. FFPC estimated that the incremental OM&A cost would be 5% of the capital project cost estimated at $371,739.

The new distribution line will be subjected to all of FFPC's established asset management processes such as vegetation management, inspection and condition testing. Further identified cost increases include administrative costs related to billing, customer service and metering.

FFPC expects the increase in costs to be on an annual basis.

INTERROGATORY

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?

Response:

On October 17th 2013, FFPC was contacted by the OPA. The OPA informed FFPC that the Northwest Region is no longer considered to be "Transmission Capacity Constrained", and that, so far, an additional 10 MW of renewable generation capacity has been allocated to the region.

FFPC's service territory is very conducive to hosting renewable generation due to the close proximity of customer load to potential generation sites. Since October of 2013, FFPC has been approached by several FIT project developers regarding locating projects (as well as relocating capacity constrained projects) within FFPC's service territory. The project inquiries have ranged from 100 kW to 10 MW in size.

On May 5th, 2014, FFPC also received formal notice from the OPA that a 100 kW Rooftop Solar Project has formally passed the Transmission Availability Test (TAT), asking FFPC to conduct a Distribution System Availability Test (DAT). FFPC has verified that it has the necessary distribution capacity, and FFPC expects this project to be constructed within the next year.

Since the issuance of the OPA Letter of Comment, FFPC has also connected three new microFIT installations with a combined capacity of 30 kW.

Not including the above mentioned prospective projects, FFPC has projected connections for approximately 312 kW of renewable generation over the 2014 to 2018 planning horizon based solely on current uptake levels.

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

INTERROGATORY

1.2-Staff-3
Ref: E1/T1/S2, p.4

It is stated that:

> During the summer of 2013, FFPC conducted an extensive customer satisfaction survey, which was instrumental in gauging satisfaction, identifying improvement opportunities and assessing future customer needs and wants.

Chapter 2 of the Filing Requirements states, "Distributors should specifically discuss in the application how their customers were engaged in order to determine their needs. This **could** include references to any communications sent to customers about the application such as bill inserts, town hall meetings held, or other forms of outreach undertaken to engage customers and explain to them how the application serves their needs and expectations and the feedback heard from customers through these engagement activities." (Emphasis added)

Please state whether or not any forms of outreach other than the customer survey were employed to explain how the current application serves the needs and expectations of customers? If no others were employed, please explain why.

Response:

FFPC is planning to significantly enhance its customer outreach capability and efforts with the requested hiring of a "Technical Customer Service Representative" as discussed throughout this application.

In response to the feedback gathered from the customer satisfaction survey conducted in the summer of 2013, FFPC has completed transitioning its billing to True Monthly Billing. FFPC launched a newspaper and web-based media campaign throughout December 2013, prior to the transition taking place on January 1, 2014. The campaign informed customers that the transition to true monthly billing was in direct response to the customer preference feedback gathered from the customer satisfaction survey. FFPC also provided all customers with a bill insert accompanying their first true monthly bill to further reach out to customers. The bill insert explained the transition and highlighted that this change was in direct response to customer preference.

Further engagement activities have not been conducted due mainly to immense employee workloads and the lack of available resources. All available internal resources are currently devoted to the completion of this rate application as it is of utmost importance to the future viability of FFPC.

INTERROGATORY

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.

Response:

FFPC understands that "transactional surveys" are surveys that focus on the specific satisfaction with a recent transaction. For example, if FFPC was to follow up on its recent transition to True Monthly Billing, this would be considered a transactional survey.

To date, FFPC has not conducted any transactional surveys. FFPC is supportive of the concept but currently does not have the available internal resources to be able to effectively deploy such surveys. FFPC is planning on adding a Technical Customer Service Representative to its staff in 2014, who will be actively involved with all consumer engagement activities including conducting surveys and delivering consumer education campaigns. FFPC believes that the appropriate time to conduct these surveys would be following the implementation of FFPC's approved DS Plan. FFPC would then be able to apply the transaction surveys to the specific projects contained in its DS Plan.

INTERROGATORY

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

Response:

FFPC is currently attempting to track formal complaints received; however, complaints received are currently not categorized. FFPC currently also does not have a dedicated customer contact person who is directly responsible for processing customer complaints. FFPC is supportive of formally tracking customer inquiries and complaints. FFPC is planning on improving its ability to manage customer complaints through the hiring of a Technical Customer Service Representative who will be the key customer contact regarding the processing of complaints.

2. Performance Measures

Issue 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?

INTERROGATORY

2.1-Staff-4
Ref: E4/T1/S4, p.3

It is stated that "FFPC participates in market surveys in order to pay competitive salaries to its management staff to attract and retain talented employees."

Please state which market surveys FFPC participates in and how it made use of such surveys in determining compensation increases.

Response:

FFPC participates in annual MEARIE compensation surveys to gain insight into industry compensation rates. FFPC utilizes this information to make informed decisions regarding suitable employee compensation when employee positions are vacated or restructured. As with many smaller LDCs, current FFPC staff members have multiple and diverse duties within their job descriptions. Because of this, FFPC has adapted from the standard industry descriptions within the market surveys and adjusted for regional considerations.

FFPC has also polled neighbouring LDCs and collective agreements to compare compensation packages to minimize the chances of staff migration due to compensation inequities.

FFPC participated in the MEARIE Group Utility Performance Management Survey (UPMS) for the 2009 and 2010 data years. The intent of this survey was to give FFPC an understanding of areas of its business that could be improved upon. FFPC did not participate in subsequent UPMS surveys due to staff overburdens.

INTERROGATORY

2.1 - VECC - 5

Reference: E2/T3/S8

a) Please provide the 2013 SAIDI, SAIFI and CAIDI figures (with and excluding loss of supply).

Response:

FFPC has completed the updated tables to reflect 2013 SAIDI, SAIFI and CAIDI as requested:

Service Reliability Indices- Including Outages Caused by Loss of Supply- 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
SAIDI	0.15	0.30	3.77	6.63	0.60	0.09	0.30	11.37
SAIFI	0.24	0.31	1.77	2.40	0.31	0.21	0.30	3.19
CAIDI	0.62	0.95	2.13	2.76	1.92	0.43	1.02	3.56

Service Reliability Indices- Excluding Loss of Supply Outages 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
SAIDI	0.00	0.00	0.00	0.00	0.60	0.09	0.3	0.10
SAIFI	0.00	0.00	0.00	0.00	0.31	0.21	0.3	0.14
CAIDI	0.00	0.00	0.00	0.00	1.92	0.43	1.02	0.74

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.

Response:

The following table illustrates FFPC's outage history from 2008 to 2012 due to the outage category "adverse weather" as per FFPC's DS Plan.

Cause Class	2008	2009	2010	2011	2012	Total	% Cause
Adverse Weather	4	2	1	2	4	13	8.1%

Of the total 13 adverse weather related outages experienced during the period 2008 to 2013, 6 out of 13 adverse weather incidents were as a result of lightning strikes, another 6 were due to high winds and 1 was due to excessive snow loading. All of the 13 incidents were localized outages which did not affect the majority of customers. Although there was a notable increase in outages from one (1) in 2010 to four (4) in 2012, FFPC considers four (4) outage incidents to be within "normal" band of outage frequencies. FFPC typically experiences an increase in the number of thunder storms and associated high winds and lightning strikes during hot, humid summers.

3. Customer Focus

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

INTERROGATORY

3.1-Staff-5
Ref: E2/T3/S3, Table 2.3.1(b).

Capital expenditures for the past 5 years have averaged about $270,000 annually. The applicant's capital plan includes the planned expenditure of $820,000 on the capital program in the test year.

Chapter 5 of the Filing Requirements states, "A DS Plan filing must demonstrate that distribution services are provided in a manner that responds to identified customer preferences."

a) Please describe and quantify where possible the benefits that FFPC's customers will realize from this investment.

Response:

Of the $820,000 in capital expenditures planned for 2014, $371,739, or 45%, are costs associated with the one-time planned feeder expansions to eliminate LTLT arrangements. This investment represents almost half of FFPC's 2014 planned capital budget, and is a one-time strategic investment in support of the long term viability of FFPC and the community of Fort Frances. Please refer to the responses provided for 1.1- Staff-2, parts (f) and (g) for additional information regarding customer benefits.

FFPC is planning on reinvesting $391,076 in capital expenditures in 2014 towards the sustainment of the lifecycle of existing assets. This compares to FFPC's actual asset deterioration rate of $618,169 as established by FFPC's asset management process.

FFPC would also like to highlight that the main underlying reason for the increase in capital expenditures over the 2014 to 2018 planning horizon is due to FFPC's strategic transition from operating in a "Maintenance" mode to a "Capital Rebuild" mode. The outputs of FFPC's data driven asset management and capital planning processes have signalled that capital reinvestments must be intensified as the remaining useful life of FFPC's entire asset base as a whole is at 41.4%, which is well below FFPC's long term target of 50%. FFPC chose 50% as it is the ideal midpoint of an evenly distributed population of assets, which is ultimately what FFPC is trying to achieve.

Customers will benefit from FFPC's ability to meet delivering on its planning objectives which include:

Exert from Page 13 of DS Plan

> *FFPC's planning objectives are to deliver on the following performance outcomes over the 2014 to 2018 planning horizon and beyond:*
> - *Customer Focus*
> - *To provide services in alignment with customer preferences and needs*
> - *Operational Effectiveness*
> - *Keep pace with distribution system deterioration through re-investments as determined by FFPC's asset management process*
> - *Minimize future rate instability by smoothing the age profile of distribution asset classes/groups*
> - *Support the achievement of customer and regulatory, reliability & service quality expectations*
> - *Support the achievement of performance measures contained in the OEB's Distributor Scorecard*
> - *Support future objectives of Regional Planning (unknown at this time)*
> - *Support Public Policy Objectives:*
> - *Support the connection of renewable generation to the distribution system as well as directly to the transformer station*
> - *Support the deployment of a smart grid and the achievement of associated objectives*
> - *Support the achievement of conservation and demand management targets*

    - *Support the mandated elimination of Long Term Load Transfer Arrangements*
- *Financial Performance:*
    - *To ensure that financial viability is maintained in consideration of operating under a zero-percent Rate-of-Return on Equity*

Specific financial benefits that customers will realize include:

- *Over the 2014 to 2018 planning horizon, FFPC estimates that it will realize $455,757 is cost savings through its improved asset oversight, enabling good planning. The savings are expected to be achieved without negatively impacting system reliability or quality related objectives. Please refer to Section "5.2.1.6 Expected Cost Savings" for the determination of this expected savings.*
- *FFPC utilized its own internal resources for the development of its GIS based Asset Management Process, Capital Planning Process as well as this DS Plan. The projected savings from utilizing internal resources to develop these fundamental tools, as opposed to outsourcing their development, is estimated to be in excess of $250,000.*
- *FFPC also uses internal resources to develop and conduct annual customer surveys. FFPC estimates that this will save customers approximately $50,000 in avoided costs over the planning period.*

b) Please describe the alternatives to this capital investment that were assessed and rejected in favour of the proposed capital investment.

Response:

Preamble from Page 14 of DS Plan (PDF Page 279):

> *FFPC's asset management process has established a total asset replacement cost of $24,379,821 for all existing assets managed, based on FFPC's current cost structure (relative to 2013 pricing). Based on FFPC's adopted useful life values for each asset category, the average annual reinvestment needed to keep pace with asset deterioration is $618,169. The overall % remaining useful life (relative to FFPC's adopted UL and replacement cost) of all assets owned is 41.4%. FFPC's long term objective is to maintain a 50% "Remaining UL" profile where possible, to smooth long term spending requirements in the interest of long term rate stability. As such, FFPC's optimal annual capital reinvestment rate is $618,169, which is necessary to sustain the lifecycles of all assets managed, thereby keeping pace with asset deterioration. FFPC recognizes; however, that its' Greater than 50 kV Transformer Stations is made up of a small number of high priced assets that require sporadic long term investments. FFPC has therefore adjusted its optimal annual reinvestment rate, to only include costs related to necessary Transformer Station reinvestments over the planning period, as identified through the asset management process (lifecycle analyses). As such, FFPC's optimal annual reinvestment rate is $568,857 and FFPC has targeted an average annual reinvestment rate of $555,193. The actual average reinvestment rate is approximately 2.5% lower than the optimal; as FFPC is targeting overall cost reductions of 2.5% attributed to improved planning and asset oversight.*

FFPC assessed several zones of capital reinvestments according to the Typical Useful Life boundaries established in the Kinectrics Report as well as the no reinvestment scenario. FFPC evaluated replacing all assets in accordance to their Minimum Useful Life, Typical Useful Life, Maximum Useful Life, FFPC's Adopted Useful Life, FFPC's Adopted Useful Life Adjusted for Transformer Station Assets & Expected Cost Savings Achieved through Improved Planning, as well as the no reinvestment scenario. FFPC accepted pacing asset replacements in accordance to FFPC's adopted useful life scenario and all other alternatives were rejected.

Lifecycle Sustaining Capital Reinvestment Approaches Considered		Annual Average Cost of Approach	Status
Average Annual Reinvestment Need Based on Kinectrics Min UL	$	1,144,782	Rejected
Average Annual Reinvestment Need Based on Kinectrics TUL	$	739,250	Rejected
Average Annual Reinvestment Need Based on Kinectrics Max UL	$	519,907	Rejected
Average Annual Reinvestment Need Based on FFPC Adopted UL	$	618,169	Rejected
Average Annual Reinvestment Need Based on FFPC Adopted UL - Adjusted for Transformer Station and Expected Savings Achieved through Improved Planning	$	555,193	Accepted
No Annual Reinvestment	$	-	Rejected

The lifecycle sustaining capital reinvestments described above account for $2,775,966 (78.8%) of the total $3,522,205 capital investment needs identified for the 2014 to 2018 planning period. The remaining portion of capital investment needs is required to address meeting other business objectives, addressing mandatory or legal obligations, as well as accommodating stakeholder needs (customer engagement activities). FFPC has allocated the following capital: $149,500 to address meeting business objectives, $538,739 to address meeting mandated service obligations, as well as $58,000 in direct response to customer preference.

c) Please explain how the project reflects customer preferences identified through customer engagement.

Response:

FFPC approach to customer engagement was to solicit customer feedback, including customer preferences, via a customer satisfaction survey. The survey was structured such that customers had the ability to directly comment on specific enhancements that FFPC could pursue to better serve customers, as well as to provide general comments and feedback regarding improvements that customers would like FFPC to undertake.

Exert from Page 51 of DS Plan:

….FFPC will be initiating the following Customer Focus projects over the 2014 to 2018 planning horizon:

- *Customers find that investing in Mass Customer contact system will be of value to their needs*
  - *FFPC is planning on deploying mass customer contact system in 2015*
    - *Estimated Capital Cost $15,000*
  - *FFPC is planning on deploying Outage Management System to complement mass customer contact system in 2017*
    - *Estimated Capital Cost $43,000*
- *Customers find that investing in transitioning customer billing to true calendar month billing will be of value to their needs*
  - *FFPC is planning on deploying true calendar monthly billing in 2014*
    - *Estimated Operational Cost $7,500*
- *Customers find that investing in offering a choice of receiving paper or electronic bills will be of value to their needs*
  - *FFPC is planning on deploying paper or electronic billing choice in 2014*
    - *Estimated Capital Cost $10,000*
- *Customers don't find that investing in technology to enable them to access their electronic consumption data and billing information through the internet is of value to their needs*
  - *FFPC recognizes that this is a mandated directive, and as such will proceed with offering online access to consumption and billing data in 2014*
    - *Estimated Capital Cost $10,000*
- *FFPC is planning on adding a new position of "Technical Customer Service Representative" to its organization. The position will primarily be responsible for engaging customers and to deliver customer preference related projects and services……*

INTERROGATORY

3.1-Staff-6
Ref: E4/T1/S1, Table 4.2.1

FFPC is proposing significant OM&A increases of 16% in the Test year.

a) Please outline the outcomes and higher level of services that customers will receive for the relatively higher rates they are paying.

Response:

The relatively higher rates that customers will pay are required for FFPC to support its long term ability to deliver electricity and provide supporting energy services safely, reliably and cost-effectively. FFPC notes that its current rates are among the lowest in the Province of Ontario and that they have not been rebased since 2006. Due to the long passage of time and the vastly increasing requirements of LDCs, the increase is needed to sustain FFPC's long

term viability and to support FFPC is meeting the performance targets set out under the new RRFE.

FFPC cites the following specifics that the OM&A increase sought will support over the 2014 to 2018 planning horizon:

Customer Focus Specific:

- *FFPC will deploy a mass customer contact system in 2015 that will enable FFPC to alert customers by telephone or email of important events such as planned power outages. FFPC is planning to further enhance its communication and outage response capabilities though the deployment of an Outage Management System (OMS) in 2017.*
- *FFPC is planning to transition its billing process such that all customers are billed on the consumption used between the first day and the end of the last day of every calendar month.*
- *FFPC is planning to deploy e-billing in early 2014.*
- *FFPC is planning on offering customer access to their billing data in parallel to the e-billing rollout, and as such the service will be offered in early 2014.*
- *It is important to note that Fort Frances has a large elderly population who prefer traditional business communication methods, as most are not computer literate and as such do not utilize the internet or emails. As such, FFPC's customers will have the choice of receiving paper or electronic bills.*
- *FFPC is planning on adding a Technical Customer Service Representative to its staff in 2014, who will be actively involved with all consumer engagement activities, such as conducting surveys and delivering consumer education campaigns. The position will also give customers a contact person for all customer service related inquires.*

Strategic Business Objectives:

- *Support FFPC in delivering electricity and providing supporting energy services safely, reliably, and cost-effectively.*

Safety:

- *To maintain the safety of the distribution system so that it does not present any undue hazards to personnel or to the general public.*
- *To meet or exceed all regulatory requirements with respect to electrical distribution system safety.*

Reliability:

- *To maintain the distribution system service reliability at a level that meets or exceeds the expectations of consumers and the community.*
- *To maintain the distribution system service reliability at a level that meets or exceeds regulatory requirements.*

Cost Effectiveness:

- *To support the outcomes of our asset management process balancing cost, reliability and risk.*
- *To support necessary reinvestments into our asset base to keep pace with asset deterioration.*

Operational Efficiency:

- *That investment decisions are based on the results of rigorous data driven processes.*
- *That our processes continually improve through the deployment of innovation and technology.*
- *That our investment plans and service offering are aligned with needs and demands of our customers and community.*
- *That our investment decisions and service offerings support the well being of our customers and community, for whom we exist.*

Meeting Obligations:

- *That we remain compliant with all applicable governing agencies, laws and regulatory statutes*
- *That we support the deployment and implementation of all mandated service obligations*

b) Please identify any customer engagement that supports the further increases proposed in this application.

Response:

FFPC notes that according to the results collected from its customer satisfaction survey, overall customers are very happy with how FFPC manages its business. Under the "General Comments" section of the survey, most comments received from customers were actually compliments as "Well managed and operated. We are well looked after by the utility co." or "I have always been extremely satisfied with the service provided by FFPC and admire the way you do your work. I do not need a lottery. Thanks!".

FFPC is of the belief that customers trust FFPC's professional judgement as it relates to operating its distribution business. FFPC is essentially the "expert" at managing its asset base in the best interest of consumers. As FFPC operates under a rate minimization philosophy with the objective of balancing investment needs with providing customers with a safe and reliable supply of electricity at the lowest possible rates, FFPC believes that its business model is very much aligned with the wants of its customers (to have low cost, safe and reliable electricity).

As such, FFPC believes that the customer engagement activities undertaken support FFPC's professional judgement with respect to how best to pace asset base lifecycle sustaining

capital investments. FFPC believes that its capital investment plan over the 2014 to 2018 rate horizon is truly in the best interest of consumers.

c) Please provide the analysis that was performed to assess whether FFPC's planning decisions reflect best practices of Ontario distributors.

Response:

FFPC did not undertake a specific analysis to assess whether FFPC's planning decisions reflect best practices of Ontario distributors; however, FFPC believes that its approach to planning is among the best in class and may even be trend setting.

FFPC believes that the advancements it made in integrating a fully functional and populated Geographic Information System into its planning process has put FFPC in the forefront. FFPC's GIS initiative is the heart of FFPC's data driven approach, enabling planning decisions to be based on the intricate knowledge and understanding of the state of almost every individual asset owned and managed.

This approach has allowed FFPC to transition from planning projects in general areas such as streets or blocks, to pinpointing individual assets throughout the distribution system. As such, FFPC's budgets are now largely driven by the needs of individual assets, their lifecycle and replacement cost. This data driven "bottom up" approach is the foundation of FFPC's DS Plan. This approach optimizes capital investments as the investments are strategically assigned to the lowest health and highest risk assets.

Many LDCs still rely on sample testing methods whereby a small representative portion of their asset population is assessed and analyzed in detail. Investment planning is then extrapolated across the population of assets as the state of each individual asset is still unknown. Using this approach, investments are applied in a more general way (rebuilding entire blocks, or large sections of plant) as the weakest links (at the individual asset level) may or may not be identified.

d) Please identify any initiatives considered and/or undertaken by FFPC, including any analysis conducted, to optimize plans and activities from a cost perspective, for example, balancing cost levels of OM&A versus capital.

Response:

FFPC has been able to optimize its plans and activities from a cost perspective through its recent transition to a data driven planning approach. The approach includes an assessment

of every individual asset owned, as discussed in detail throughout Section 5.2.1.3 of the DS Plan.

FFPC has been able to transition from planning projects in general areas, such as streets or blocks, to pinpointing individual assets throughout the distribution system. FFPC is now able to focus its investments on the "weakest links", thereby maximizing costs as it directs investments to where they are most urgently needed. This approach also prevents assets from being replaced prematurely.

Section 5.3.3 "Asset lifecycle optimization policies and practices" of FFPC's DS Plan further discusses how plans and activities are optimized. FFPC cites the following specific activities undertaken as per the table of contents for DS Plan Section 5.3.3:

5.3.3 Asset lifecycle optimization policies and practices

5.3.3.1 Potential Asset Refurbishment Summary
5.3.3.2 Prioritization of Individual Asset Replacements or Refurbishments

5.3.3.3 Overhead Distribution Assets Optimization Policies and Practices
5.3.3.3.a. Fully Dressed Wood Poles
5.3.3.3.b. Overhead Line Switches
5.3.3.3.c. Overhead Conductors
5.3.3.3.d. Overhead Transformers

5.3.3.4 Transformer Station Lifecycle Optimization Policies and Practices
5.3.3.4.a. Power Transformers
5.3.3.4.b. Station Service Transformer
5.3.3.4.c. Station DC System
5.3.3.4.d. Metal Clad Switchgear
5.3.3.4.e. Station Independent Breaker
5.3.3.4.f. Station Switches
5.3.3.4.g. Electromechanical Relays and Digital & Numeric Relays
5.3.3.4.h. Rigid Busbars
5.3.3.4.i. Steel Structure
5.3.3.5 Underground Plant Lifecycle Optimization Policies and Practices
5.3.3.5.a. Primary TR XLPE Cables is Duct
5.3.3.5.b. Secondary Cables Direct Buried
5.3.3.5.c. Pad-Mounted Transformers
5.3.3.5.d. UG Foundations
5.3.3.5.e. Ducts
5.3.3.5.f. Concrete Encased Ducts
5.3.3.5.g. Cable Chambers

e) The Board's letter of November 28, 2012, established the stretch factor assignments for 2013 rates. FFPC was assigned to Stretch Factor Group 2 out of three groups. On November 21, 2013, the Board established the stretch factor assignments for 2014 rates in the *Report of the Board: Rate Setting Parameters and Benchmarking under the Renewed Regulatory*

Framework for Ontario's Electricity Distributors. The applicant was assigned to Group IV out of five groups. Please provide details on any initiatives undertaken to improve the applicant's assignment in future years.

Response:

FFPC believes that the assignment of all of its prior stretch factors and to efficiency cohort groups is flawed. FFPC discusses its concerns throughout the application and cites the following reference that highlights FFPC's concerns:

Reference from E1/T1/S1 Page 6 of 7 (PDF page 11)

> *...FFPC believes its individual utility circumstance must be fully recognized when cost performance is compared to that of other LDC's. As such, operating, maintenance and administrative (OM&A) costs must be adjusted to reflect the unique operating circumstances, such that subsequent performance scores and ranking reflects "apples-to-apples" comparisons. FFPC would be pleased to work with the Board, as well as with the Pacific Economics Group, to refine FFPC's performance scores, including the assignment of FFPC's Stretch Factor and Efficiency Cohort grouping.*
>
> *In summation, FFPC believes that its current performance scores derived from historic RRR reported OM&A cost data are flawed, as they include costs associated with the upkeep of the 1905 Historical Power Agreement, as well as costs associated with the upkeep and operation of a High Voltage Transformer Station, which prior to 2012 was improperly classified as a Distribution Station. FFPC's OM&A costs at face value essentially support three distinct business functions, which in essence have increased FFPC's scope. As such, synergies from this arrangements are best measured at the Total Bill level which encompass FFPC's unique circumstances and operating strategy.*

In general, FFPC understands the importance of incentive regulation in the distribution sector, to mimic the operation and outcomes of competitive markets where companies strive to maximize rates of return. However, the incentive regulation framework is not well-suited to the case of FFPC. FFPC earns 0% rate of return and does not strive to earn a higher rate of return. Unlike rate-of-return-LDCs, FFPC is not disincentived to lower prices. Indeed, it has low prices as a driver of its business mission. Accordingly, FFPC does not need the promise of increased returns to ensure that its customers will benefit from the lowest prices sustainable with the appropriate levels of quality, reliability and customer satisfaction. FFPC believes its incentives are perfectly aligned with those of its customers.

FFPC is continually working on finding ways to improve its business efficiency.

FFPC's strategic planning objectives include Operational Efficiency Improvements. This includes:

- *Ensuring that investment decisions are based on the results of rigorous data driven processes.*
- *That our processes continually improve through the deployment of innovation and technology.*

FFPC is working hard at improving its business efficiency by transitioning to data driven planning and decision making. FFPC's most notable recent achievement includes the transition from "historic budgeting" to relying on the outputs of the newly developed asset management and capital planning processes to formulate budgets. FFPC estimates that the improvements to its planning and asset management processes will result in $455,757 of expected savings over the course of the rate horizon.

FFPC is also a firm believer in adopting and integrating new technologies into its business processes to make them more efficient. Over the planning horizon, FFPC will be implementing numerous technological advancements. The most notable advancements include:

- *Install and commission mass customer contact system to enable automatically contacting customers regarding important events such as power interruptions.*
- *Purchase and commission Financial Information System to enable data exports, enhanced reporting and data analysis for planning activities.*
- *Integrate payroll and purchasing processes into Financial Information System.*
- *Purchase and commission Outage Management System, to enable proactive outage alerts and localized customer interaction.*
- *Deployment of e-billing & consumer access to billing data.*

INTERROGATORY

3.1-Staff-7
Ref: E4/T1/S1, Table 4.2.1

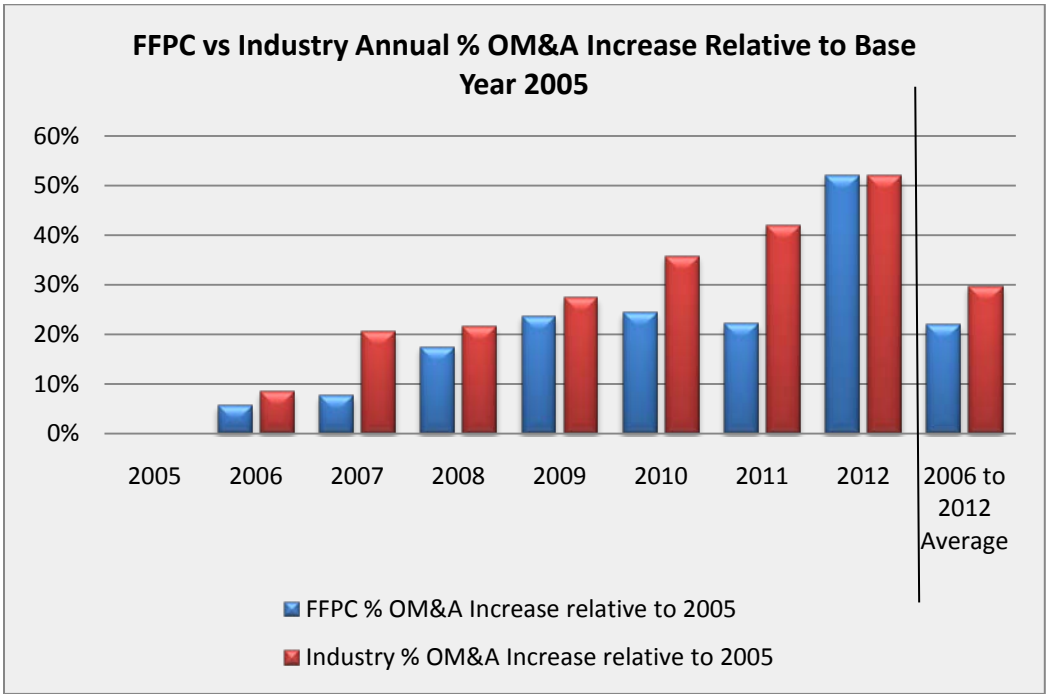
a) Please identify what improvements in services and outcomes the applicant's customers will experience in 2014 and during the subsequent IRM term as a result of increasing the provision for OM&A in 2014 at about twice the rate of increase experienced for the 2010 to 2013 period.

Response:

Preamble from DS Plan Page 73

5.2.3.6.c.i.1.a OM&A Performance History

The following graph illustrates FFPC's and Industry's performance history with respect to annual % Increase in OM&A Expenditures for the period 2006 to 2012, relative to the base year 2005.



OM&A Performance Trend and Assessment

Over the period 2006 through 2012 FFPC's average annual increase in OM&A expense was 21.9%, and the average annual increase reported by industry was 29.7%. As such, FFPC estimates that it was able to avoid $581k in OM&A expense, relative to the requirements of industry. The savings are largely attributed to FFPC's approach of adjusting its business needs on a reactive basis, upon the numerous major industry changes that occurred between 2005 and 2012 reaching their steady state. FFPC credits its staff and service providers for enduring significantly intensified short term workloads, which were necessary to successfully implement the numerous sector changes. The current level of effort exerted by FFPC's staff is not sustainable, and as such FFPC is realigning its revenue requirement in this COS to fund additional resources (the addition of a Technical Customer Service Representative to staff, as well as more necessary services from third party service providers including Human Resources, Legal, IT, and Skills Development expertise).

Over the period 2005 to 2012, the most notable OM&A expense increase occurred in 2012. The jump in expense occurred due largely to the recognition of approximately $392k in smart meter related expenses from to the clearance of relevant variance accounts (1555 & 1556). Overall, FFPC is pleased with its OM&A performance trend and believes that it demonstrates wise spending in the best interest of consumers, for whom FFPC exists.

FFPC believes that it has outperformed the industry in regard to its trend of historic incremental OM&A expenditures increases versus those of industry. The increase in FFPC's OM&A expenses sought is largely due to the long passage of time since FFPC's last rate rebasing in 2006 and to address increasing resource deficiencies. FFPC's current staffing and resource levels are inadequate for meeting increasing business needs, including the transition to the Renewed Regulatory Framework for Electricity.

Please refer to the response provided for issue 3.1-Staff-6 a) which cites specific service improvements and outcomes.

b) How has FFPC communicated these benefits to its customers, and how did customers respond? Please provide some examples, including any customer feedback. If no communications took place, please explain why not.

Response:

FFPC has not specifically communicated these benefits to its customers; however, FFPC incorporated the customer feedback obtained in its 2013 customer survey which was instrumental in developing FFPC's DS Plan. FFPC has not been able to communicate these benefits to its customers due largely to a lack of available resources and due the timing of the Board's recent transition to its customer centric approach under the RRFE.

FFPC is planning to significantly enhance its customer outreach capability and efforts with the requested hiring of a "Technical Customer Service Representative" as discussed throughout this application.

FFPC intends to communicate these benefits to its customers in the future as well as in advance of future COS applications.

INTERROGATORY

3.1-Staff-8
Ref: E2.Appendix 2A.(Appendix 3 – FFPC 2013 Customer Satisfaction Survey)

With respect to FFPC's 2013 Customer Satisfaction Survey:

Please state whether or not FFPC discussed in any of its communications with customers its intention to increase in the Test Year (2014) its planned investment in System Renewal over

historical levels including the levels in the 2013 bridge year. If yes, please discuss the feedback received.

Response:

FFPC did not specifically communicate with its customers of its intention to increase its planned investments in System Renewal over historical levels included in the 2013 bridge year. FFPC intends to specifically engage customers in regard to the level of investment in System Renewal within its next customer survey.

FFPC is of the belief, however, that customers will generally agree with FFPC's adopted approach of pacing System Renewal investments with the rate at which assets are deteriorating to support perpetual long term, stable rates.

RESPONSE TO VECC

Not required.

4 Operational Effectiveness

Issue 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 level of associated revenue requirement requested by the applicant?

INTERROGATORY

4.1-Staff-9
Ref: E1.T1.S8.p.3 (Table 1.8) and E2.App. 2A.p.322 and *Response to Board Staff Teleconference on April 4, 2014* to Board staff # 12

In the first reference, it is shown that for "Fully Dressed Wood Poles," FFPC's adopted useful life is 45 years which corresponds to the Kinetrics study mid-range for such an asset.

In the second reference it is stated that:

> The pace at which wood poles reach their end of useful service life is a function of their deterioration based largely on age and operating conditions that they are subjected to. FFPC will annually select the worst thirty (30) primary poles and twelve (12) secondary poles that are most likely to fail due to deterioration. One additional primary pole and secondary pole replacement have also been allocated annually, for unplanned circumstances [..].

In the third reference FFPC in regard to wood poles, highlighted various aspects including that:

- it currently only uses one kind (species) of wood pole – CCA Red Pine, with different classes and lengths depending on the application, and that over the last 10+ years FFPC has also standardized its wood pole supplier.
- FFPC determines whether to advance or delay pole replacement based on the results of its maintenance inspection and condition testing process that every wood pole is subjected to on a three year cycle via a composite score that is based its age and the results of the various inspection findings and condition test results.
- FFPC is currently working towards the formal assignment of health indexes to all major assets owned.

a) Please state how many primary and secondary poles reached the age of 45 years in 2014;

Response:

During FFPC's GIS initiative, the oldest manufacturer date stamps found on FFPC owned wood poles were 1973, which corresponds to 41 years old relative to 2014. FFPC does not have any older poles in its distribution system as all wood poles were replaced during FFPC's entire distribution system rebuild and voltage conversion which occurred from the mid-1970's to mid-1980's As such, FFPC does not have any poles that are 45 years in age relative to 2014.

b) If this number is different from the 30 primary poles and 12 secondary poles discussed in the second reference, please comment on the reasons for the difference.

Response:

Please note that FFPC's second reference proceeds to clarify the reason for this difference.

> *Over the last five years, FFPC's annual pole condition testing identified an average of 42.4 poles per year that were deemed to have reached or exceeded the end of their useful service life. Premature failures have also occurred frequently over the course of history due to manufacturing flaws in the wood treatment process. As such, FFPC is experiencing slightly higher than anticipated levels of condition test failures. Poles that are being installed on a go forward basis are expected to last forty-five years.*

Also please note that the second reference in regards to annually selecting the worst 30 Primary Poles and 12 Secondary Poles are quantities that FFPC is projecting based on the five year historical average of pole failures identified through the inspection and condition testing process. The inspection and condition testing results are key inputs into FFPC's process for determining the quantified health index for wood poles. Condition testing results essentially quantify the gap between estimated theoretical and actual measured.

FFPC's objective is to only replace wood poles that are deemed to be at the end of their useful service life upon failure of inspection or conditions testing. Upon a wood pole reaching its adopted useful life, the useful life will be extended in increments of up to three years upon successfully passing the inspection and condition testing assessment (which is conducted on a three year cycle). The useful life will only be extended in an increment less than three years if the pole failed the inspection and condition test (and is scheduled to be replaced).

c) For FFPC's total population of existing wood poles, if there are any wood types other than CCA Red Pine in use: (i) please state what these wood types are, and what the approximate percentage split between them would be and (ii) please state how FFPC adjusts the useful

lives of wood poles for different wood types, given that different wood types have varying strengths and thus varying expected useful lives

Response:

FFPC has not formally documented wood species; however, FFPC estimates that more than 99% of its wood pole population are Red Pine poles. FFPC has a very small number of Jack Pine and Western Cedar poles. Given that FFPC's species mix is predominantly Red Pine, FFPC did not believe that it was practical to assign varying useful lives as a function of wood species.

It is important to note that FFPC's population of Red Pine poles can be broken into two distinct classes based on their wood preservative treatment process. Since approximately 1985, FFPC has standardized on Chromated Copper Arsenate (CCA) treated poles, whereas poles prior to this are Pentachlorophenol (PCP) treated poles. FFPC estimates an approximate 50/50 split in the pole population. FFPC has not assigned varying useful lives as a function of wood treatment process as the effects are unclear at this point in time.

d) Please provide the assessment results of the 5 worst wood poles of the 42 wood poles identified for replacement, providing for each pole its type, the health index, its original expected useful life, and the adjusted useful life.

Response:

The following table summarizes the assessment results and characteristics of the worst five poles on FFPC's 2014 Capital replacement list.

Heath Index % Vitality	Pole ID	Year of Manufacture	Pole Type	Original Expected Useful Life (Years)	Adjusted Useful Life
0.9%	BP0384	1978	Red Pine (PCP)	45	36
1.0%	BP0324	1975	Red Pine (PCP)	45	39
1.0%	BP0117	1978	Red Pine (PCP)	45	36
2.0%	BP0168	1974	Red Pine (PCP)	45	40
2.0%	BP0194	1975	Red Pine (PCP)	45	39

INTERROGATORY

4.1-Staff-10
Ref: E2/T3/S1/p.4

The above reference reproduces Tables 2-AA: Capital Projects Table and 2-AB Capital Expenditure Summary for the years 2006 to the 2014 Test year.

The average capital expenditure level in the 2013-2018 is roughly two and a half times that of the 2006 to 2012 level of expenditures actually achieved.

Please state whether FFPC would anticipate any difficulties in delivering a capital program in the 2013-2018 period that is roughly two and a half times what is it has previously delivered. If FFPC believes there would be difficulties, please explain what they would be, or if FFPC believes there would not be any difficulties, please explain why not.

Response:

FFPC expects that it will be able to implement the DS Plan as designed, including rolling out the capital projects contained within it. FFPC believes that its line crew is adequately sized and trained to implement all planned distribution system related capital projects, which account for approximately 66% of the planned investments. Within the last four years, two apprentices have received their Powerline Technician status, and of the current five person crew, four have achieved their Red Seal status. As such, FFPC believes it has a highly skilled and productive line crew.

A key factor for success in supporting the capital project implementation is the addition of a Technical Customer Service Representative to FFPC's staff, who will be responsible for implementing customer engagement related projects as well as taking the lead in executing FFPC's annual planning cycle.

FFPC notes that the majority of capital expenditure increases relate to the acquisition of physical components to be installed. The most notable increase in capital expenditures by asset class relates to the replacement of distribution transformers. The nature of transformer replacements is that material costs alone represent approximately 60% to 70% of the total replacement cost. As such, the increase in capital material expense is disproportionate to capital labour and vehicle expenses. Almost 1/3 ($1,046,121) of the total planned capital expenditures over the rate horizon are dedicated towards transformers.

FFPC suspects that the only difficulty it may have with the DS Plan as designed is to adhere to the timeline associated with completing the LTLT elimination project. This is due to FFPC having to cross a Canadian Nation Railroad right-of-way in one of the three extensions. The

approval process has been known to take up to a year and as such this extension is likely to occur in 2015.

INTERROGATORY

4.1-Staff-11
Ref: E2/T3/S3p.2, Table 2.3.1 (b) – Capital Projects – Period 2006 to 2014

The referenced table includes a "Miscellaneous" category for Capital Projects. This line item represents 15 to 30% of the total capital projects in the 2012 to 2014 period and is as high as the 50 to 60% range in some of the historical years.

Please explain why the "Miscellaneous" category represents such a significant component of the total projects.

Response:

Please note that Table 2.3.1 (b) - Capital Projects - Period 2006 to 2014 located on E2/T3/S3 page 2 of 2 (Page 246 PDF) does not illustrate capital expenditures beyond 2014. Also note that, in this table, the "Miscellaneous" category contains all capital investments that were significantly below the materiality threshold of $50,000.

It is also important to note that the years 2011 and 2012 were very lean capital reinvestment years, and essentially all reinvestments were solely towards Wood Poles and Primary Underground Cable replacements (grouped under "Miscellaneous" as investments are well below materiality threshold). As such, comparisons based on a % increase/decrease by year over this timeframe may be misleading.

Beginning in 2013, FFPC was able to begin to rely on the outputs of its newly developed asset management and capital planning processes for identifying and prioritizing capital projects. The new planning process is significantly more thorough than processes used in the past, and the process outputs are aligned with FFPC's objective of keeping pace with asset deterioration.

As such, for the years 2013 and 2014 (and beyond), FFPC's "Miscellaneous" capital expenses increases are driven mainly by FFPC's strategic objective of keeping pace with asset deterioration (replacing end of life assets) and to transitioning from its "Maintenance" mode of operation to a "Capital Rebuild" mode.

Over the 2014 to 2018 planning horizon, FFPC has planned a total of $470,750 for "Miscellaneous Small Capital Projects". The following summary table details the breakdown of this planned investment by investment driver:

Miscellaneous Small Capital Project Investment Driver	Planned Investment
Business Operations Efficiency Improvement	$ 15,000
Customer Preference	$ 58,000
Replacement of Existing Assets Reaching End-of-Life	$ 184,750
Reliability Improvements	$ 109,500
Safety Concerns	$ 34,500
System Capital / Maintenance Support	$ 69,000
Total	$ 470,750

Please note that "Miscellaneous" category depicted in Table 2.3.1 (b) includes the costs for capital "Primary Cable Replacements" projects. FFPC grouped the actual historical costs incurred under "Miscellaneous", as the costs incurred were well below FFPC's materiality threshold of $50,000.

For the 2014 Test Year, planned capital "Primary Cable Replacements" account for $16,251 of the $123,000 in planned "Miscellaneous" expenses as per Table 2.3.1 (b). For 2014, the following table provides details for $106,750 of "Miscellaneous" projects (i.e. $123,000 minus $16,251). Going forward, FFPC has assigned planned capital "Primary Cable Replacements" to Parent Project ID 14-18-003 as annual costs are expected to exceed FFPC's materiality threshold.

Parent Project ID	Capital Activity Name	Cost
14-14-007	Misc Building Improvements	$ 2,000
14-14-007	Building Heater Replacements	$ 3,000
14-14-007	DC System Battery Cell Replacement	$ 2,000
14-14-007	Primary Insulator Replacements	$ 10,000
14-14-007	Air Break Switches Insulator Replacements	$ 4,500
14-14-007	Robert Moore Air Break Switch Relocation	$ 28,000
14-14-007	UG Service Replacement	$ 2,000
14-14-007	OH Service Replacement	$ 2,000
14-14-007	CT/PT and Cabinet Replacements	$ 2,500
14-14-007	Meter Replacements	$ 3,250
14-14-007	Cable Reel Stands	$ 2,000
14-14-007	Replace Shelving	$ 2,000
14-14-007	Meter Room Flooring	$ 2,500
14-14-007	Office A/C	$ 1,000
14-14-007	Admin Area Renovation	$ 3,500
14-14-007	Misc. Main Office furniture replacements	$ 2,000

14-14-007	Misc. Operations Centre furniture replacements	$	1,000
14-14-007	Operations Centre Copier	$	4,000
14-14-007	Mobile Work Tablets	$	2,500
14-14-007	Computer Hardware	$	5,000
14-14-007	AMI MAS Server Replacement	$	4,000
14-14-007	AutoCad License	$	2,000
14-14-007	MS Office Productivity Package	$	2,000
14-14-007	Small Tools	$	5,000
14-14-007	Label Printer - Asset Labeling	$	2,500
14-14-007	Transformer Safe Transport Kit	$	3,000
14-14-007	Elster Tx Primary Data Logger and Meter	$	3,500
	2014 Miscellaneous Project Total	**$**	**106,750**
15-15-009	Misc Building Improvements	$	2,000
15-15-009	Backup Generator Switch / Install	$	4,500
15-15-009	Generator	$	5,500
15-15-009	DC System Battery Cell Replacement	$	2,000
15-15-009	Primary Insulator Replacements	$	5,000
15-15-009	OH Secondary Bus Replacements	$	10,000
15-15-009	UG Service Replacement	$	2,000
15-15-009	OH Service Replacement	$	2,000
15-15-009	CT/PT and Cabinet Replacements	$	2,500
15-15-009	Meter Replacements	$	3,250
15-15-009	Build Outdoor Transformer Shelter	$	6,000
15-15-009	Replace Shop Rollup Door	$	12,000
15-15-009	Reg & Finance Area Renovations	$	3,500
15-15-009	Misc. Main Office furniture replacements	$	2,000
15-15-009	Misc. Operations Centre furniture replacements	$	1,000
15-15-009	PC Replacement	$	5,000
15-15-009	Computer Hardware	$	1,000
15-15-009	Small Tools	$	5,000
15-15-009	Mass Customer Contact System	$	15,000
	2015 Miscellaneous Project Total	**$**	**89,250**
16-16-012	Misc Building Improvements	$	2,000
16-16-012	Interior Lighting Retrofit	$	3,000
16-16-012	115 kV Sky Structure Insulator Replacements	$	25,000
16-16-012	DC System Battery Cell Replacement	$	2,000
16-16-012	T1 Battery Charger	$	22,000
16-16-012	Primary Insulator Replacements	$	5,000
16-16-012	OH Secondary Bus Replacements	$	10,000
16-16-012	UG Service Replacement	$	2,000
16-16-012	OH Service Replacement	$	2,000
16-16-012	CT/PT and Cabinet Replacements	$	2,500
16-16-012	Meter Replacements	$	3,250
16-16-012	Yard Landscaping	$	3,000
16-16-012	Cable Reel Shelter	$	6,000

16-16-012	Office Carpeting	$	2,500
16-16-012	Executive Area Renovations	$	3,500
16-16-012	Misc. Main Office furniture replacements	$	2,000
16-16-012	Misc. Operations Centre furniture replacements	$	1,000
16-16-012	Computer Hardware	$	1,000
16-16-012	Small Tools	$	5,000
16-16-012	Main Office Telephone Data Logger	$	7,000
	2016 Miscellaneous Project Total	**$**	**109,750**
17-17-013	Misc Building Improvements	$	2,000
17-17-013	Technical Station Renovations	$	3,000
17-17-013	DC System Battery Cell Replacement	$	2,000
17-17-013	Primary Insulator Replacements	$	5,000
17-17-013	OH Secondary Bus Replacements	$	10,000
17-17-013	UG Service Replacement	$	2,000
17-17-013	OH Service Replacement	$	2,000
17-17-013	CT/PT and Cabinet Replacements	$	2,500
17-17-013	Meter Replacements	$	3,250
17-17-013	Training Room Carpeting	$	2,500
17-17-013	Door Replacements	$	2,000
17-17-013	Technical Workstation Replacement	$	3,500
17-17-013	Misc. Main Office furniture replacements	$	2,000
17-17-013	Misc. Operations Centre furniture replacements	$	1,000
17-17-013	Media Centre (Photo Copier)	$	11,000
17-17-013	Computer Hardware	$	1,000
17-17-013	Elster "Access Detect" (OMS)	$	43,000
17-17-013	Small Tools	$	5,000
	2017 Miscellaneous Project Total	**$**	**102,750**
18-18-014	Misc Building Improvements	$	2,000
18-18-014	Bathroom Renovation	$	2,000
18-18-014	DC System Battery Cell Replacement	$	2,000
18-18-014	Primary Insulator Replacements	$	5,000
18-18-014	OH Secondary Bus Replacements	$	10,000
18-18-014	UG Service Replacement	$	2,000
18-18-014	OH Service Replacement	$	2,000
18-18-014	CT/PT and Cabinet Replacements	$	2,500
18-18-014	Meter Replacements	$	3,250
18-18-014	Window Replacements	$	6,000
18-18-014	Main Office Bathroom Renovations	$	3,500
18-18-014	Misc. Main Office furniture replacements	$	2,000
18-18-014	Misc. Operations Centre furniture replacements	$	1,000
18-18-014	Computer Hardware	$	1,000
18-18-014	Small Tools	$	5,000
18-18-014	Phone System Upgrade	$	13,000
	2018 Miscellaneous Project Total	**$**	**62,250**
	2014 - 2018 Total Miscellaneous Project	**$**	**470,750**

INTERROGATORY

4.1-Staff-12
Ref: E2.Appendix 2A.p. 185 and EB-2012-0064,T4.SB1.pp. 131 – 132

At the first reference, FFPC indicated that it intends to evaluate several service providers who perform analytical condition testing (determine cable insulation degradation profile,) as well as who offer cable rejuvenation services. FFPC notes that a common rejuvenation technique is silicone injection.

At the second reference, evidence in the noted proceeding discusses Toronto Hydro Electric System Limited's (THESL) experience with the cable injection option, stating that:

> In 2008, THESL completed a cable rejuvenation pilot job. Direct buried XLPE cable was injected with insulation rejuvenating fluids (such as silicon-based fluids). The pilot job was not as successful as THESL had anticipated. Based upon a qualitative analysis, it was determined that the cable injection process had a number of operational issues and drawbacks, including the need to locate and remove existing splices in cable circuits, the difficulties in accurately locating these splices, and the need for extremely long planned outages required to implement the cable injection procedures. A quantitative analysis was performed, which indicated that a very low percentage of cable assets would receive a positive net benefit from injection. It was concluded that cable injection was not an economically viable alternative to replacement. The detailed study of the cable injection pilot job has been included in Appendix C. [emphasis added].

a) Is FFPC aware of THESL's experience with the cable injection option? If so please discuss the THESL experience in the context of FFPC's possible use of a similar approach.

Response:

FFPC is not aware of THESL's experience with the cable injection option and is very appreciative of the information provided by the Board regarding this initiative.

b) If FFPC was not to make use of the cable injection option, please discuss other alternatives which it might consider.

Response:

If FFPC were not to pursue cable rejuvenation, FFPC would recommend pursuing having high risk cables formally assessed by a third party to scientifically determine the degree of insulation degradation. With this knowledge, FFPC could make an informed decision whether to:

1) *Replace the cables outright*
2) *Construct an underground contingency solution (spare runs)*
3) *Construct overhead contingency solution (ready to use overhead emergency circuit(s))*
4) *Run cables to failure*

The lowest risk but highest cost option would be for FFPC to replace the cables outright. An alternative to this would be for FFPC to pursue devising a contingency solution such as constructing a spare overhead or underground circuit(s). FFPC needs to further investigate these alternatives in order to be able to make an informed decision.

INTERROGATORY

4.1-Staff-13
Ref: E2.Appendix 2A.pp. 320-321

The above reference includes details for 14 Capital Project forecasts, including:

- Fully Dressed Wood Pole Replacement Program;
- Overhead & Pad-Mounted Transformer Replacement Program;
- Primary UG Cable Replacement Program.

For the three asset groups referenced above, please provide for the 2011 to 2014 period in tabular form the annual replacement costs incurred and forecasted, assuming FFPC's historical "maintenance based approach" had been maintained rather than the capital rebuild approach which has now been adopted. Please include any necessary explanations.

Response:

Please note that FFPC "Maintenance based approach" refers to FFPC's operating mode from the mid 1980's up until 2014. This operating mode was based on the premise that FFPC's entire electrical distribution asset base was in "new" condition, as it was almost entirely replaced from the mid 1970's to the mid-1980's (primary overhead conductors were not replaced during the rebuild). A parallel can be drawn to Smart Meter Assets, which were also entirely replaced over a narrow timeframe. Under this operating mode it is expected

that the level of reinvestment is significantly lower following the original intense asset replacement window as the asset base is "new". As such, for the timeframe following FFPC's rebuild, only low levels of reinvestment were needed as otherwise assets would be replaced prematurely.

As at 2014, however, the remaining useful life of FFPC's entire asset base has been reduced to 42.7%, and the premise of the asset base being "new" is no longer valid. As such, capital reinvestment levels must be increased to keep pace with the annual rate of asset deterioration, which has been estimated to be $618,179. This value is based on the current replacement cost of assets and relative to FFPC's adopted useful life for its assets.

The following table illustrates FFPC's actual reinvestment for replacements of Fully Dressed Wood Poles, Overhead & Pad-Mounted Transformers over the period 2011 to 2013 timeframe, as well as the projected 2014 replacement costs based on the average of the 2011 to 2013 actual reinvestment level. This table illustrates the level of reinvestment based on the premise that these asset groups for FFPC are "new".

Illustration of 2014 Capital Expenditures Based on 2011 to 2013 Average Actual Expenditures Incurred (Projection of 2014 Costs under Continued "Maintenance Mode" of Operation)				
Projects	**2011**	**2012**	**2013 Bridge Year Actual**	**2014 Test Year Based on 2011 to 2013 Average**
Fully Dressed Wood Pole Replacement Program	135,340	157,180	129,673	140,731
Overhead & Pad-Mounted Transformer Replacement Program	0	0	0	0
Primary Underground Cable Replacement Program	6,511	8,000	13,397	9,303
Total	**141,851**	**165,180**	**143,070**	**150,034**

*Note only replacement costs are included, system expansion costs are not included

Please note that FFPC believes that it is crucial that future reinvestment levels be based on the asset profiles as discussed in detail throughout FFPC's DS Plan. For ease of reference, FFPC has provided the following summary analysis and corresponding rationale for these three asset classes:

Fully Dressed DS Plan Page 325 (PDF Page 590)

System Renewal: FFPC's Fully Dressed Wood Pole replacement project is categorized as System Renewal. Over the course of history FFPC has reinvested into wood pole replacements at a fairly uniform annual rate, and as such, the age profile is relatively evenly distributed. FFPC has adopted the expectation that wood poles will achieve a useful service life of forty-five years as per the TUL values established in the "Kinectrics Report". This is an aggressive target, as wood poles are subjected to the harsh climate of Northern Ontario which accelerates deterioration. As previously mentioned, FFPC has also experienced premature pole failures due to improper manufacturing treatment processes, which have resulted in elevated replacement

rates. Catastrophic pole failures have a high probability of impacting a significant number of customers in all classes, as they have the potential of disrupting the service of entire feeder sections. Maintaining the structural integrity of wood poles is also crucial to support public and employee safety, as well as the overall reliability of the distributions system. Wood poles fail when the mechanical stress they are subjected to is greater than their structural integrity, which are often put to the test during events of extreme weather. Failures often occur during storms or under extreme weather conditions such as high winds or snow loads. The probability of suffering storm damage and associated interruptions from high winds are greatly reduced as the weakest links conducive to failure are eliminated.

This investment will therefore support maintaining current distribution system performance levels, ensuring that they will continue to meet or exceed regulatory requirements and customer expectations. Furthermore, this investment will benefit all customers across all rate classes. The quantity and selection summary of pole replacements is based on FFPC's asset management process which revealed the following relative to 2014:

Fully Dressed Wood Poles Profile		Fully Dressed Wood Poles Lifecycle Budget Analysis	
1776	Quantity	41.4	10 Year Historic Replacement/Installation Rate (Units/Year)
45	UL (Adopted)	220	Quantity Reaching Adjusted End of Life Over Forecast Period
21.8	Average Age of Population	$649,638	Total Capital Replacement Cost over Forecast Period
39.47	Ideal Equalized Annual Replacement Rate (Units/Yr)	$30,000	Total Capital Refurbishment Cost over Forecast Period
48.4%	% UL Consumed	44.00	Average Replacements Per Year
59.5%	2019 % UL Consumed with no Reinvestment	$135,928	Average Annual Cost Per Year
		$130,017	Ave. Annual Reinvestment Need Based on FFPC Adopted UL
		$649,638	2014 - 2018 Total Allocated Capital Replacement Amount
		$30,000	2014 - 2018 Total Allocated Capital Refurbishment Amount

Replacement costs are based on current costs and are not adjusted to reflect inflation. FFPC's estimated replacement cost is $3,348 for primary poles and $2,009 for secondary poles. FFPC has budgeted the following over the forecast period:

Budget Year	Primary Poles	Secondary Poles	Unplanned Quantity	Annual Replacement Cost
2014	**30**	**12**	**2**	**$ 129,928**
2015	**30**	**12**	**2**	**$ 129,928**
2016	**30**	**12**	**2**	**$ 129,928**
2017	**30**	**12**	**2**	**$ 129,928**
2018	**30**	**12**	**2**	**$ 129,928**

Overhead & Pad-Mounted Transformer Replacement Program - DS Plan Page 330 (PDF Page 595)

System Renewal: FFPC's Overhead and Pad-Mounted Transformer Replacement project is categorized as System Renewal. Due to the relatively narrow window during which FFPC's entire distribution system rebuild and voltage conversion occurred, the age distribution of transformers is not evenly distributed but heavily skewed. FFPC has adopted that transformers will achieve a useful service life of forty years, as per the TUL values established in the "Kinectrics Report". The newly developed asset management process has identified that a disproportionately large percentage (46%) of all transformers will reach or surpass their UL over the next ten years. The evaluation has given FFPC the foresight to intensify its transformer replacement program beginning in 2014, to control projected failure rates, as well as to smooth capital expenditures necessary to replace the assets. As previously mentioned, transformer foundations have been assigned an eighty (80) year lifecycle and as such, FFPC's asset management plan has not identified any necessary replacements over the planning horizon. Planned replacements are prioritized by risk of failure and the associated impact of failure. For example, the regional La Verendrye Hospital is serviced by a transformer that will be at the end of its useful life in 2014, and given the high impact of failure it is planned for replacement in 2014. FFPC is currently developing transformer loading profiles based on its GIS system and the smart meter data available from the AMI system. This asset management system process improvement will assist in assessing risk of failure, from which AEOL projections are derived. The quantity and selection summary of transformer replacements is based on FFPC's asset management process, which revealed the following relative to 2014:

Pole Mounted Transformers Profile		Pole Mounted Transformers Lifecycle Budget Analysis	
629	Quantity	1.8	10 Year Historic Replacement/Installation Rate (Units/Year)
40	UL (Adopted)	116	Quantity Reaching Adjusted End of Life Over Forecast Period
28.8	Average Age of Population	$491,617	Total Capital Replacement Cost over Forecast Period
15.73	Ideal Equalized Annual Replacement Rate (Units/Yr)	$0	Total Capital Refurbishment Cost over Forecast Period
72.0%	% UL Consumed	23.20	Average Replacements Per Year
84.5%	2019 % UL Consumed with no Reinvestment	$98,323	Average Annual Cost Per Year
		$68,782	Ave. Annual Reinvestment Need Based on FFPC Adopted UL
		$491,617	2014 - 2018 Total Allocated Capital Replacement Amount
		$0	2014 - 2018 Total Allocated Capital Refurbishment Amount

Single Phase Pad Mounted Transformers Profile		Single Phase Pad Mounted Transformers Lifecycle Budget Analysis	
215	Quantity	0.8	10 Year Historic Replacement/Installation Rate (Units/Year)
40	UL (Adopted)	35	Quantity Reaching Adjusted End of Life Over Forecast Period
27.7	Average Age of Population	$368,761	Total Capital Replacement Cost over Forecast Period
5.38	Ideal Equalized Annual Replacement Rate (Units/Yr)	$0	Total Capital Refurbishment Cost over Forecast Period
69.3%	% UL Consumed	7.00	Average Replacements Per Year
81.8%	2019 % UL Consumed with no Reinvestment	$73,752	Average Annual Cost Per Year
		$55,474	Ave. Annual Reinvestment Need Based on FFPC Adopted UL
		$368,761	2014 - 2018 Total Allocated Capital Replacement Amount
		$0	2014 - 2018 Total Allocated Capital Refurbishment Amount

Three Phase Pad Mounted Transformers Profile		Three Phase Pad Mounted Transformers Lifecycle Budget Analysis	
38	Quantity	1.3	10 Year Historic Replacement/Installation Rate (Units/Year)
40	UL (Adopted)	7	Quantity Reaching Adjusted End of Life Over Forecast Period
20.1	Average Age of Population	$147,163	Total Capital Replacement Cost over Forecast Period
0.95	Ideal Equalized Annual Replacement Rate (Units/Yr)	$0	Total Capital Refurbishment Cost over Forecast Period
50.1%	% UL Consumed	1.40	Average Replacements Per Year
62.6%	2019 % UL Consumed with no Reinvestment	$29,433	Average Annual Cost Per Year
		$20,201	Ave. Annual Reinvestment Need Based on FFPC Adopted UL
		$147,163	2014 - 2018 Total Allocated Capital Replacement Amount
		$0	2014 - 2018 Total Allocated Capital Refurbishment Amount

It is important to note that FFPC's long range objective is to smooth the age distribution of asset categories to a target of 50% UL Consumed. As per the above tables, it is important to note that the Pole and Single Phase Pad-Mounted Transformer populations only have 28.0% and 30.7% of useful life remaining.
FFPC Replacement costs are based on current costs and are not adjusted to reflect inflation. FFPC's estimated replacement costs are based on the following tables:

Single Phase Pad-Mounted Transformer Replacement Cost	
Tx KVA	Total Cost
15	$ 9,036
25	$ 9,536
37	$ 9,786
50	$ 10,036
75	$ 11,036
100	$ 11,536
150	$ 14,536
167	$ 15,536
333	$ 17,536

Three Phase Pad-Mounted Transformer Replacement Cost	
Tx KVA	Total Cost
112	$ 21,106
150	$ 21,606
225	$ 22,106
300	$ 22,606
350	$ 23,106
500	$ 25,106

Single Phase Pole Mounted Transformer Replacement Cost	
Tx KVA	Total Cost
5	$ 2,815
10	$ 3,015
15	$ 3,215
25	$ 3,415
37	$ 3,915
50	$ 4,415
75	$ 5,915
100	$ 6,415
167	$ 10,415

FFPC has budgeted replacements based on the following asset counts:

Budget Year	Pole Mounted Transformers	Pole Mounted Transformer Replacement Cost	1 Phase Pad-Mounted Transformers	1 Phase Pad-Mounted Transformer Replacement Cost	3 Phase Pad-Mounted Transformers	3 Phase Pad-Mounted Transformer Replacement Cost	Total Quantity	Total Cost
2014	13	$59,506	1	$11,036	1	$25,106	15	$95,648
2015	24	$104,893	12	$135,682	0	$0	36	$240,575
2016	12	$68,081	5	$49,680	3	$66,318	20	$184,080
2017	31	$129,708	12	$123,932	3	$55,737	46	$309,378
2018	36	$129,427	5	$48,430	0	$0	41	$177,857
Total	116	$491,617	35	$368,760	7	$147,162	158	$1,007,541

Primary UG Cable Replacement and Rejuvenation Program - DS Plan Page 335 (PDF Page 601)

System Renewal: FFPC's Primary UG Cable Replacement and Rejuvenation project is categorized as System Renewal. Due to the relatively narrow window during which FFPC's entire distribution system rebuild and voltage conversion occurred, followed by an economic boom, the age distribution of the cables is not evenly distributed but heavily skewed. FFPC has adopted that underground Primary TR XLPE Cables in Duct will achieve a useful service life of forty years, as per the TUL values established in the "Kinectrics Report". The newly developed asset management process has identified that a disproportionately large percentage (73.5%) of all underground primary conductor runs will reach or surpass their UL over the next twenty years. The evaluation has given FFPC the foresight to intensify its replacement and refurbishing program beginning in 2014, to control projected failure rates, as well as to smooth capital expenditures necessary to replace the assets. Planned replacements are prioritized by risk of failure and the associated impact of failure. FFPC is currently developing transformer loading profiles based on its GIS system and smart meter data available from the AMI system. The transformer loading profiles can be utilized to indicate conductor loading as well. This asset management system process improvement will assist in assessing risk of failure, from which AEOL projections are derived. The quantity and selection summary of cable replacements is based on FFPC's asset management process, which revealed the following relative to 2014:

Total Cable Length of U/G Primary TR XLPE Cables In Duct Profile		Total Cable Length UG Primary TR XLPE Budget Analysis	
30724	Quantity (Meters)	412	10 Year Historic Replacement/Installation Rate (Units/Year)
40	UL (Adopted)	8750	Quantity Reaching Adjusted End of Life Over Forecast Period
27.1	Average Age of Population	$294,020	Total Capital Replacement Cost over Forecast Period
768.10	Ideal Equalized Annual Replacement Rate (Meters/Yr)	$0	Total Capital Refurbishment Cost over Forecast Period
67.7%	% UL Consumed	1750.06	Average Replacements Per Year
80.2%	2019 % UL Consumed with no Reinvestment	$58,804	Average Annual Cost Per Year
		$23,292	Ave. Annual Reinvestment Need Based on FFPC Adopted UL
		$80,537	2014 - 2018 Total Allocated Capital Replacement Amount
		$100,000	2014 - 2018 Total Allocated Capital Refurbishment Amount

INTERROGATORY

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.

Response:

FFPC based the performance measurement of its DS Plan on the July 2013 Board Staff Recommended Performance Scorecard for Distributors, which was available to distributors at the time of drafting the plan. On March 11, 2014, FFPC received a copy of its first preliminary scorecard from the Board. A copy of this scorecard has been included as Appendix 3.

Please note that FFPC has not assigned any performance metrics to judge the success of the DS Plan itself, as FFPC believes that the success of the plan hinges on its implementation.

The following table summarizes performance metrics that FFPC intends to use to assess its performance as a local distribution company which is directly related to the DS Plan implementation. The summary table includes the revised Metrics contained in the Board's March 2014 issued scorecard as well as internal metrics that FFPC believes to be of importance.

FFPC will be using the measures below to evaluate the performance of FFPC and, although they may not all directly relate to the DS Plan, FFPC does believes that a successful DS Plan will directly or indirectly impact each measure in some way. At this time, it is unclear which measures would directly indicate the DS Plan is successful; however, over time, as these measures are used, FFPC believes they will assist in the improvement of the DS Plan. In addition, if FFPC achieves targeted results in all measures, FFPC submits that this would indicate a successful DS Plan has been achieved.

FFPC Performance Scorecard to Assess Implementation of Board Approved DS Plan		
RRFE Pillar	Catergory	Measure
Customer Focus	RRR Service Quality Measures	New Residential Services Connected on Time
		Appointments Scheduled as per DSC (as per DSC s7.3, RRR s2.1.4.1.2)
		Appointments Met as per DSC (as per DSC s7.4, RRR s2.1.4.1.3)
		Telephone Calls Answered on Time
	Customer Satisfaction	First Contact Resolution
		Billing Accuracy
		Overall Customer Satisfaction
		Reliability of Electricity Supplied
		Conservation Program Offerings
		Communicating Planned Outages
		Satisfaction with Unplanned Outages
		General Comments
Operational Effectiveness	Safety	ESA O. Reg 22/04 Audit Results
		ESA Due Diligence Inspection Audit Results
		Safe Worked Hours & Injury Free Years
	System Reliability	SAIDI (Average number of hours that power to a customer is interrupted)
		SAIFI (Average number of times that power to a customer is interrupted
		CAIFI
	Outage Causes	Outage Root Cause Analysis
	Asset Management	Distributon System Plan Implementatino Progress
		% Remaining Useful Life of Asset Base
	Cost Performance	Efficiency Assessment
		Total Cost Per Customer
		Total Cost Per km of Line
		OM&A Costs Overall
		OM&A per Customer
		OM&A per kWh Delivered
		OM&A per Circuit km of Line
		Total Bill Impact
Public Responsiveness	Conservation and Demand Management	Net Annual Peak Demand Savings
		Net Cumulative Energy Savings
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time
		New Micro-embedded Generation Facilities Connected On Time
		Annual % of Eligible microFIT Projects Connected
		Annual % of Eligible microFIT Projects Rejected
		Annual % of Eligible FIT Projects Connected
		Annual % of Eligible FIT Projects Rejected
Financial Performance	Financial Ratios	Liquidity: Current Assets/Liabilities - as per OEB Reporting
		Leverage: Debt / Equity Ratio - as Per OEB Reporting
		Profitability: Regulatory Return on Equity - as per OEB Reporting
		Retained Earnings: as per OEB Reporting

The following is an expansion of the information provided in Section 5.4.2.2 - "Strategic Planning Objectives" within the DS Plan:

Strategic Capital Planning Objectives:

FFPC's capital planning objectives are to:

- *Support FFPC in delivering electricity and providing supporting energy services safely, reliably, and cost-effectively.*

Safety:

- *To maintain the safety of the distribution system so that it does not present any undue hazards to personnel or to the general public.*
- *Key Relevant Performance Measures:*
  - *ESA O. Reg 22/04 Audit Results*
  - *ESA Due Diligence Inspection Audit Results*
  - *Safe Worked Hours & Injury Free Years*

- *To meet or exceed all regulatory requirements with respect to electrical distribution system safety.*
- *Key Relevant Performance Measures:*
  - *ESA O. Reg 22/04 Audit Results*
  - *ESA Due Diligence Inspection Audit Results*
  - *Safe Worked Hours & Injury Free Years*

Reliability:

- *To maintain the distribution system service reliability at a level that meets or exceeds the expectations of consumers and the community.*
- *Key Relevant Performance Measures:*
  - *Customer Satisfaction - Reliability of Electricity Supplied*

- *To maintain the distribution system service reliability at a level that meets or exceeds regulatory requirements.*
- *Key Relevant Performance Measures:*
  - *SAIDI (Average number of hours that power to a customer is interrupted)*
  - *SAIFI (Average number of times that power to a customer is interrupted)*

Cost Effectiveness:

- *To support the outcomes of our asset management process balancing cost, reliability and risk.*

- *Key Relevant Performance Measures:*
  - *Total Bill Impact (and Industry Comparison)*
  - *SAIDI (Average number of hours that power to a customer is interrupted)*
  - *SAIFI (Average number of times that power to a customer is interrupted)*
  - *% Remaining Useful Life of Asset Base*

- *To support necessary reinvestments into our asset base to keep pace with asset deterioration.*
- *Key Relevant Performance Measures:*
  - *% Remaining Useful Life of Asset Base*

Operational Efficiency:

- *That investment decisions are based on the results of rigorous data driven processes.*
- *Key Relevant Performance Measures:*
  - *Total Bill Impact (and Industry Comparison)*
  - *% Remaining Useful Life of Asset Base*

- *That our processes continually improve through the deployment of innovation and technology.*
- *Key Relevant Performance Measures:*
  - *Total Bill Impact (and Industry Comparison)*

Customer & Community Focus:

- *That our investment plans and service offering are aligned with needs and demands of our customers and community.*
- *Key Relevant Performance Measures:*
  - *General Comments (Customer Feedback)*

- *That our investment decisions and service offerings support the well being of our customers and community, for whom we exist.*
- *Key Relevant Performance Measures:*
  - *Total Bill Impact (and Industry Comparison)*
  - *SAIDI (Average number of hours that power to a customer is interrupted)*
  - *SAIFI (Average number of times that power to a customer is interrupted)*
  - *% Remaining Useful Life of Asset Base*

Meeting Obligations:

- *That we remain compliant with all applicable governing agencies, laws and regulatory statutes*
- *Key Relevant Performance Measures:*
    - *None developed*

- *That we support the deployment and implementation of all mandated service obligations*
- *Key Relevant Performance Measures:*
    - *Net Annual Peak Demand Savings (Mandate Specific)*
    - *Net Cumulative Energy Savings (Mandate Specific)*
    - *Renewable Generation Connection Impact Assessments Completed On Time (Mandate Specific)*
    - *New Micro-embedded Generation Facilities Connected On Time (Mandate Specific)*

At the time of drafting the DS Plan, FFPC overlooked including a discussion on a very important internal performance measure "% Remaining Useful Life of Asset Base".

FFPC has designed its DS Plan with the objective of pacing asset lifecycle sustaining capital reinvestments with the actual rate at which assets are deteriorating. FFPC envisions using this metric to ultimately gauge the adequacy of FFPC's capital reinvestment level. Currently, the overall remaining useful life of FFPC's entire asset base is 41.4%. FFPC has adopted a long term target of 50% for this metric. A continued decrease in the overall value of remaining useful life would signal inadequate reinvestment, implying that FFPC is undermining its asset base which is not in the best interest of consumers.

FFPC has also broken down this measure to the specific asset groups as per its asset management and capital planning processes. These asset groups include Overhead Plant, Underground Plant, Transformer Station and General Plant.

FFPC also intends to perform an annual total bill cost analysis using the data contained within the Board's Annual Report. FFPC also used this approach in its DS Plan when comparing its rates to industry.

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

INTERROGATORY

4.2-Staff-14
Ref: E1/T1/S1, pp. 4-7.
It is stated that the amount of the benefit of the 1905 Agreement currently exceeds $2.2 million annually, but that the agreement is under constant attack from the owner of the generation assets.

It is further stated that costs associated with maintaining the benefits of the 1905 Agreement are not insignificant and three specific areas of unique costs are outlined.

Finally, it is stated that:

> FFPC believes its individual utility circumstance must be fully recognized when cost performance is compared to that of other LDC's. As such, operating, maintenance and administrative (OM&A) costs must be adjusted to reflect the unique operating circumstances, such that subsequent performance scores and ranking reflect "apples-to-apples" comparisons…
> …
> FFPC believes that its current performance scores derived from historic RRR supported OM&A cost data are flawed, as they include costs associated with the upkeep of the 1905 Historic Power Agreement, as well as costs associated with the upkeep and operation of a High Voltage Transformer Station, which prior to 2012 was improperly classified as a Distribution Station. FFPC's OM&A costs at face value essentially support three distinct business functions, which in essence have increased FFPC's scope. As such, synergies from this arrangements are best measured at the Total Bill level which encompass FFPC's unique circumstances and operating strategy.

a) Please quantify to the extent possible the additional costs that FFPC incurs that lead to the referenced flawed OM&A cost data by providing a breakdown of OM&A cost data for the 2014 Test year (and previous years, if available) between: (i) Distribution Business, (ii) 1905 Historic Power Agreement Upkeep Costs and (iii) High Voltage Transformer Upkeep Costs.

Response:
Please find below a table of estimated additional costs to support the 1905 Historic Power Agreement and the High Voltage Transformer Station that are currently embedded within FFPC's Distribution Business.

The additional costs due to the Historic Power Agreement impact most levels of FFPC's operation. The stewardship of this agreement affects:

- *Billing- Monthly credits are given to customers for incremental payout of benefits realized, and an annual rebate disburses a final payout. The credits and rebates require adjustments to bill print limitations, eligibility tracking, accounting entries, etc. Thunder Bay Hydro is hired to provide IT to calculate rebates based on kilowatt consumption, tax adjustments and former final billed customers.*
- *FFPC's Board of Directors are responsible for the safeguarding and overseeing of the Historic Agreement and all decisions regarding the agreement.*
- *The CEO teams with FFPC's Board of Directors and the Finance and Regulatory Officer to oversee the safeguarding of the agreement, the proper disbursement of the rebates and retaining and instructing legal counsel.*
- *The Finance and Regulatory Officer is responsible for the tracking of benefits realized by the agreement within the regulatory environment. The adjustments regarding charges, revenues, rule amendments, audit review and RRR reporting account for one-third of the employment cost of this position.*
- *Legal advice is vital to the safeguarding of the agreement, and legal costs are currently borne within FFPC's Distribution cost pool.*

The additional cost due to the operation of Fort Frances Municipal Transformer Station (FFMTS) are the actual costs of station Operations and Maintenance.

Estimated Additonal OM&A Costs Incurred by FFPC due to Historic Power Agreement

	Percentage of	2008	2009	2010	2011	2012	2013
Billing-Collecting	Total Costs						
Billing - TOFF	5%	$ 3,936	$ 4,203	$ 4,325	$ 3,840	$ 4,598	$ 4,588
Thunder Bay	2%	$ 1,654	$ 1,687	$ 1,727	$ 1,674	$ 1,402	$ 1,183
Total Directors Cost							
Percentage H2O	30%	$ 11,997	$ 14,290	$ 10,949	$ 12,294	$ 13,358	$ 13,160
Total CEO Costs							
Percentage H2O	10%	$ 15,113	$ 16,900	$ 14,443	$ 14,670	$ 14,677	$ 15,474
Financial Regulatory Officer							
Percentage H2O	30%	$ 20,815	$ 24,838	$ 25,055	$ 26,950	$ 27,304	$ 29,256
Total Labour Cost		$ 53,514	$ 61,918	$ 56,500	$ 59,428	$ 61,338	$ 63,661
Legal Expenses		$ -	$ 10,751	$ 8,800	$ -	$ 230	$ 28,027
Total H2O Cost Burden		**$ 53,514**	**$ 72,669**	**$ 65,300**	**$ 59,428**	**$ 61,568**	**$ 91,688**

Estimated Additonal Costs Incurred by FFPC due to Transformer Station (FFMTS) Operations and Maintenance

	Year	2008	2009	2010	2011	2012	2013
FFMTS	Operations	$ 13,588	$ 24,312	$ 10,024	$ 16,174	$ 26,685	$ 13,609
	Maintenance	$ 18,458	$ 13,813	$ 33,469	$ 27,542	$ 31,258	$ 29,211
Total FFMTS Cost Burden		**$ 32,045**	**$ 38,125**	**$ 43,493**	**$ 43,716**	**$ 57,942**	**$ 42,820**

The table below highlights the total OM&A costs for FFPC, less the articulated costs for the 1905 Historic Mill Agreement and the FFMTS, to estimate the stand-alone Distribution Costs.

Year	2008	2009	2010	2011	2012	2013
Total OM&A	**$ 1,246,014**	**$ 1,301,839**	**$ 1,316,912**	**$1,295,968**	**$ 1,604,971**	**$ 1,464,312**
Less: H2O Cost Burden	$ 53,514	$ 72,669	$ 65,300	$ 59,428	$ 61,568	$ 91,688
Less: FFMTS Cost Burden	$ 32,045	$ 38,125	$ 43,493	$ 43,716	$ 57,942	$ 42,820
FFPC OM&A Distibution Only	**$ 1,160,455**	**$ 1,191,045**	**$ 1,208,119**	**$1,192,824**	**$ 1,485,460**	**$ 1,329,804**

FFPC conservatively estimated in the table below other additional costs that could be passed on to FFPC customers if either the Historic Mill Agreement or the High Voltage Transformer Station were separate, stand-alone operations. FFPC has estimated the 'shared savings' for the residents of the Town of Fort Frances because of FFPC's umbrella approach to the combined operations in the following table:

Annual Estimated Savings Due to Shared Services		
	Historic Mill Agreement	**Fort Frances Transformer Station**
Projected Office Space Rental	$7,200	$7,200
Office Supplies, Advertising, etc	$3,000	$1,000
Telephone/IT Costs	$2,500	$2,000
Billing, Postage for Separate Rebate	$5,000	
Staff training and travel	$1,000	$4,000
Vehicle Maintenance		$5,000
Total Saved Costs for Shared Services	$18,700	$19,200

b) Please elaborate on the statement that the 1905 Agreement is under constant attack from the owner of the generation assets. Please state whether there are currently any ongoing legal proceedings related to the 1905 Agreement and, if so, what they are.

Response:

FFPC would like to clarify that the longevity of the 1905 Historic Power Agreement is constantly placed in jeopardy due to formal disputes over the terms of the Agreement itself, from changes in regulation/legislation that fail to recognize its requirements, as well as from third party legal proceedings. Since FFPC's last rate rebasing in 2006, FFPC has had to safeguard the Agreement from all three of these threats. FFPC cites the following three examples.

FFPC was formally approached by the owner of the agreement threatening that the generating station may be idled soon due to the poor economics of operating it in light of

the burden associated with the Agreement. The asset owner took the position that, by not operating the station, it would be relieved of its obligations under the 1905 Power Agreement, "no station, no agreement". FFPC addressed this threat by seeking formal legal advice in preparation for asserting our customers' rights under the Agreement against the generation station owner if the generating station was to be shut down.

The upkeep of the 1905 Agreement was also recently threatened by regulation with the implementation of Ontario Regulation 429/04 under the Electricity Act, "Adjustments Under Section 25.33 of the Act"(re Global Adjustment Charge). When this legislation came into effect, it acknowledged FFPC's unique circumstances regarding IESO settlement process and the 1905 Agreement; however, it did not properly address the actual settlement mechanism required for FFPC to be able to properly disburse benefits of the agreement to its recipients. FFPC was concerned that the improper disbursement of the benefits of the agreement could be construed as violating the terms of the agreement.

To address this concern, FFPC consulted legal counsel and then formally engaged industry stakeholders, including the Ontario Energy Board (OEB), Independent Electricity System Operator (IESO), Ontario Power Authority (OPA) and the Ontario Financial Authority (OFINA), to resolve the settlement and disbursement issues. FFPC succeeded in resolving this issue when FFPC's unique settlement issue was formally addressed under O.Reg 398/10. FFPC was able to formally provide input into the drafting of this regulation, by suggesting a suitable settlement and disbursement process. As a result, the amended regulation now addresses FFPC's unique circumstances. Following the implementation of the regulation, FFPC proceeded to retroactively correct the settlement and benefit disbursement issue with the formal consent of stakeholders.

Although there are currently no ongoing legal proceedings directly trying to terminate or otherwise nullify the 1905 Agreement, the following legal proceeding poses an indirect threat to the longevity of the Agreement.

The Ontario Court of Justice is currently processing Court Case CV-98-0910, a dispute between:

Couchiching First Nation, Naicatchewenin First Nation, Nicickousemenecaning First Nation and Stajikoming First

And

The Attorney General of Canada and Her Majesty the Queen in Right of Ontario, and The Corporation of the Town of Fort Frances

This case involves the dispute over land rights, water rights, flood damages and ultimately land ownership along the waterway of the generating station associated with the 1905 Historic Power Agreement. A legal determination regarding such rights could ultimately impact the longevity of the 1905 Agreement. FFPC has been following the development of this proceeding in the interest of safeguarding the 1905 Historic Power Agreement and will consult legal counsel as it deems necessary.

c) Please elaborate on the statement that synergies from the referenced arrangements are best measured at the Total Bill level and explain how this would impact FFPC's performance scores if they were adjusted in this fashion.

Response:

FFPC believes that the fundamental measure for the success of an LDC's adopted business model is reflected in the total cost of electricity that consumers pay. FFPC also believes that distributors have an obligation to effectively manage their business while minimizing consumer rates. FFPC believes that the "catch all" measure of good or bad business decisions, as well as good or bad business models, is ultimately reflected in consumer rates paid, or in other words "Total Bill" (ie. The total cost of a Residential Bill at 800 kWh consumed - as per the Boards Bill Calculator comparison). FFPC believes that "Total Bill" should be a cornerstone of any performance benchmarking analysis.

A Total Bill Analysis suggests that FFPC is among the top performers in the industry; however, the Board's performance benchmarking initiatives have identified FFPC to be a substandard performer. FFPC believes that the reason for this disconnect is that its unique operating circumstances have not been recognized in any of the modelling exercises conducted to date.

FFPC has chosen to operate its electrical distribution business in a more financially prudent manner than the industry norm. FFPC has chosen to operate with no debt, to partner with neighbouring LDCs for the delivery of shared services, and to increase its business scope. FFPC's administration of the 1905 Historic Power Agreement and High Voltage Transformer Station has increased FFPC's business scope, but have also increased FFPC's internal cost burden. If the Historic Agreement and Station were managed by third parties (or in silos), FFPC believes that its performance scores would improve; however, FFPC's customers would end up paying higher rates.

A fair assessment of FFPC's performance would be based upon its costs without the Agreement and the Transformation Station Costs or, alternatively, at the Total Bill level. However, taking into account all of the costs without acknowledging the Total Bill, as the current performance scored do, gives a skewed view of FFPC as an underperformer.

INTERROGATORY

4.2-Staff-15
Ref: E1/T1/S2/p.9

In the above reference, it is stated that:

> The current level of effort exerted by FFPC's staff is not sustainable, and as such, FFPC is realigning its revenue requirement to fund additional resources (the addition of a Technical Customer Service Representative to staff, as well as more necessary services from third party service providers including Human Resources, Legal and IT expertise).

Please state the amount of expenses that are included in the 2014 Test year for the referenced third party service providers for Human Resources, Legal and IT expertise.

Response:

FFPC has included a total of $73,000 for Outside/Services Employed. Of the $73,000, the following expenditures are budgeted:

2014 Test Year Budget -Outside Service Costs	
	2014
Accounting -Town of Fort Frances	$22,500
IT Services-Town of Fort Frances	$7,500
Legal	$7,000
Audit	$31,000
Consultants-Human Resources	$5,000
Total Outside Service Cost Burden - 2014	**$73,000**

INTERROGATORY

4.2-Staff-16
Ref: E1/T1/S6p.1

It is stated that "FFPC has always billed our customers monthly, but will now bill on the actual true calendar month consumption."

a) Please identify the percentage of customers on e-billing as of December 31, 2013.

Response:

FFPC did not have any customers on e-billing as of December 31, 2013 as FFPC is currently unable to provide this type of billing. FFPC is working with Thunder Bay Hydro, our billing service provider, to provide this service in the near future.

b) Please describe the Applicant's efforts to promote e-billing to its customers.

Response:

FFPC included a question in our 2013 Customer Survey regarding e-billing. The question was:

'FFPC is evaluating offering customers a choice of receiving a paper bill or an electronic bill or through web access. Is this an expense that would be of value to your needs?"

The customer response was:	*Yes*	*46.1 %,*
	No	*45.2%,*
	Don't Know	*8.7%*

The results of the survey indicate that our customers are receptive to e-billing but would like the option of receiving a paper bill. FFPC's customer base has a greater number of retired, elderly residents, which could indicate limited computer access and/or access to e-billing. The Statistics Canada census website detailed that, in the 2011 census, the percentage of the population aged 65 and over in Fort Frances was 19.2%, compared with a national percentage of 14.8%.

INTERROGATORY

4.2-Staff-17
Ref: E4/T2/S4/p.5

FFPC has proposed 9% increases in headcount and 17% in employee compensation for the Test year relative to the 2012 actual levels.

a) What objectives has FFPC established for its operations?

Response:

FFPC has the continued objective of our Mission Statement, which is:

'To deliver electricity and provide supporting energy services safely, reliably and cost-effectively, in support of the well being of our community, for whom we exist.'

FFPC's proposal of a 9% increase in headcount is the addition of one new employee, as our present employee count is 9.3 FTE. FFPC has not increased staff within the last rate period except to hire apprentice linemen in advance of retirement vacancies.

Staffing changes in small LDCs, like FFPC, create large percentage increases in staffing changes. A 9% increase in staffing for FFPC is only one person, where a 9% increase would result in 450 new positions at Hydro One or 140 at Toronto Hydro.

FFPC's proposed '17% (increase) in employee compensation for the Test Year relative to the 2012 actual levels' is comprised of the following:

- *Two incremental wage adjustments for all staff for 2013 and 2014;*
- *The overlap training period for the retirement of the Lines Superintendent;*
- *The half-year cost for the new Customer Service Technician.*

FFPC's objectives include:

- *Improve FFPC's 'face-to-face' position within the community by rejoining community trade shows, business presentations and other community events. Demands on existing staff have not allowed time for participation in these events.*
- *Establishing a 'customer centric' approach to respond to our customer's needs and expectations. The Customer Survey responses indicate that FFPC's focus should be on rate reduction and customer education regarding energy conservation. The new Customer Service Technician will be trained to provide conservation and energy saving recommendations.*

b) Please provide specific information on why the proposed cost increases are necessary for FFPC to achieve the objectives that it has targeted in the capital and operating expenditure sections of its application, and the alternative methods for achieving these objectives that were considered and rejected in favour of the proposed headcount and compensation increases.

Response:

FFPC has been unable to meet current objectives due to current staffing levels. FFPC has not participated in local community events for the last four years. Currently, all staff members including the CEO, Finance and Regulatory Officer and Lines Staff respond to customer

inquiries regarding high bill complaints, conservation and green energy initiatives. FFPC believes that one designated employee, trained specifically in Customer Service, would provide higher service quality response.

FFPC's Asset Management Plan was developed to provide a framework for capital replacement initiatives. All capital records require updating and analysis of the work performed to maximize future capital work planning. The Customer Service Technician will provide an interface between the actual work performed in the field and the updating of records and 'lessons learned'.

Without the addition of the new position at FFPC, the objectives outlined above would not be achieved. Without the continued development of FFPC's Asset Management Plan, all progress to date could be in jeopardy. Current FFPC staff is unable to assume any additional duties due to the recent increased industry demands.

One alternative would be to contract out this position or service. FFPC would have limited access to highly trained contractors within the Town of Fort Frances due to our small population and believes the role of customer service is best filled by a local resident. FFPC has historically relied on hiring and training staff to fill job vacancies.

INTERROGATORY

4.2-Staff-18
Ref: E4/T2/S4/p.5

With respect to Appendix 2-K, please explain FFPC's compensation strategy. Please discuss how this strategy has resulted in a 25% increase in management and 9% increase in non-management compensation relative to the 2012 actual levels.

Response:

With respect to Appendix 2-K, please refer to the table below:

Appendix 2-K
Employee Costs

	2012 Actuals	2013 Bridge Year	2014 Test Year
Number of Employees (FTEs including Part-Time)[1]			
Management (including executive)	4	4	5
Non-Management (union and non-union)	5.3	5.3	5.3
Total	9.3	9.3	10.1
Total Salary and Wages including ovetime and incentive pay			
Management (including executive)	$ 263,128	$ 275,000	$ 340,362
Non-Management (union and non-union)	$ 319,773	$ 330,745	$ 345,014
Total	$ 582,901	$ 605,745	$ 685,376
Change Amount- Current year vs Prior Year	**$ 25,672**	**$ 22,844**	**$ 79,631**

The change in Management Compensation from 2012 ($263,128) to 2014 ($340,362), is a difference of $77,234. In E4/T2/S4 pg 12-13, FFPC detailed the following estimated cost increases:

- *Replacement of Lines Superintendent, training overlap* *+ $19,536*
- *Finance & Regulatory Officer, Cost of Service overtime* *+ $ 9,870*
- *Incremental salary increases/adjustments-two year period* *+$10,828*
- *Wages paid to new Customer Service Technician* *+$37,000*

Total Estimate *+$77,234*

The change in Union Compensation from 2012 ($319,773) to 2014 ($345,014) is an increase of $25,241 due to:

- *Negotiated union wage adjustments- two year period* *+$14,391*
- *Linemen progression step increases/new hire* *+$10,850*

Total Estimate *+$25,241*

Compensation changes within small LDCs, like FFPC, create large percentage increases that exaggerate fluctuations in compensation. Likewise, the effects of a singular new hire or an incremental step increase of one employee would result in an unnoticeable, minor percentage increase in a larger LDC.

INTERROGATORY

4.2 – VECC – 7

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

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

Response:

FFPC has completed the requested updated tables to reflect 2013 actual results as follows:

Table 4.2.3: Summary of Recoverable OM & Expenses 2006-2013 Actual-2014 Test Year

	Last Rebasing Year 2006 BA	*Last Rebasing Year 2006 Actuals*	*2007 Actuals*	*2008 Actuals*	*2009 Actuals*	*2010 Actuals*	*2011 Actuals*	*2012 Actuals*	*2013 Actual*	*2014 Test Year*
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Operations	$ 164,815	$ 154,931	$ 167,586	$ 161,730	$ 194,356	$ 192,399	$ 195,697	$ 213,851	$ 203,958	$ 371,000
Maintenance	$ 106,651	$ 92,874	$ 113,833	$ 142,860	$ 130,396	$ 183,394	$ 169,076	$ 377,219	$ 217,156	$ 304,000
SubTotal	$ 271,466	$ 247,805	$ 281,419	$ 304,590	$ 324,752	$ 375,793	$ 364,773	$ 591,070	$ 421,114	$ 675,000
% Change (year over year)			13.6%	8.2%	6.6%	15.7%	-2.9%	62.0%	-28.8%	60.3%
% Change (Test Year vs Last Rebasing-Actual)										172.39%
Billing and Collecting	$ 144,547	$ 237,343	$ 235,870	$ 254,460	$ 266,345	$ 265,204	$ 213,984	$ 255,946	$ 265,075	$ 268,000
Community Relations	$ 4,712	$ 62,599	$ 35,457	$ -	$ 185	$ 32	$ -	$ 5,978	$ 4,870	$ 37,150
Administrative and General	$ 600,015	$ 577,417	$ 612,906	$ 686,964	$ 710,557	$ 675,883	$ 717,211	$ 751,977	$ 773,253	$ 664,500
SubTotal	$ 749,274	$ 877,359	$ 884,233	$ 941,424	$ 977,087	$ 941,119	$ 931,195	$ 1,013,901	$ 1,043,198	$ 969,650
%Change (year over year)			0.8%	6.5%	3.8%	-3.7%	-1.1%	8.9%	2.9%	-7.1%
%Change (Test Year vs Last Rebasing Year Actual) of Total										10.52%
Total	$ 1,020,740	$ 1,125,164	$ 1,165,652	$1,246,014	$1,301,839	$1,316,912	$ 1,295,968	$ 1,604,971	$ 1,464,312	$ 1,644,650
% Change (year over year)			3.6%	6.9%	4.5%	1.2%	-1.6%	23.8%	-8.8%	12.3%

Table 4.2.5 – OM & A Per Customer and FTE-with 2013 Actuals

	Last Rebasing Year - 2006-Board Approved	Last Rebasing Year - 2006-Actual	2007 Actuals	2008 Actuals	2009 Actuals	2010 Actuals	2011 Actuals	2012 Actuals	2013 Actuals	2014 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Number of Customers	3,981	3,981	3,864	4,001	3,768	3,777	3,775	3,780	3,703	3,749
Total Recoverable OM&A from Appendix 2-JB	$ 1,001,346	$ 1,125,164	$ 1,165,652	$ 1,267,201	$ 1,316,559	$ 1,325,685	$ 1,301,992	$ 1,604,971	$ 1,464,312	$ 1,657,650
OM&A cost per customer	$ 252	$ 283	$ 302	$ 317	$ 349	$ 351	$ 345	$ 425	$ 395	$ 442
Number of FTEs	8	8	8	9.3	9.7	9.3	9.3	9.3	9.3	10.1
Customers/FTEs	498	498	483	430	388	406	406	406	398	371
OM&A Cost per FTE	$ 125,168	$ 140,645	$ 145,706	$ 136,258	$ 135,728	$ 142,547	$ 139,999	$ 172,577	$ 157,453	$ 164,124

Table 4.2.7 – Detailed Account by Account-Operation Expenses with 2013 Actuals

	Distribution Expenses - Operation	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Test
5005	Operation Supervision and Engineering									$ 91,000
5010	Load Dispatching									
5012	Station Buildings and Fixtures Expense	$ 33,986	$ 34,349	$ 31,741	$ 46,329	$ 47,180	$ 45,775	$ 49,550	$ 56,360	$ 50,000
5014	Transformer Station Equipment - Operation Labour								$ 4,409	$ 14,000
5015	Transformer Station Equipment - Operation Supplies a	-							$ 9,199	$ 15,000
5016	Distribution Station Equipment - Operation Labour	$ 2,505	$ 2,807	$ 4,289	$ 6,387	$ 3,956	$ 6,020	$ 15,034		
5017	Distribution Station Equipment - Operation Supplies a	$ 8,622	$ 19,291	$ 9,298	$ 17,924	$ 6,068	$ 10,154	$ 11,651		
5020	Overhead Distribution Lines and Feeders - Operation	$ 7,176	$ 12,539	$ 12,351	$ 14,783	$ 13,910	$ 9,764	$ 9,080	$ 11,028	$ 16,000
5025	Overhead Distribution Lines and Feeders - Operation	$ 6,388	$ 6,710	$ 4,758	$ 1,086	$ 3,405	$ 73	$ 188		
5030	Overhead Subtransmission Feeders - Operation									
5035	Overhead Distribution Transformers - Operation	$ 5,674	$ 378		$ 47	$ 6,797	$ 1,309	$ 816	$ 72	$ 2,000
5040	Underground Distribution Lines and Feeders - Operat	$ 3,006	$ 2,440	$ 3,252	$ 12,118	$ 9,905	$ 9,472	$ 13,547	$ 13,045	$ 15,000
5045	Underground Distribution Lines and Feeders - Operat	$ 740	$ 1,234	$ 822	$ 3,807	$ 2,574	$ 2,251	$ 2,724	$ 3,107	
5050	Underground Subtransmission Feeders - Operation						$ 81			
5055	Underground Distribution Transformers - Operation	$ 319				$ 797			$ 420	
5060	Street Lighting and Signal System Expense									
5065	Meter Expense	$ 46,115	$ 38,251	$ 27,412	$ 18,932	$ 22,688	$ 36,325	$ 28,697	$ 17,029	$ 35,000
5070	Customer Premises - Operation Labour									$ 5,000
5075	Customer Premises - Materials and Expenses				$ 122			$ 595		
5085	Miscellaneous Distribution Expense-Includes GIS.	$ 40,400	$ 49,587	$ 67,808	$ 72,821	$ 75,119	$ 74,474	$ 81,970	$ 89,288	$ 128,000
	TOTAL	$ 154,931	$ 167,586	$ 161,730	$ 194,356	$ 192,399	$ 195,697	$ 213,851	$ 203,958	$ 371,000

Table 4.2.8: Detailed Account by Account Maintenance Expenses with 2013 Actuals

	Distribution Expenses - Maintenance	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Test
		CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
5105	Maintenance Supervision and Engineering	$ 461	$ 104						$ 232	$ 35,000
5110	Maintenance of Structures									
5112	Maintenance of Transformer Station Equipment								$ 30,586	$ 35,000
5114	Mtaint Dist Stn Equip	$ 11,420	$ 7,901	$ 19,803	$ 14,462	$ 35,111	$ 28,207	$ 31,624		
5120	Maintenance of Poles, Towers and Fixtures	$ 25,900	$ 25,944	$ 25,416	$ 16,269	$ 29,671	$ 11,835	$ 25,911	$ 26,737	$ 45,000
5125	Maintenance of Overhead Conductors and Devices	$ 24,365	$ 28,296	$ 31,169	$ 35,796	$ 43,466	$ 39,248	$ 39,980	$ 31,515	$ 58,000
5130	Maintenance of Overhead Services	$ 2,770	$ 4,644	$ 2,105	$ 3,735	$ 7,606	$ 9,156	$ 5,377	$ 4,222	$ 10,000
5135	Overhead Distribution Lines and Feeders - Right of Wa	$ 22,964	$ 45,818	$ 63,243	$ 52,441	$ 56,248	$ 75,245	$ 66,563	$ 67,648	$ 63,000
5145	Maintenance of Underground Conduit	$ 74		$ 1,125				$ 20,016	$ -	$ 8,000
5150	Maintenance of Underground Conductors and Device	$ 1,072	$ 1,070		$ 4,928	$ 8,209	$ 3,655	$ 116	$ 18,660	$ 12,000
5155	Maintenance of Underground Services				$ 597	$ 1,858	$ 887	$ 590		$ 4,000
5160	Maintenance of Line Transformers	$ 63	$ 55		$ 2,168	$ 1,225	$ 843		$ 47	$ 2,000
5165	Maintenance of Street Lighting and Signal Systems									
5175	Maintenance of Meters							$ 187,044	$ 37,509	$ 32,000
5195	Maintenance of Other Installations on Customer Pren	$ 3,785								
	TOTAL	$ 92,874	$ 113,833	$ 142,860	$ 130,396	$ 183,394	$ 169,076	$ 377,219	$ 217,156	$ 304,000

Table 4.2.9: Detailed Account by Account Billing & Collecting Expenses with 2013 Actuals

		2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Test
	Billing and Collecting	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
5305	Supervision									
5310	Meter Reading Expense	$ 35,859	$ 33,508	$ 39,355	$ 42,332	$ 31,692	$ 8,774	$ 5,488	$ 5,218	$ 6,000
5315	Customer Billing	$ 117,697	$ 119,335	$ 125,851	$ 133,324	$ 130,232	$ 122,531	$ 146,109	$ 147,920	$ 160,000
5320	Collecting	$ 77,024	$ 79,772	$ 84,302	$ 89,010	$ 92,285	$ 76,854	$ 93,373	$ 99,444	$ 100,000
5325	Collecting - Cash Over and Short									
5330	Collection Charges									
5335	Bad Debt Expense	$ 6,763	$ 3,255	$ 4,951	$ 1,680	$ 10,996	$ 5,826	$ 10,976	$ 12,492	$ 8,000
5340	Miscellaneous Customer Accounts Expenses									
	TOTAL	$ 237,343	$ 235,870	$ 254,460	$ 266,345	$ 265,204	$ 213,984	$ 255,946	$ 265,075	$ 274,000

Table 4.2.10: Detailed Account by Account Community Relations Expenses with 2013 Actuals

		2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Test
	Community Relations	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
5405	Supervision	$ 1,075								
5410	Community Relations - Sundry	$ 4,162	$ 4,772	$ 21,041	$ 14,720	$ 8,773	$ 6,024	$ 5,978	$ 4,870	$ 26,750
5415	Energy Conservation	$ 57,362	$ 30,686		$ 185	$ 32				$ 8,000
5420	Community Safety Program			$ 146						$ 2,400
5425	Miscellaneous Customer Service and Informational Expenses									
	TOTAL	$ 62,599	$ 35,457	$ 21,187	$ 14,905	$ 8,805	$ 6,024	$ 5,978	$ 4,870	$ 37,150

Table 4.2.11: Detailed Account by Account General & Administrative Expenses – 2013 Actuals

		2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actuals	2014 Test
	Administrative and General Expenses	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
5605-15	Salaries	$ 376,949	$ 423,227	$ 439,155	$ 496,049	$ 439,160	$ 445,624	$ 460,116	$ 414,553	$ 321,500
5620	Office Supplies and Expenses	$ 24,711	$ 16,677	$ 17,302	$ 16,854	$ 17,528	$ 19,576	$ 20,893	$ 13,715	$ 20,000
5625	Administrative Expense Transferred-Credit	$ (5,996)	$ (4,956)	$ (3,632)	$ (5,541)		$ (3,635)	$ (3,460)	$ (10,314)	$ (6,000)
5630	Outside Services Employed	$ 66,399	$ 75,127	$ 99,860	$ 53,822	$ 45,845	$ 55,089	$ 82,503	$ 88,389	$ 60,000
5635	Property Insurance	$ 13,133	$ 15,265	$ 15,231	$ 15,579	$ 14,447	$ 15,962	$ 15,855	$ 18,365	$ 15,000
5640	Injuries and Damages								$ 280	
5645	Employee Pensions and Benefits	$ 64,266	$ 39,909	$ 63,329	$ 69,016	$ 70,999	$ 104,797	$ 80,942	$ 76,402	$ 90,000
5650	Franchise Requirements									
5655	Regulatory Expenses	$ 10,383	$ 5,907	$ 15,745	$ 9,825	$ 10,601	$ 25,855	$ 46,920	$ 54,817	$ 70,000
5660	General Advertising Expenses	$ 2,750	$ 4,885	$ 3,987	$ 2,827	$ 2,577	$ 5,322	$ 8,324	$ 5,550	$ 8,000
5665	Miscellaneous Expenses				$ 28,459	$ 52,514	$ 26,576	$ 17,004	$ 88,843	$ 62,000
5670	Rent	$ 13,284	$ 13,373	$ 13,284	$ 13,284	$ 13,284	$ 13,284	$ 13,284	$ 13,284	$ 14,000
5675	Maintenance of General Plant									
5680	Electrical Safety Authority Fees	$ 5,253	$ 17,206	$ 18,314	$ 5,724	$ 4,539	$ 4,371	$ 5,205	$ 4,979	$ 5,300
5685	Independent Market Operator Fees and Penalties	$ 6,285	$ 6,285	$ 4,389	$ 4,389	$ 4,389	$ 4,389	$ 4,389	$ 4,389	$ 4,700
5695	OM&A Contra Account				$ 271					
	TOTAL	$ 577,417	$ 612,906	$ 686,964	$ 710,557	$ 675,883	$ 717,211	$ 751,977	$ 773,253	$ 664,500

Please note that the decrease in Administrative Salaries, Accounts 5605-15 and the increase in Miscellaneous Expenses-Account 5665 was due to the reallocation of the expenses for FFPC's Board of Directors. In 2013, $43,866 for Board of Director's expense and $28,207 for H2O Legal expense were reallocated from the Accounts 5605-15 Salaries pool to the correct Account 5665.

INTERROGATORY

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.

Response:

FFPC's revised capitalization policy, as detailed in FFPC's Asset Management Plan and Appendix 2-BB, Service Life Comparison, proposes new 'Adjusted Useful Life' for PP&E assets for the calculation of depreciation.

As stated in Appendix 2-DB, FFPC has historically excluded all additional overhead expenses to net capital additions. Because of this consistent treatment, no changes are required in determination of Net Additions under revised CGAAP which result in no impact on 2014 OM&A costs.

INTERROGATORY

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).

Response:

FFPC has provided an incremental cost, based on 2013 year end comparables, for Smart/TOU metering cost components compared to manual meter reading in the table below:

Estimate of Annual Incremental Cost of Smart Meter/TOU Metering			
Meter Expense - 5065	Meter Expense	$	(6,000.00)
	Handheld Tools/Misc Equipment	$	2,000.00
Meter Maintenance - 5175	Contracted ODS Meter Services	$	25,000.00
	Data Systems	$	12,000.00
	Cell Phone Charges	$	8,000.00
Customer Service Technican	Allocation of Compensation-On-going	$	4,000.00
Meter Reading Contracted Labour			
	$36,000 - $6000 (2013) = $32,000	$	(30,000.00)
Incremental Revenue Requirement		**$**	**15,000.00**

INTERROGATORY

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.

Response:

Travel and Training Costs	**2010**	**2011**	**2012**	**2013**	**2014**
Directors	$10,401.88	$7,416.36	$5,252.98	$14,377.17	$14,250.00
Management	$12,457.64	$11,065.24	$11,066.09	$10,102.98	$13,500.00
All Other	$22,744.76	$10,399.95	$16,919.89	$4,653.76	$20,000.00
Total	**$45,604.28**	**$28,881.55**	**$33,238.96**	**$29,133.91**	**$47,750.00**

FFPC has provided a summary of all training, conference and travel costs for the actual years 2010-2013 and the 2014 Test Year. The 'All Other' term includes travel and training costs for the Lines Superintendent, Administration and Lines staff and the newly created Customer Service Representative for the 2014 Test Year as proposed in this application.

Travel and training costs for LDCs from Northwestern Ontario are far greater than those of LDCs located in southern Ontario and involve a full day of travel to reach Toronto or the Kleinberg Training Centre. FFPC adheres to the Ministry of Labour minimum training requirements and recently supported the training and testing of FFPC's line staff in the Interprovincial Standards Red Seal Program.

b) Please explain how the 2014 bad debt forecast is calculated.

Response:

FFPC calculated the 2014 bad debt forecast based on the eight year average from 2006-2013 being $7,200 annually. FFPC increased the forecast by approximately ten (10) percent to $8,000. FFPC has recently implemented efficiencies in the collection of overdue accounts by streamlining work flows and consistent telephone and door tag collection attempts. FFPC believes that these efforts will lower bad debt expense in the future due to these improvements.

A summary of the Actual 2006-2013 Bad Debt Expenses is shown below.

		2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Test
	Billing and Collecting	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
5335	Bad Debt Expense	$ 6,763	$ 3,255	$ 4,951	$ 1,680	$ 10,996	$ 5,826	$ 10,976	$ 12,492	$ 8,000

INTERROGATORY

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.

Response:

FFPC is proposing that approximately 50% of the Community Relations/Safety budget would be related to educational programs.

FFPC's Customer Survey report regarding 'Consumer Education' is referenced below and explains the anticipated activities regarding Consumer Education:

Consumer Education - Customer Topics of Interest:

FFPC is committed to improving its communication with customers, and a good illustration of this is FFPC's commitment to customer education campaigns. As per customer feedback FFPC will be launching consumer education campaigns beginning in 2014 that focus on consumer preference in the order of:

% Responses	Most Popular Topics of Interest
14.7%	Conservation
13.2%	Renewable Generation
12.7%	Smart Meters
11.1%	Smart Grid
9.8%	Understanding You Bill
8.7%	Demand Management
0.3%	Time-of-Use Rates
0.5%	Other

FFPC will be educating its customers utilizing Town Hall Meetings, trade shows and standard advertising outlets such as newspapers and bill inserts. FFPC is also planning on adding a new position of "Technical Customer Service Representative" to its organization. The position will primarily be responsible for engaging customers and to deliver customer preference related projects and services.

b) Are any of these amounts for compensation for the proposed new Technical Customer Service Representative?

Response:

The amount for compensation and benefits for the proposed new Technical Customer Service Representative included in Community Relations/Safety is approximately $15,200 for the half-year position.

INTERROGATORY

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).

Response:

Please find an updated segment of Table 4.2.11 below, detailing only Account 5655, Regulatory Expenses.

		2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actuals	2014 Test
	Administrative and General Expenses	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
5655	Regulatory Expenses	$ 10,383	$ 5,907	$ 15,745	$ 9,825	$ 10,601	$ 25,855	$ 46,920	$ 54,817	$ 70,000

FFPC has updated Table 4.2.6 (a) Regulatory Costs to reconcile with Table 4.2.11.

	Regulatory Cost Category	USoA Account	USoA Account Balance	Ongoing or One-time Cost? [2]	Last Rebasing Year (2006 Board Approved)	Most Current Actuals Year 2012	2013 Actual	2014 Test Year
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(I)
1	OEB Annual Assessment	5655		On-Going	$ 4,380	$ 9,962	$ 9,045	$ 10,000
2	OEB Section 30 Costs (Applicant-originated)	5655				$ -		
3	OEB Section 30 Costs (OEB-initiated)	5655		On-Going	$ 326	$ 618	$ 1,841	$ 1,000
4	Expert Witness costs for regulatory matters	5655						
5	Legal costs for regulatory matters	5655						
6	Consultants' costs for regulatory matters	5630		On-Going		$ 3,295	$ -	$ 4,000
7	Operating expenses associated with staff resources allocated to regulatory matters	5610		On-Going	$ 4,877	$ 51,660	$ 15,893	$ 20,000
8	Operating expenses associated with other resources allocated to regulatory matters [1] Pils Decision EB-2012-0083	5655		One-Time		$ 28,882		
9	Other regulatory agency fees or assessments	5655		On-Going	$ 800	$ 1,830	$ 800	$ 3,000
10	Any other costs for regulatory matters (please define)- Consultants for COS Application	5630-1255		One-Time			$ 27,238	$ 27,000
11	Intervenor costs	5655		One-Time		$ 2,334	$ -	$ 5,000
12	Sub-total - Ongoing Costs [3]		$ -		$ 5,506	$ 18,039	$ 11,686	$ 18,000
13	Sub-total - One-time Costs [4]		$ -		$ -	$ 28,882	$ 43,131	$ 52,000
14	Total		$ -		$ 5,506	$ 46,921	$ 54,817	$ 70,000

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).

Response:

FFPC has revised Table 4.2.6 (b) – Regulatory Costs- One time to updated 2013 Actual costs and to reconcile with Table 4.2.6 (a).

		Historical Year(s)	2013 Actual	2014 Test Year			
4	Expert Witness costs						
5	Legal costs						
6	Consultants' costs						
7	Incremental operating expenses associated with staff resources allocated to this application.		$ 15,893	$ 20,000			
8	Incremental operating expenses associated with other resources allocated to this application. Consultants and Lawyers	$ -	$ 27,238	$ 27,000			
11	Intervenor costs			$ 5,000			
	Total		$ 43,131	$ 52,000	$ 95,131	$ 19,026	Total/5 years

INTERROGATORY

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.

Response:

FFPC confirms that over the period 2006 and 2014 FFPC added one Lineman Apprentice and that it is proposing to add one Technical Customer Service Representative in the summer of 2014 following Board approval of the necessary associated expenditures discussed throughout this application.

b) Are any of the FTE positions in 2014 backfilling for an expected retirement (i.e. the expected Line Superintendent retirement)?

Response:

FFPC intends to retain its proposed organization structure which would be 10.3 FTEs after the addition of a Technical Customer Service Representative. FFPC's Line Superintendent is expected to retire in the spring of 2015 and FFPC will be considering both internal and external applicants. FFPC has allotted three months of training overlap prior to the retirement in an effort to minimize the transitional hardship. FFPC plans to make its hiring determination by the fall of 2014. In the event that the best applicant is an internal employee, FFPC will be backfilling the subsequent Powerline Technician vacancy accordingly. In the event that FFPC hires externally, FFPC's FTEs will increase to 11.3 during the hiring transition.

INTERROGATORY

4.2- VECC-14

Reference: E4/T2/S2

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).

Response:

FFPC has detailed below the membership fees paid from 2006-2013 and the estimated 2014 Test Year expenses.

	Fees & Memberships	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Test
5680	ESA Fees	$ 5,253	$ 5,472	$ 5,613	$ 5,724	$ 4,539	$ 4,371	$ 5,205	$ 4,979	$ 5,000
5680	EDA Membership	$ 6,800	$ 6,733	$ 6,700	$ 8,920	$ 7,150	$ 7,380	$ 7,800	$ 8,200	$ 8,400
5680	USF Membership	$ -	$ 5,000	$ 6,000	$ 6,200	$ 7,500	$ 8,500	$ 8,750	$ 8,750	$ 8,750
5685	IESO Fees and Penalties	$ 6,285	$ 6,285	$ 4,389	$ 4,389	$ 4,389	$ 4,389	$ 4,389	$ 4,389	$ 4,389
	Total	**$ 18,338**	**$ 23,490**	**$ 22,702**	**$ 25,233**	**$ 23,578**	**$ 24,641**	**$ 26,144**	**$ 26,319**	**$ 26,539**

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?

INTERROGATORY

4.3-Staff-19
Ref: E2/T3/S1/p.4

FFPC's proposed level of capital expenditures of $820,000 is significantly higher than the typical level in the period 2009 to 2013.

a) In its annual capital planning and implementation for the years 2009 to 2014 did FFPC take into account the cumulative impact its capital expenditures would have on rates in 2014?

Response:

Please note that FFPC's capital plans for the years 2014 and beyond mark a distinct change as result of FFPC's shift in approach from historical budgeting operating under a "Maintenance" mode to data driven planning under a "Capital Rebuild" mode of operation. FFPC took into consideration the increase in capital expenditures for the year 2014 test year and notes that capital expenditures in subsequent years must also remain at significantly elevated levels.

FFPC notes that its proposed increase in rates is mainly driven by the need to increase OM&A related expenditures in order to meet the current and future demands of the electrical distribution industry operating environment. Simply put, FFPC needs more resources such as the addition of the Technical Customer Service Representative and access to supporting services such as Legal, IT or Human resources. As discussed in detail throughout the DS Plan, FFPC has aligned its capital expenditure level to keep pace with the level of actual annual asset deterioration rate which has been quantified at $618,169 per year.

b) What changes ensued from these considerations?

Response:

FFPC's 2014 capital budget requirements are somewhat higher than future needs due to the Elimination of Long Term Load Transfer project. The timing of this significant project is driven the requirements of the Distribution System Code which requires that LTLT arrangements be eliminated in 2014. In order to accommodate the completion of the project in 2014, FFPC has deferred considerable capital lifecycle sustaining capital reinvestments to future years. Please note that FFPC's capital expenditure requirements for the years 2015 and beyond are very uniform.

INTERROGATORY

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.

Response:

FFPC has updated Table 2.3.1 (b) as per the below to illustrate the actual capital costs incurred in the bridge year 2013. FFPC is very pleased with the results of the Actual Costs incurred of $399,660, versus a budget of $398,960, which is only a variance of 0.2%. FFPC gives credit to the improved oversight gained from its newly developed asset management and capital planning processes.

Table 2.3.1 (b) - Capital Projects - Period 2006 to 2014

Projects	2006	2007	2008	2009	2010	2011	2012	2013 Bridge Year Budget	2013 Bridge Year Actual	2014 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Poles, Towers and Fixtures										
2006 Wood Pole Replacement Program	70,702									
2007 Wood Pole Replacement Program		76,776								
2008 Wood Pole Replacement Program			89,464							
2009 Wood Pole Replacement Program				101,896						
2010 Wood Pole Replacement Program					116,198					
2011 Wood Pole Replacement Program						135,340				
2012 Wood Pole Replacement Program							157,180			
2013 Wood Pole Replacement Program								127,975	129,673	
14-18-001: Fully Dressed Wood Pole Replacement Program										129,928
Sub-Total	70,702	76,776	89,464	101,896	116,198	135,340	157,180	127,975	129,673	129,928
Line Transformers										
14-18-002: Overhead & Pad-Mounted Transformer Replacement Program										95,648
Sub-Total	0	0	0	0	0	0	0	0	0	95,648
Mandated Service Obligations										
14-18-004: Renewable Enabling Improvements							27,673	35,000	21,093	50,000
14-14-006: Elimination of Long Term Load Transfers										371,739
Sub-Total	0	0	0	0	0	0	27,673	35,000	21,093	421,739
Other Projects										
Unit #4 & #12: Half Ton & F550 Dump Truc	90,569									
Unit #5: Digger Derrick Replacement					245,900					
Unit #2: Single Bucket Truck Replacement								120,000	115,799	
Unit #6: Cable Reel & Tensioning Trailer Replacement										50,000
Operations Centre Shop Expansion				103,332						
Main Office Emergency Backup Generator					75,466					
Sub-Total	0	0	0	103,332	75,466	0	0	120,000	115,799	50,000
Miscellaneous	263,891	116,829	97,438	72,557	331,384	9,981	37,422	115,985	133,095	123,001
Total	**334,594**	**193,605**	**186,902**	**277,785**	**523,048**	**145,321**	**222,274**	**398,960**	**399,660**	**820,316**
Less Renewable Generation Facility Assets and Other Non Rate-Regulated Utility Assets *(input as negative)*							-27,673	-35,000	-21,093	-50,000
Total	**334,594**	**193,605**	**186,902**	**277,785**	**523,048**	**145,321**	**194,602**	**363,960**	**378,567**	**770,316**

FFPC also notes that all major capital projects were completed as planned and, therefore, no capital projects were carried over to 2014.

INTERROGATORY

4.3- VECC-16

Reference: E2/T3/S3/pg.4

a) Has the Bucket Truck identified in the table on the page been purchased?

FFPC confirms that the bucket truck identified on E2/T3/S3/pg.4 has been purchased and delivered.

b) If not please provide the estimated delivery date. If yes please provide any variance from the estimated purchase price of $120,000.

FFPC took possession of the truck in December 2013. FFPC estimated and budgeted that the replacement cost for the truck would be $120,000. The actual cost incurred was $115,799 which resulted in a variance of +$4,201 (under budget).

INTERROGATORY

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.

Response:

Please refer to the response provided under 4.1 Staff - 11 for a detailed discussion regarding the large variation in Miscellaneous spending.

INTERROGATORY

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.

Response:

In FFPC's experience, there are three main variables that can significantly impact the cost associated with replacing wood poles: the complexity of the pole configuration; its location with respect to accessibility; and its location with respect to jobsite hazards.

The configuration of wood poles and their location can vary significantly from one pole to another. Relatively easy poles to replace would include secondary poles that do not have any high voltage circuitry attached to them and that are located in accessible locations clear of hazards.

Pole configuration complexity is a function the number of attachments, the type of attachments and the application of the pole. FFPC's attachments range from having three

separate primary three phase circuits (9 bare live conductors and 1 neutral) to only one secondary (insulated) conductor.

Accessibility to poles also ranges from being able to drive fleet vehicles directly adjacent to them, to areas where poles are only accessible by personnel on foot and, as such, regular fleet vehicles cannot assist in replacement jobs. Inaccessible zones are typically back lot construction areas where customers did not adhere to FFPC's utility easements. Easements are often obstructed by pools, sheds, fences and even entire buildings such as garages.

Pole replacements in these regions must be performed using traditional manual climbing techniques and sometimes with the assistance of specialized rental equipment such as bobcats with pole claws. As such, back lot construction zones by nature result in more costly pole replacements due to the significant increase in labour costs as well as the additional cost of equipment rental fees.

Typical locational hazards would include gas lines and other buried utilities. FFPC has several high pressure gas lines throughout its service territory that supply nearby industrial facilities as well as portions of Minnesota, USA. FFPC has been informed by the owner of the gas pipelines that, in the event of a catastrophe, these high pressure gas lines have an explosion radius spanning several blocks. As such, vacuum excavations are performed in proximity of these gas lines, and additional care and safety precautions are used when crews work in proximity of them. The additional care taken also results in additional expense.

The following pictures illustrate the wide range in complexity within FFPC's service territory.

Poor Accessibility - Back Lot Construction requiring use of "Pole Claw"

Poor Accessibility - Back Lot Construction requiring use of Bob Cat Auger

Complex Primary Pole - Considerable Attachment including air break switch, transformer, street light, third party telecommunication attachments, secondary conductor and guying.

Complex Primary Pole to Replace - Considerable attachments including two separate three phase circuits, street light, third party telecommunication attachments, secondary conductor and guying.

Standard Primary Pole - Attachments include primary three phase circuit, street light, third party telecommunication attachments, secondary conductor and guying

Basic Secondary Pole - Accessible secondary pole with only two attachments including secondary conductor and down guy.

The following table illustrates the split simply between primary and secondary poles replaced by year and the resulting average annual cost per pole replaced. FFPC has adopted the assumption that a secondary pole can be replaced at 60% of the cost of a primary pole replacement.

Year	Total Poles Replaced	# Primary Poles Replaced	# Secondary Poles Replaced	Total Capital Cost	Cost per Pole
2006	42	33	9	$ 70,702	$ 1,683
2007	**52**	**35**	**17**	**$ 76,776**	**$ 1,476**
2008	34	29	5	$ 89,464	$ 2,631
2009	43	38	5	$ 101,896	$ 2,370
2010	40	31	9	$ 116,198	$ 2,905
2011	**35**	**30**	**5**	**$ 135,340**	**$ 3,867**
2012	**42**	**29**	**13**	**$ 157,180**	**$ 3,742**
2013	42	30	12	$ 127,975	$ 3,047

Please note that the lowest cost per pole occurred in 2007 which corresponds to the largest number of secondary poles being replaced (17). Also please note that highest costs per pole were incurred for capital pole replacements performed in 2011 and 2012. Approximately one third of the poles replaced in 2011 and 2012 were in back lot construction zones requiring intensified manual labour and the use of rented specialized equipment. It is also important to note that the only back lot pole replacements over this timeframe were conducted in 2011 and 2012.

It is also important to note that general increases in cost between 2006 and 2013 are also attributed to the passage of time, as labour rates and fleet vehicle charge out have increased.

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.

Response:

FFPC has integrated replacement cost tables into its asset management planning process at the individual asset level. At this point in time, FFPC distinguishes between primary and secondary pole replacements. FFPC has assigned a replacement cost of $3,348.65 to all primary poles and $2,009.19 to all secondary poles. These replacement cost estimates were used for projecting all pole replacement costs over the 2014 to 2018 planning horizon.

FFPC derived its replacement costs from the actual pole replacement costs incurred between 2008 to 2012 and the corresponding number of primary and secondary poles that were replaced over this timeframe. For planning purposes, FFPC has adopted the assumption that a secondary pole can be replaced at 60% of the cost of a primary pole replacement. FFPC incurred $600,077.86 in capital replacement costs between 2008 to 2012 for the replacement of 157 Primary Poles and 57 Secondary Poles. This corresponds to an average Primary Pole replacement cost of $3,348.65 and $2,009.19 for Secondary Poles (at 60% cost of replacing a primary pole).

Over the last five years, FFPC's pole inspection and condition testing program has identified an average of 42.4 poles per year that were at the end of their service life due to deterioration. FFPC is planning to replace 30 primary poles and 12 secondary poles during the 2014 construction season. FFPC has also included the replacement of one additional unplanned primary pole and one additional unplanned secondary pole. One additional primary pole and secondary pole replacement have also been allocated annually, for unplanned circumstances which may arise due to sudden failures caused by external influences such as motor vehicles (snow ploughs / tractor trailer hit and runs) or pole fires.

FFPC's 2014 budget projection is therefore based on
((30 + 1) x $3,348.65) + ((12 + 1) x $2,009.19) = $129,27.62

FFPC believes that its replacement cost estimates are aggressive over the course of the planning horizon as FFPC did not adjust the cost table to reflect anticipated cost increases due to wages, equipment charge out rates, fuel costs etc. FFPC hopes and anticipates achieving operational efficiencies to offset increasing costs.

INTERROGATORY

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.

Response:

FFPC did receive capital contributions from 2006 to 2013. FFPC's accounting treatment was to 'net' the difference between the gross cost of capital additions and the capital contributions paid by customers.

FFPC's treatment of capital contributions is a departure from the typical recording of the gross amount within the capital asset category, while recording the capital contribution in Account 1995, although both methods create the same net result.

FFPC did consult our corporate auditors, BDO, who forwarded their opinion regarding a new subdivision funded by the Town of Fort Frances:

> *'Any capital contributions received by the Power Corporation have been received in the form of government assistance and have been accounted for in accordance with Part V of the CICA Handbook, Section 3800 - Government Assistance. This section of the handbook specifically says:*
>
> *"Government assistance towards the acquisition of fixed assets should be either:*
> *(a) deducted from the related fixed assets with any depreciation calculated on the net amount; or*
> *(b) deferred and amortized to income on the same basis as the related depreciable fixed assets are depreciated. The amount of the deferral and the basis of amortization should be disclosed.*
>
> *In 2013, the contribution received by the Town for the Huffman Site was treated in accordance with Part (b) above and was deferred and will be amortized on the same basis as the related assets.*
> *The contributions in 2011 were accounted for in accordance with Part (a) above and recognized as a reduction of the related asset."*
>
> *Note: That Section 3800 does not indicate that you have to pick either (a) or (b) above and only account for all capital contributions in the same manner. In addition, both treatments result in the same net effect on your Statement of Operations. '*

The completion of FFPC's Asset Management Plan has led to a series of revisions including new 'Adopted Useful Life' assessments and the reallocation of FFPC's asset accounting from the contracted services of the Town of Fort Frances to FFPC. FFPC will implement the use of Account 1995 to record Capital Contributions in the year 2014.

INTERROGATORY

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.

Response:

FFPC's capital reinvestment levels have been relatively low for almost three decades due to FFPC rebuilding its entire distribution system from the mid 1970's to the mid 1980's. At the time of this rebuild, FFPC employed almost twice that of its existing staff complement. The additional resources were required to plan and implement the system rebuild. FFPC's newly developed asset management and capital planning processes have clearly illustrated that a disproportionately large number of assets are approaching the end of their useful service life, posing a high risk of failure over the 2014 to 2018 rate horizon, as well as even larger asset counts over the subsequent planning horizon (2019 to 2023). As FFPC currently only has approximately half of the staff complement it did when the original rebuild occurred, FFPC has made a strategic decision to transition to a capital rebuild phase. FFPC plans to utilize its internal resources to plan and implement the rebuild as it did previously.

Since FFPC has paced its capital reinvestment level with the actual rate of asset deterioration, FFPC is essentially extending the timeframe over which its system will be rebuilt. The previous system rebuild was achieved over a very narrow timeframe of approximately 10 to 15 years; however, FFPC is planning to smooth out future rebuilds of its distribution system such that ideally the same quantity of distribution plant is rebuilt every year, perpetually. Under this model FFPC can conduct the rebuilt with a much smaller crew and as such FFPC has sized its crew accordingly. As previously mentioned FFPC's current staff complement is roughly half of that during the 1970's and 1980's.

FFPC draws a parallel of the characteristics of its entire distribution system asset base to the characteristics of its Smart Meter asset population. Due to the nature of the mandated replacement of all conventional meters with smart meters occurring over a narrow time frame, FFPC's smart meter population is essentially entirely of the same vintage, as they were purchased and installed over a two-year window. Due to the entire population being

new, FFPC has shifted to a smart meter "maintenance mode" as relatively low levels of capital reinvestments are needed. FFPC is projecting, however, that its entire smart meter population will reach the end of their service life by 2025 (unless of course seal extensions are granted). FFPC does not foresee having the available internal resources to replace all of its smart meters over a two year window which will force FFPC to either hire additional resources or to begin replacing meters somewhat prematurely to smooth out the age demographics of the meter population.

FFPC cannot afford to continue to operate in a "maintenance mode" as the oncoming tidal wave of assets reaching the end of their useful service life is rapidly approaching. As such, FFPC must begin to replace its worst condition assets to be able to manage the oncoming projected asset failures. FFPC's objective is to smooth out the age profile of all of its major asset classes. In order to achieve this objective, FFPC must transition to operating in a "capital rebuild mode". As thoroughly discussed throughout FFPC's DS Plan, FFPC has closely aligned its capital reinvestment rate with the rate at which FFPC's assets are deteriorating.

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

Response:

Please refer to part a) above.

5 Public Policy Responsiveness

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

INTERROGATORY

5.1-Staff-20
Ref: E2.App. 2A.p.337 and *Response to Board Staff Teleconference on April 4, 2014* Board staff # 2

In the first reference, in regard to the "Over 50 kV Transformer Station - Renewable Enabling Improvements", FFPC indicates that it is seeking the recovery of two prior year capital investments totalling $62,673 for the completion of phases one and two of the conversion project.

At the second reference at page 5, it is stated that:

> FFPC has amended both Appendix 2-FA and Appendix 2-FB to include the recent updated project costs to Year End 2013 for a total of $53,757 in the 2014 column. The 'Total OM&A (Ongoing)' costs (cell C73) for Project 1 and Project 2 totalling $5,000 were removed as these costs are included in the 2014 Test Year OM&A Expenses listed in Appendix 2-JA.

a) Please reconcile the amount of $78,479 shown in the revised Appendix 2-FB (second reference), under 2014 for "Net Fixed Assets (average)" with:
   - the $53,756.55 shown in the revised Appendix 2-FA (second reference) under 2014 for projects 2011-2013; and
   - the $62,673 shown in the first reference.

Response:

The $53,756.55 cited represents all REG costs that FFPC incurred up to the end of the 2013 calendar year, including Capital, OM&A and Carrying Charges. Of the $53,756.55 in total expense incurred, $51,308.71 is in capital expenses. The $62,673 cited represents only the estimated capital costs that were expected to be incurred up to the end of 2013. This figure was established at the time of preparing the original DS Plan and, as such, 2013 actuals were not yet available. Please note that as per the reconciliation below, this estimate overlooked the actual capital expense of $4,320 incurred in 2010. The following tables

illustrate the reconciliation between the $53,756.55 and $62,673 cited (capital expenses only).

FFPC Capital REG Expense Reconciliation			
2010 Capital Additions	$ 4,320.00	**2010 Capital Additions*	$ -
2012 Capital Additions	$ 27,672.50	2012 Capital Addition	$ 27,672.50
2013 Capital Additions	$ 19,316.21	2013 Estimated Capital Additions	$ 35,000.00
Total	$ 51,308.71	Total	$ 62,672.50
**** Note 2010 Capital addition not included in error***			

The following table summarizes all REG expenses incurred up until the end of 2013.

FFPC REG Expense Reconciliation - Summary of REG Expenses Incurred	
Capital Additions (2010 to 2013)	$ 51,308.71
Capital Carrying Charges	$ 671.09
OM&A	$ 1,776.75
OM&A Carrying Charges	$ 11.82
Total	$ 53,768.37

Please note that the $78,479 cited represents the 2014 average net fixed REG assets as per the value calculated in Appendix 2-FB. This amount contains the Total REG Expenses incurred as at December 31, 2013 plus the planned capital additions for 2014 subjected to the half year rule. As such, it is $53,768.37 + ($50,000 / 2) = $78,768.37

b) Please state why if the $5,000 referenced above was included twice in the application as filed and is OM&A related to renewable generation connection investment, it would not be more appropriate for FFPC to remove this amount from the 2014 Test Year OM&A expenses listed in Appendix 2-JA rather than Appendix 2-FA. Please comment on whether or not FFPC's proposed approach, if accepted by the Board, would result in an appropriate recovery of renewable generation connection investments and, if so, why.

Response:

The $5,000 in OM&A expenses associated with REG Investments is only referenced once in this application. FFPC has included the $5,000 of OM&A expenses as part of its OM&A expenses under Appendix2-JA since it is an ongoing cost that is considered completely as a Direct Benefit and is not subject to recovery with the Provincial Benefit calculations in the Board's "Calculation of Renewable Generation Connection Direct Benefits/Provincial

Amount" model in Appendix 2-FA and 2-FB. Under this Methodology, FFPC's customer base would incur the incremental OM&A costs as opposed to them being socialized provincially.

INTERROGATORY

5.1-Staff-21
Ref: E2.Appendix 2A.p.337

In the above reference when discussing the project "Over 50 kV Transformer Station – Renewable Enabling Improvement," it is stated that a total investment of $167,000 for the period 2014-2018 (or $33,400 per year) involves "Digital & Numeric Remote SCADA" and that:

> The final objective of this multiyear project will be for the transformer station to be able to accommodate reverse power flow, as well as the deployment of a fully operational Remote SCADA system. The improvements will allow FFPC to monitor the performance of core station components, as well as of individual feeders […] It is important to note that FFPC is also seeking the recovery of two prior year capital investments, totalling $62,673, for the completion of phases one and two of the conversion

a) Please confirm that it is FFPC's intention that the total cost of this project, for the period 2014-2018, is to be allocated to the Renewable Enabling enhancements

Response:

FFPC confirms that it intends to allocate the total cost of this project to Renewable Enabling enhancements.

b) If this is the case, please discuss why some of these costs should not be recovered through FFPC's distribution rates given that the deployment of a fully operational remote SCADA system is likely to result in OM&A cost reductions.

Response:

FFPC believes that it is appropriate to allocate these project costs towards Renewable Enabling enhancements because the sole investment driver for modifications is to enable the connection of renewable generation. FFPC does not believe that it would be able to justify proceeding with the improvements based on any potential OM&A savings. FFPC believes that the modifications, which include the transition from electromechanical technology to

processor based technology, will actually increase FFPC's annual OM&A costs based on the following considerations:

- *Implementation of security solution to prevent cyber attacks*
- *Operating costs associated with the communication network and computerized equipment*
- *Staff training and skills development needs*
- *Increase in IT support services*
- *Monitoring and processing of operational and event data*

FFPC's remote SCADA system application is somewhat unique from other applications in that FFPC's staff is in close proximity to the transformer station (2 minute drive from Operations Centre) and in that the station supplies relatively short feeders. From an OM&A cost savings perspective, the system would be more cost-effective if it was located far away and if the station supplied long feeders such as those in the outlying area.

FFPC does agree, however, that the enhancements will improve FFPC's oversight of the state of the station assets as well as improve FFPC's insight into the performance of its distribution network at the individual feeder level. The increased oversight and insight are expected to improve FFPC's future planning decisions as well as improve the overall reliability and safety of FFPC's electrical distribution system. These advantages will benefit FFPC's customers.

c) In the event that the Board was to determine that such a split in the cost recovery was appropriate, please provide any views FFPC may have on a methodology to be used to split the costs.

Response:

Based on the above discussion, FFPC believes that the current Board developed split of 94% Provincial and 6% Direct Benefit is appropriate for the remote SCADA system, since on a standalone basis the direct benefit to FFPC customers is minimal.

INTERROGATORY

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.

The Electrical Distribution Industry has undergone significant change since FFPC last rebased its rate in 2006. FFPC notes that the following industry changes highlight some of the more significant industry changes that have resulted in significant ongoing expense. FFPC must comply with these requirements in order to meet all regulatory and legislative requirement obligations. Please note that these estimated expenses do not include one-time transitional costs or program start-up costs. The following itemized list accounts for $215,200 in estimated additional annual expense. Non significant regulatory expenses are difficult for FFPC to itemize due to the long passage of time, however, FFPC estimates that they would be in the magnitude of an additional $50,000 in annual costs.

Ontario One Call (Bill 8 re Underground Plant Locates):

- *$1,000 - Call Centre*
- *$2,000 - Contractor Education & Awareness*
- *$7,800 - Increased labour & fleet vehicle usage to conduct locates*

ESA O.Reg 22/04 Compliance Requirements:

- *$3,000 - Audit Expense*
- *$11,000 - Requirement for Engineered Drawings*
- *$10,500 - Increased labour to administer compliance system*
- *$5,000 - Licensing Fee*

Green Energy & Green Economy Act Initiatives:

- *$7,000 - microFIT Program Administration*
- *$1,500 - FIT Program Administration*

OEB Cost of Service Application Filing Requirements:

- *$19,000 - COS Rate Application Preparation – App. 2-M*
- *$5,000 - IRM Rate Application Preparation*

Smart Metering & Time-of-Use Rates:

- *$15, 000 - Increase in contracting, hardware and staffing costs*

- *$ 5,000 - Increased costs for administration of Time of Use Rates and Settlement processes*

OEB Customer Service Rule Amendments (DSC, RSC, SSS, Codes):

- *$33,000 - increased collections costs for AMP, LEAP*
- *$1,200 - increase in exposure to bad debt*
- *$3,000 - increase due to HST, OCEB, Green Energy, Global Adjustment, Line Loss Bill Presentment implementation*

OEB RRR and Regulatory Initiatives:

- *$2,000 - Increase due to IFRS, capitalization and depreciation policies*
- *$1,500 - Increase due to RRR filing burdens, Service Quality requirements*

Administration of Renewed Regulatory Framework for Electricity:

- *$76,000 - Hiring of Technical Customer Service Representative*
- *$3,500 - Regional Planning Consultations*
- *$2,200 - Performance Measurement*

6 Financial Performance

Issue 6.1: Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?

INTERROGATORY

6.1-Staff-22
Ref: E1/App. A

The Balance Sheet in FFPC's Audited Financial Statements for 2012 shows current investments in 2012 of $2.35 million and $2.97 million in 2011, representing 28% and 32% respectively of FFPC's total assets.

Note 1 to the Financial Statements states that these investments are money market and bond mutual funds and GICs with interest rates in 2012 in the 1% to 3% range.

Please state why FFPC maintains this level of current investments.

Response:

FFPC maintains current investment levels to fund major capital investments. From capital reserves, FFPC funded the Smart Meter Initiative EB-2012-0327 and the purchase of major fleet vehicle equipment. Future major projects, such as a transformer replacement at the Fort Frances Municipal Transformer Station (FFMTS), may be funded by these investments.

FFPC, as a not-for-profit LDC, has no debt to repay and held capital investments when incorporated.

INTERROGATORY

6.1-Staff-23
Ref: E5/T1/S1, p. 2.

It is stated that:

> FFPC has an accumulated deficit of $513,338 as stated in Shareholder Equity portion of FFPC's audited Financial Statements for the year ended December 31, 2012. With the approval of this application, FFPC is seeking to address this deficiency by

rebuilding operating and capital reserves to support the ongoing business of FFPC. FFPC, when in an excess revenue position, allocates all funds to build up operating and capital reserves.

a) Please state for which periods since its last cost-of-service application was approved FFPC has been in an excess revenue position and, if so, by how much.

Response:

FFPC was in an excess revenue position once since the last cost-of-service application. The Retained Earnings of $55,433 in 2007 was the only positive revenue position since FFPC's last cost-of-service application, as shown in the table below.

The change in accounting policy was noted on the FFPC's 2007 Audited Financial Statement, Note 7, as an adjustment to future income tax assets.

FFPC- Net Income/Loss and Retained Earnings, 2012-2006

	2012	2011	2010	2009	2008	2007	2006
Income(Loss) for the Year	($313,913)	($5,435)	$17,052	($57,664)	($31,419)	$56,023	$74,073
Change in Accounting Policy					($177,392)		
Retained Earnings (Deficit)	($513,338)	($199,425)	($193,990)	($211,042)	($153,378)	$55,433	($590)

b) Please state whether in the event FFPC's application is approved by the Board as filed the accumulated deficit will be eliminated and if so by when.

Response:

FFPC's current deficit position is $(114,019) at the 2013 year end, recording a deficit reduction of $399,319. The 2013 net income of $399,319 was comprised entirely of Smart Meter rate rider revenue of $387,553. The Smart Meter Capital rate rider ended November 30, 2013 and the Smart Meter Incremental Revenue Requirement will end at the effective date of this rate application EB-2013-0130.

With the approval of FFPC's application by the Board as filed, FFPC estimates that the accumulated deficit position would be eliminated by the end of the four year term of this rate application.

c) Please state whether the rate relief requested in this application is expected to be sufficient to allow FFPC to avoid the development of another accumulated deficit in the period before

FFPC's next cost-of-service application and, if not what actions FFPC would anticipate taking to deal with this matter.

Response:

FFPC's expects that the rate relief requested in this application would be sufficient to avoid the development of another accumulated deficit. However, the recent closing of the Resolute Paper Mill, which is a direct industrial Hydro One customer, could impact this expectation due to the loss of billable consumption associated with FFPC's Resolute General Service customers referenced in Interrogatory 8.1-VECC-28 and due to possible business closures and housing vacancies.

INTERROGATORY

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).

Response:

Please find below the requested inflation information for the period 2006 to 2013.

Year	CPI (Statistics Canada)	GDPA OEB-2010-0379	FFPC's IRM Productivity Factor	FFPC's Stretch Factor	FFPC's Annual Union Increase (Contract)
2006	1.96%	2.30%	N/A (Cost of Service)	N/A (Cost of Service)	3.00%
2007	2.20%	2.30%	1.00%	-	2.50%
2008	2.33%	2.50%	1.00%	-	3.98%
2009	0.26%	1.40%	1.00%	-	3.02%
2010	1.80%	1.30%	1.00%	-	2.99%
2011	2.90%	2.20%	1.00%	-	4.00%
2012	1.50%	1.60%	0.72%	0.40%	3.02%
2013	0.90%	1.80%	0.72%	0.40%	2.98%

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

INTERROGATORY

6.2-Staff-24
Ref: E2.Appendix 2A.pp. 29-31, p. 258, p.337

At the above reference, on page 30, FFPC indicated that the total projected savings arising from its DSP over the planning horizon is $455,757. At the same reference on page 31, FFPC also indicated that:

- it has utilized its own internal resources towards the development of its GIS based Asset Management Process, Capital Planning Process as well as its DSP. The projected savings are estimated to be in excess of $250,000; and
- additional cost savings such as reduced maintenance costs and reduced distribution losses will also be achieved; however, they are more difficult to quantify with a high degree of confidence.

a) Please provide a breakdown of the cited cost savings of $250,000 between the three undertakings using internal resources referenced as generating the savings.

Response:

In 2009, FFPC evaluated outsourcing the development of a formal asset management plan. FFPC received budgetary estimates that averaged $159,000 to outsource this project. Due to significant cost associated with outsourcing this project, FFPC decided to attempt to develop its own formal asset management plan utilizing internal resources. FFPC successfully developed what it believes to be a sound asset management plan at no additional cost to rate payers.

FFPC estimates that it invested 1,200 man-hours towards the development of its DS Plan, which included the development of a data driven capital planning process. As part of the development, FFPC developed the functionality of automatically generating tables, graphics and analyses used for the exhibits contained within the DS Plan as well as throughout the Cost of Service Application. In future iterations, FFPC will only have to update data sets contained within its model that, in turn, automatically update the tables, graphs and analyses used to support future DS Plans and COS applications. FFPC was fortunate to have the internal skill set to develop the DS Plan and supporting modelling tool. FFPC estimates that, if it had to outsource the development of the DS Plan and supporting model, it would have paid in excess of $75 per hour to a consultant. Assuming that the same number of

man-hours would have been required, FFPC would have spent $90,000 to a third party (1,200 hours x 75 $ per hour).

As FFPC's salaried staff completed both of these tasks internally at no additional labour cost, FFPC estimates that it saved $249,000 in avoided outsourced costs. FFPC rounded this number to $250,000 for simplicity sake.

b) Please provide FFPC's best estimate as to the magnitude of the OM&A cost savings expected to occur as a result of its DSP implementation.

Response:

As per the discussion in Section 5.2.1.6 "Expected Cost Savings" of the DS Plan, FFPC estimates that it will achieve $455,757 in capital cost saving over the 2014 to 2018 planning horizon as a result of improved planning and asset oversight. FFPC believes that it can achieve a 5% OM&A cost reduction associated with these savings and, therefore, to save $45,575 in OM&A related expenses.

FFPC is planning to utilize its proposed Technical Customer Service Representative to continue to conduct periodic customer surveys. FFPC estimates this will generate approximately $50,000 in avoided costs over the planning period by not outsourcing customer surveys.

FFPC also expects to generate considerable additional OM&A savings over the course of the planning horizon from utilizing its own staff to continue to develop industry "deliverables". FFPC's continued approach of utilizing internal staff as opposed to outsourcing the work to third parties will result in direct customer savings. This number cannot be accurately quantified at this time as the future industry deliverables are unknown; however, FFPC believes that the magnitude will be similar to those cited under part a) of this question which generated $250,000 in OM&A savings.

As such, FFPC's best estimate is that the magnitude of OM&A savings generated by the DS Plan over the planning horizon will be $345,575.

7 Revenue Requirement

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

INTERROGATORY

7.1-Staff-25
Ref: E2/App. 2A/ p.40 and E2/T1/S1/p.4

In the first reference it is noted that FFPC is planning to transition to true calendar monthly billing with an anticipated 2014 rollout.

In the second reference it is noted that FFPC's working capital allowance in the Test year of 2014 is based on the 13% default level established in the Board's letter of April 12, 2012.

a) Please provide an update on the status of the monthly billing project and when implementation is expected.

Response:

FFPC successfully completed the transition to true calendar monthly billing in January 2014. The entire FFPC customer base is billed once for each calendar month. FFPC transitioned to assist customers on fixed monthly incomes to budget for a regular payment date. True calendar billing will enhance FFPC's conservation efforts as now our customers can compare 'January to January' billing, rather than comparisons over partial months and changes in the number of billing days.

b) Please comment on whether or not FFPC believes that the adoption of true calendar monthly billing will have any impact on the required level of its working capital allowance and, if so, what that impact would be. If not, please explain why not.

Response:

FFPC has always billed all rate classes monthly and FFPC adopted the 13% working capital allowance as the default factor as stated in the Board's letter of April 12, 2012. As a result, the adoption of true calendar monthly billing will have minimal to zero impact on the required level of working capital.

INTERROGATORY

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?

Response:

All of FFPC customer classes are billed on a monthly cycle and FFPC has always billed monthly. (Please see 7.1-Staff-25, above)

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?

Response:

FFPC is aware of the difference in working capital requirements of Ontario LDCs who use monthly as opposed to bi-monthly billing. FFPC adopted the 13% working capital allowance as the default factor as stated in the Board's letter of April 12, 2012.

FFPC is also aware of recent Board decision with respect to rate applications for Kitchener-Wilmot Hydro Inc. (EB-2013-0147), Centre Wellington Hydro (EB-2012-0013), Co-operative Hydro Embrun (EB-2013-0122) and Hydro Hawkesbury (EB-2013-0139), where the Board accepted the WCA factor of 13%. The above referenced decisions applied to distributors who all bill monthly.

Issue 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?

No Board staff interrogatories.

INTERROGATORY

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.

Response:

The following response is as per FFPC's response to the Board's Incompleteness Question Set #11.

Over the last several years FFPC devoted significant effort towards componentizing its Property Plant & Equipment and to assign useful service lives to asset groups, as well as to individual assets. FFPC was able to assign Useful Life (UL) values to individual assets with the assistance of a populated GIS system. The UL values assigned were in accordance to the outputs of FFPC's asset management process, which was built on the foundation of the information provided in the "Kinectrics Report". The majority of assets were assigned a UL in accordance to the TUL values established in the "Kinectrics Report"; however, some assets were assigned slightly different values based on available condition testing data obtained, expert advice received, as well as due to FFPC's asset management optimization practices.

The following table summarizes the UL values assigned which were not in accordance to the TUL values contained in the "Kinectrics Report". Please refer to table 1.5.11 on Exhibit 1, Tab 5, Schedule 9 for a listing of all adopted UL's.

Summary of Assets Not Assigned Kinectrics Report TUL as Useful Service Life								
		Asset Details		Kinectrics Useful Life			FFPC Useful Life	
Parent*	#	Category| Component | Type		MIN UL	TUL	MAX UL	FFPC Adopted Useful Life (UL)	Average Remaining Useful Life Relative to FFPC Adopted UL (Years)
TS & MS	12	Power Transformers	Overall	30	45	60	58.0	20.0
			Bushing	10	20	30	44.0	6.0
			Tap Changer	20	30	60	58.0	20.0
	15	Station DC System	Overall	10	20	30	29.0	6.0
			Charger	20	20	30	29.0	6.0
	16	Station Metal Clad Switchgear	Overall	30	40	60	62.0	17.0
			Removable Breaker	25	40	60	62.0	17.0
	17	Station Independent Breakers		35	45	65	71.0	2.0
	18	Station Switch		30	50	60	62.0	21.0
	19	Electromechanical Relays		25	35	50	45.0	9.0
	22	Rigid Busbars		30	55	60	62.0	20.0
	23	Steel Structure		35	50	90	62.0	20.0
UG	36	UG Foundation		35	55	70	80.0	52.5
	40	Ducts		30	50	85	80.0	52.1
	41	Concrete Encased Duct Banks		35	55	80	80.0	46.5
General Plant	5	Station Buildings	Fence	*25-60*			62.0	20.0
			Roof	*20-30*			40.0	1.0

Transformer Station (TS) & Municipal Station (MS) Assets:

FFPC owns and operates one Greater than 50 kV Transformer Station "Fort Frances MTS". FFPC has contracted Siemens Canada to perform annual maintenance inspection and repair work, as well as to conduct annual condition assessments of all core station components. FFPC's core station components including Power Transformer and Station Metal Clad Switch Gear are expected to have an end of life date of 2034 based on condition test results, assuming current operating conditions and maintenance practices. As such, FFPC expects that the station as a whole will be at the end of its useful service life in 2034. FFPC has therefore assigned 2034 as the end of service life dates to the core station components. FFPC's rationale is to depreciate the remaining value of the station assets over their remaining service life, which for most core assets is 2034. It is important to note that several station components such as the "Station Independent Breakers" and the "Station DC System" are expected to fail prior to 2034, and as such their amortization rates have been also been adjusted accordingly. It is also worth noting that many station components are approaching or have already surpassed the TUL established in the "Kinectrics Report".

Underground (UG) Plant:
FFPC's asset management process has established that Primary Underground Cable ducts will be replaced every second time that the cables which they house are replaced. FFPC has aligned the UL of its Primary TR XLPE Cables in Duct with the TUL of 40 years as per the "Kinectrics Report". Therefore FFPC expects that its underground ducts will have a life cycle of 80 years. As such, FFPC has assigned a UL of 80 years for UG Ducts, as well as to Concrete Encased UG Ducts.

Similarly, FFPC plans to replace UG transformer foundations every second time that the transformers mounted onto them are replaced. The UL of pad-mounted transformers was aligned with the TUL of 40 years as per the "Kinectrics Report". Therefore FFPC expects that its UG foundations will have a life cycle of 80 years. As such, FFPC has assigned a UL of 80 years to UG foundations.

General Plant
Lastly, the categories Fence and Roof are also assets located at FFPC's transformer station FFMTS. FFPC has performed ongoing maintenance on the fence including the replacement of access gates and expects that the fence will remain in good condition until 2034, when the station as a whole is expected to be decommissioned. The metal roofing on the station buildings have already exceeded the TUL and MUL as per the "Kinectrics Report", and as such FFPC has adjusted its UL to reflect this. FFPC is planning to refurbish the roof over the 2014 to 2018 planning horizon.

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).

Response:

The asset classes for which FFPC's adopted useful life values are outside of the useful life ranges established by Kinectrics report are illustrated in the following table. The table also illustrates the impact of moving each asset group from FFPC's Adopted Useful Life to the Maximum Useful Life established in the Kinectrics report. Based on the change in the average annual replacement cost needed for the asset group (which is closely aligned with FFPC's depreciation rates the corresponding asset group), FFPC estimates that the impact on the revenue requirement would be an increase of approximately $3,190.

FFPC Asset Summary, Useful Life Assessment, Investment Boundaries and Capital Budget Allocations

		Asset Details		Kinectrics Useful Life			Reinvestment Needs Assessment					
Parent*	#	Category| Component | Type		MIN UL	TUL	MAX UL	Total Replacement Cost of Asset Group	Average Annual Reinvestment Need Based on Kinectrics Min UL	Average Annual Reinvestment Need Based on Kinectrics TUL	Average Annual Reinvestment Need Based on Kinectrics Max UL	Average Annual Reinvestment Need Based on FFPC Adopted UL	Average Annual Reinvestment Change from Moving FFPC Adopted UL to Kinectrics MUL
TS & MS	12	Power Transformers	Bushing	10	20	30	$ 68,351	$ 6,835	$ 3,418	$ 2,278	**$ 1,553**	**$ (725)**
	16	Station Metal Clad Switchgear	Overall	30	40	60	$ 845,844	$ 28,195	$ 21,146	$ 14,097	**$ 13,643**	**$ (455)**
			Removable Breaker	25	40	60	$ 205,053	$ 8,202	$ 5,126	$ 3,418	**$ 3,307**	**$ (110)**
	17	Station Independent Breakers		35	45	65	$ 138,411	$ 3,955	$ 3,076	$ 2,129	**$ 2,006**	**$ (123)**
	18	Station Switch		30	50	60	$ 68,351	$ 2,278	$ 1,367	$ 1,139	**$ 1,102**	**$ (37)**
	22	Rigid Busbars		30	55	60	$ 42,719	$ 1,424	$ 777	$ 712	**$ 689**	**$ (23)**
UG	36	UG Foundation		35	55	70	$ 814,956	$ 23,284	$ 14,817	$ 11,642	**$ 10,187**	**$ (1,455)**
General Plant	5	Station Buildings	Fence	*25*	*42.5*	*60*	$ 22,500	$ 900	$ 529	$ 375	**$ 363**	**$ (12)**
			Roof	*30*	*30.0*	*30*	$ 30,000	$ 1,000	$ 1,000	$ 1,000	**$ 750**	**$ (250)**
											Total Impact	**$ (3,190)**

Issue 7.3: Are the proposed levels of taxes appropriate?

No Board staff interrogatories.

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

INTERROGATORY

7.4-Staff-26

Ref: E4/T3/S1/p.2 and Response to Letter of Incomplete February 11, 2014, App. 2-N
In the first reference, it is stated that:

> FFPC has, over the past five years, determined the condition based physical plant characteristics during the conversion to GIS based mapping of all capital plant. FFPC shared GIS services with the Town of Fort Frances to minimize cost and overlap.

In the second reference it is stated that:

> FFPC pays for the hourly wage and benefits for GIS services of the Town of Fort Frances employee for actual hours worked at the request of FFPC.

Please state whether FFPC paid any of the acquisition costs for the GIS system, or any other costs aside from those noted in the second reference.

Response:

FFPC's GIS initiative consists of a partnership with the following users of the tool: the Town of Fort Frances; Fort Frances Ontario Provincial Police; Fort Frances Fire and Rescue Services; and FFPC. Capital and operating costs are split based on an estimate of the portion of attributes that belong to each participating member. FFPC's portion of the total capital and system operating costs is 15%. GIS labour costs are billed out based on the actual amount of time that the GIS administrator spends working on a particular member's GIS portfolio.

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

INTERROGATORY

7.5-Staff-27
Ref: E5/T1/S1, p. 4.and EB-2012-0327 *Decision and Order* November 8, 2012, pp. 7-9.
In the first reference, it is stated that:

> FFPC is requesting a return on equity ("ROE") for the 2014 Test year of 0.0%. FFPC has chosen a zero rate of return to preserve its benefits of the historic 1905 agreement….FFPC has elected to operate within a 'not-for profit' structure to ensure the safe guarding of the agreement on behalf of its customer base within the Town of Fort Frances….FFPC has no debt instruments within its capital structure.

In the second reference which is the Board's Decision and Order related to FFPC's application for smart meter cost recovery, it is stated that the Board approves FFPC's proposal for a return on equity of 3%.

a) Please provide the provisions of the 1905 Agreement and the 1983 Supreme Court ruling on the agreement which FFPC believes require it to choose a zero rate of return to preserve the benefits of the 1905 Agreement.

Response:

Board Staff has asked FFPC to provide the provisions of the 1905 Agreement and the 1983 Supreme Court ruling on the Agreement which FFPC believes require it to choose a zero rate of return to preserve the benefits of the 1905 Agreement.

To be clear, FFPC does not believe any provisions of the Agreement or portions of the Supreme Court ruling require it to choose a zero rate of return. That is, FFPC believes that it is possible that the benefits of the 1905 Agreement might be preserved while earning a rate of return. However, FFPC has chosen a zero rate of return in order to be consistent with its rate minimization strategy and to minimize the likelihood of a successful legal attack on the Town of Fort Frances' entitlements under 1905 Agreement.

There is one clause in the Agreement that can arguably be construed as precluding a rate of return. That clause is in section 5 of the Agreement, wherein the right of Fort Frances to elect for the delivery of power is stated as being "for Municipal purposes and for public utilities, but not for commercial purposes". Further, the Supreme Court of Canada Decision ([1983] 1 SCR 171) contains two comments about the purposes of the benefits under the Agreement, as follows:

a) *"The right of the Town to call for the delivery of power is expressed as being for 'Municipal purposes and for public utilities'. Neither term is defined but the agreement does go on to provide that the Town may not ask for power 'for commercial purposes'." (at page 184)*

b) *"…I proceed, therefore, on the basis that the Town has the right under the agreement to call for electrical energy for municipal purposes which shall include the ordinary municipal electrical distribution that we now know, including the delivery of electrical energy to commercial premises throughout the municipality, but probably not including large, self-contained industrial establishments such as the Company's pulp and paper mill." (at page 196)*

FFPC has no way of determining whether an opponent could successfully convince the courts that earning a rate of return precludes obtaining the benefits under the Agreement. It is FFPC's understanding that the courts would seek to construe the Agreement as a whole, in light of the change in circumstances. However, FFPC believes that if FFPC were to earn a rate of return, that change in circumstances is likely to cause an opponent to launch a legal challenge. In this regard, the clause and comments cited above might be used by an opponent to try to persuade the courts that FFPC is using the benefit of the Agreement for commercial purposes and has, therefore, breached the Agreement, precluding FFPC from continuing to elect to obtain its benefits.

b) Has FFPC considered other options for setting its revenue requirement on a not-for profit basis, such as the reserve fund approach approved by the Board in EB-2009-0387?

Response:

In preparing this application, FFPC did not consider other options for setting its revenue requirement on a not-for-profit basis, such as the reserve fund approach approved by the Board in EB-2009-0387.
However, FFPC has now reviewed Board Decision EB-2009-0387 and agrees that a 'reserve fund' approach may be a suitable approach for FFPC. The reserve approach is described as follows:

> *'The Operating Reserve shall be funded until it reaches its cap which is established at the amount equal to the sum of the highest six months Operating, Maintenance and Administration expenses experienced by the utility over the last two years of operation.*
>
> *The Capital Reserve shall be funded until it reaches $275,000, which has been derived from the Company's projected capital spending requirement for the test year.'*
> *Five Nations Energy Inc., EB-2009-0387*

FFPC agrees that the reserve fund approach should be considered by FFPC in the future as an option for setting its revenue requirement.

c) On what basis did FFPC seek a 3% ROE in the referenced smart meter cost recovery application.

Response:

FFPC's ROE of 3% in the referenced smart meter cost recovery was requested for this special project and was supported by the Board Decision and Order EB-2012-0327.

FFPC sought to recover a reasonable return on equity for this special project from the current customer base through rate riders. As stated in the Board decision, FFPC should have a choice in special circumstances for financial matters that arise due to special projects, such as smart meters.

d) Given that FFPC has no debt instruments within its actual capital structure, please provide rationale why it is appropriate for FFPC to use the Board's deemed debt cost?

Response:

The Board's Cost of Capital Report of December 2009, states in the 4.5 Summary, Table 2: Components of the Board's Cost of Capital Policy:

'Where a utility has no actual debt, the deemed long-term debt rate shall apply.'

As a result, it is appropriate for FFPC to use the Board's deemed debt cost as it reflects Board Policy.

INTERROGATORY

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?

Response:

To the best of FFPC's knowledge and understanding, the 1905 Historic Power Agreement does not preclude the shareholder from being a lender to FFPC.

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

No Board staff interrogatories.

INTERROGATORY

7.6 - VECC - 26

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

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

Response:

FFPC has updated Table 3.2.2 to the 2013 actual values. FFPC customers experienced one of the coldest winters in recordable history in late 2013 and early 2014. The Street Lighting retrofit was completed in increments in 2013 and the resulting lower consumption is evident for 2013.

Table 3.2.2 FFPC Annual Energy Usage per Customer/Connection (kWh per Customer/Connection)- Revised Addition of 2013 Actual

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 Weather Normal
Residential												
Customers	3,390	3,385	3,412	3,380	3,332	3,305	3,309	3,307	3,308	3,308	3,242	3,290
kWh/Customer	11,307	11,351	11,431	11,442	12,301	12,367	12,367	11,685	11,693	11,236	12,191	11,474
General Service< 50 kW												
Customers	474	485	445	437	438	426	418	419	421	417	408	405
kWh/Customer	49,051	44,323	37,103	35,128	34,655	36,014	37,517	35,821	35,708	35,340	35,615	33,599
General Service> 50 kW												
Customers	40	43	47	47	47	49	47	51	46	46	46	47
kWh/Customer	417,004	476,054	571,886	580,207	562,595	519,935	530,225	497,778	543,005	519,524	520,013	555,863
Streetlights												
Connections	1,006	1,006	1,006	1,006	1,006	1,006	1,006	1,006	1,006	1,006	1,030	1,006
kWh/Connection	1,086	1,321	1,204	1,055	1,263	1,172	1,008	1,152	1,155	1,102	712	365
Unmetered Loads												
Connections	8	8	8	8	7	6	6	6	6	6	6	6
kWh/Connection	24,029	24,029	24,029	24,029	25,061	12,544	11,788	10,802	10,438	10,438	12,149	8,626

Issue 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?

INTERROGATORY

7.7-Staff-28
Updated RRWF

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that FFPC wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

Response:

FFPC has not updated the RRWF model as there are no corrections or adjustments to be made.

INTERROGATORY

7.7-Staff-29
Updated Appendix 2-W, Bill Impacts

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.).

Response:

FFPC has provided an updated Appendix 2-W for all classes of typical consumption to adjust for any the change to the Stranded Meter Rate Rider correction from Interrogatory 9.1-Staff-38.

FFPC has updated App. 2-M to update Regulatory Cost Schedule.

Please find the attached model and the revised App 2-W:

FFPC_2014_Custom_Chapter2_Appendices_Revised_20140522.

8 Load Forecast, Cost Allocation and Rate Design

Issue 8.1: Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?

INTERROGATORY

8.1-Staff-30
Ref: E3/T2/S1/p. 2

In the above reference, it is stated that:

> In addition, Board staff and Intervenors expressed concern that the regression analysis assigned coefficients to some variables that were counter intuitive. For example, the customer variable would have a negative coefficient assigned to it which meant as the number of customers increased as the energy forecast decreased. Further, the regression analysis indicated that some of the variables used in the load forecasting formula were not statistically significant and should not have been included in the equation. FFPC has attempted to address these concerns in the load forecast used in this Application. As a result, variables such as Unemployment and Employment data in the Northwestern Region, FFPC CDM Activity and Number of Peak Hours were tested but not used since they had counter intuitive coefficients and/or they were not statistically significant.

For each of the variables in the above reference that were described by FFPC as being tested, but not used, please state whether it was because they had counter intuitive coefficients, or were not statistically significant. Please also include a brief explanation.

Response:

The variables of Unemployment and Employment data in the Northwestern Region and the Number of Peak Hours were not statistically significant since the T-stat value for these variables was less than two (2). A variable with a T-stat value less than the absolute value of two indicates statistical insignificance in a regression analysis. The FFPC CDM Activity variable had a counter intuitive coefficient since the coefficient was positive. Since CDM activity should reduce load the coefficient on the CDM activity variable is expected to be negative.

INTERROGATORY

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.

Please find the updated Table 3.2.1 including the 2013 actual values by customer below.

Fort Frances Weather Normal Load Forecast for 2014 Rate Application												
	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Weather Normal
By Class												
Residential												
Customers	3,390	3,385	3,412	3,380	3,332	3,305	3,309	3,307	3,308	3,308	3,242	**3,290**
kWh	38,329,311	38,423,702	39,001,595	38,674,263	40,986,845	40,872,765	40,921,847	38,642,702	38,681,251	37,169,840	39,523,060	**37,751,518**
General Service≥ 50 kW												
Customers	474	485	445	437	438	426	418	419	421	417	408	**405**
kWh	23,250,299	21,496,720	16,510,730	15,350,875	15,178,972	15,341,926	15,681,898	15,009,183	15,033,140	14,736,725	14,530,795	**13,617,679**
General Service< 50 kW												
Customers	40	43	47	47	47	49	47	51	46	46	46	**47**
kWh	16,680,161	20,470,323	26,878,664	27,269,745	26,441,963	25,476,812	24,920,577	25,386,687	24,978,251	23,898,102	23,920,596	**26,376,324**
kW	54,293	59,088	63,396	58,180	63,900	61,980	61,771	65,577	63,157	58,302	59,359	**67,294**
Streetlights												
Connections	1,006	1,006	1,006	1,006	1,006	1,006	1,006	1,006	1,006	1,006	1,030	**1,006**
kWh	1,092,500	1,329,072	1,211,465	1,061,383	1,270,115	1,179,263	1,014,240	1,158,527	1,162,298	1,108,600	733,291	**366,947**
kW	3,310	3,310	3,310	3,310	3,310	3,310	3,310	3,310	3,310	3,310	2,058	**1,055**
Unmetered Loads												
Connections	8	8	8	8	7	6	6	6	6	6	6	**6**
kWh	192,228	192,228	192,228	192,228	175,428	75,264	70,728	64,814	62,628	62,628	70,601	**48,552**
Total of Above												
Customer/Connections	**4,918**	**4,927**	**4,918**	**4,878**	**4,830**	**4,792**	**4,786**	**4,789**	**4,787**	**4,783**	**4,732**	**4,754**
kWh	**79,544,499**	**81,912,045**	**83,794,682**	**82,548,494**	**84,053,323**	**82,946,030**	**82,609,290**	**80,261,913**	**79,917,568**	**76,975,895**	**78,778,343**	**78,161,019**
kW applicable classes	**57,603**	**62,398**	**66,706**	**61,490**	**67,210**	**65,290**	**65,081**	**68,887**	**66,467**	**61,612**	**61,417**	**68,348**

b) If available, please provide the actual Heating and Cooling Degree Days by month for 2013.

The actual Heating and Cooling Degree Days by month for 2013 are as follows.

	Heating Degree Days	Cooling Degree Days
Jan-13	1030	0
Feb-13	905	0
Mar-13	850	0
Apr-13	560	0
May-13	253	2
Jun-13	89	20
Jul-13	43	52
Aug-13	67	49
Sep-13	118	8
Oct-13	327	0
Nov-13	667	0
Dec-13	1165	0

INTERROGATORY

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.

Response:

In response to VECC Clarifying Question #3 (April 17, 2014,) FFPC provided a table detailing the consumption of Resolute Forest Products five (5) General Service >50kW customer consumption from 2003-2012.

FFPC has updated the table below to include 2013 total kWh consumption.

	HISTORY OF RESOLUTE FOREST PRODUCTS GS>50 KW CUSTOMER CONSUMPTION - 2003-2013										
	TOTAL KWH	TOTAL KWH	TOTAL KWH	TOTAL KWH	TOTAL KWH	TOTAL KWH	TOTAL KWH	TOTAL KWH	TOTAL KWH		
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Resolute - 300 Sinclair	593,640	656,760	577,560	540,920	491,280	486,000	308,520	493,200	425,040	412,560	453,840
Resolute - 427 Mowat	544,880	590,480	594,160	596,800	533,840	510,240	451,840	441,280	434,240	412,640	420,160
Resolute - 145 Third W	531,400	535,360	508,080	528,720	511,200	474,240	416,760	406,920	347,640	341,880	426,120
Resolute - Customs*	471,200	433,800	448,200	538,400	549,800	456,160	368,040	398,160	182,158	69,202	244,800
Resolute- 201 Nelson*	346,200	865,200	70,200	0	66,000	0		162,600	0	45,600	27,000
TOTAL RESOLUTE GS>50 KW	2,487,320	3,081,600	2,198,200	2,204,840	2,152,120	1,926,640	1,545,160	1,902,160	1,389,078	1,281,882	1,571,920
* Account with alternate power source from mill.											

b) Are there any further updates on Resolute's status?

Response:

FFPC expects that Resolute Forest Product's pulp and paper operation in Fort Frances is closed permanently as per the following news release issued on May 6, 2014:

> *"Resolute Forest is closing Fort Frances mill"*
> *By THE GAZETTE, The Gazette May 6, 2014 7:31 PM Montreal-based Resolute Forest Products Inc. said it will close down its Fort Frances pulp and paper mill in Northwestern Ontario permanently, citing market conditions and high costs. The mill dates back to the early 1900s and once employed 700.*
>
> *Last January RFP announced an extended shutdown of the remaining paper machine at Fort Frances — the kraft pulp mill and another paper machine had been idled since 2012.*

CEO Richard Garneau said RFP had worked hard to reposition Fort Frances, especially the pulp mill, but "we concluded there is no economically viable option for the pulp and paper operation."

Workers retained to manage the idled mill will be offered jobs at other RFP locations. The company is looking for ways to continue operating the mill's biomass boiler and steam turbine.

RFP is building a new sawmill at Atikokan and upgrading and restarting its Ignace sawmill. A wood pellet plant is being installed at the Thunder Bay sawmill.

Fort Frances is the third biggest town in Northwestern Ontario after Thunder Bay and Kenora.

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?

Response:

To the best of FFPC's knowledge, the customers that currently have a dual supply will still have the option of choosing to be supplied from Resolute's internal supply. The Mill recently constructed a Biomass Boiler capable of generating approximately 50 MW of electricity. The future of this asset is currently being evaluated by Resolute and it is probable that, at some point in the future, this asset may resume operation. As such, the electrical infrastructure required by the Mill will largely have to remain intact in order to connect the Generating station to the grid. Accordingly, it is probable that the option of dual supply for the customers will remain.

INTERROGATORY

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.

Response:

The regression equation has been re-done to replace the "2012 Flag" with a variable that reflects the number of Resolute employees in each year concerned. The following provides the results in terms of equation coefficients and regression statistics along with the resulting forecast purchase value for 2014.

Statistic		
R Square	96.9%	
Adjusted R Square	96.7%	
F Test	505.3	
Coefficient	Value	T-stat
Intercept	(2,424,886)	(0.5)
Heating Degree Days	4,245	46.0
Cooling Degree Days	16,161	10.2
Number of Days in Month	209,505	7.2
Spring Fall Flag	(408,765)	(7.2)
Number of Customers	(1,291)	(1.3)
Ontario Real GDP Monthly %	33,237	3.5
Number of Resolute Employees	2,694	6.5
2014 Power Purchased Forecast (kWh)	72,275,273	

Please note the T-stat for the Intercept and the Number of Customers is below the absolute value of two (2) which indicates these variable are statistical insignificant. In addition, the Number of Customers has a negative coefficient which is non-intuitive since this suggest as the number of customers increase the power purchased amount will reduce.

INTERROGATORY

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)?

Response:

Holding the customer count constant at the 2013 actual levels would be a reasonable approach.

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

INTERROGATORY

8.2-Staff-31
Ref: E7/T1/pp. 2-3

In the above reference, Table 7.1 Service Weighting Factors shows that for the General Service >50 kW class that while the OEB Default Factor is shown as 10, the FFPC Factor is shown as 0. It is subsequently stated that "General Service >50 kW are not included in this cost pool as the service costs are borne by the customer in perpetuity."

Board staff is unclear as to what this means. Please provide additional explanation of the above statement.

Response:

FFPC has chosen the Table 7.1 Service Weighting Factor for the General Service >50 kW class of '0' to represent the actual service requirement weighting factor for this type of customer. General Service >50 kW customers supply all 'service' wire required for new service connection. Please find the reference below.

Ref: E7/T1/p.2/l.17-19

'General Service>50 kW customers are required to supply all secondary cable, overhead or underground as a requirement of a new service connection. The customer is responsible for subsequent maintenance and repair of all conductors, therefore resulting in a zero cost burden.'

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

INTERROGATORY

8.3-Staff-32
Ref: E8/S2/p.1 and *Response to Board Staff Teleconference on April 4, 2014,* p.12

In the above reference, as amended by the second reference, it is stated that:

> The total bill impact for the Street Lights class is an increase of 8.97%. This increase is primarily due to increases in the Distribution Service Charge and Volumetric Rate to recover allocated costs. FFPC's Street Light rates have been historically lower than neighbouring LDCs and this slight rate increase realigns charges to closer to industry levels.

Please provide the basis for FFPC's conclusion that the proposed rate increase realigns charges closer to industry levels.

Response:

FFPC's existing Street Light rates are lower when compared to other LDCs in Northwestern Ontario. FFPC would like to amend the above reference from 'industry levels' to 'neighbouring LDCs of similar size'.

A comparison chart of existing Street Light Distribution charges charged by other LDCs in Northwestern Ontario is included below:

Current Distribution Street Light Rates for LDC's in Northwestern Ontario

	Per Connection	Volumetric	
Fort Frances Power Corporation	$1.17	$ 3.0509	per kW
Atikokan Hydro	$12.08	$ 14.8903	per kW
Kenora Hydro	$5.03	$ 3.3146	per kW
Sioux Lookout Hydro	$10.25	$ 27.0322	per kW
Thunder Bay Hydro	$1.13	$ 6.7896	per kW
Hydro One Networks Inc	$1.47	$ 0.0729	**per kWh**

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

No Board staff interrogatories.

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

No Board staff interrogatories.

Issue 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?

INTERROGATORY

8.6-Staff-33
Tariff of Rates and Charges

The 3rd paragraph in the "Application" section of the tariff sheet for each rate class reads as follows:

> Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

Based on recent Tariff of Rates and Charges approved by the Board in 2013 rate applications, the above paragraph should be amended as follows:

> Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

Please state whether or not FFPC has any concerns with the noted change to be applied to those classes for which the regulatory component applies, and if so, why.

Response:

FFPC has no concerns with the above noted change because presently FFPC does not have any embedded wholesale market participants.

9 Accounting

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

INTERROGATORY

9.1-Staff-34
Ref: E9/T1/S1/p.1, ll 7-9 & DVA Continuity Schedule, Account 2425

FFPC has stated that the account balances per the DVA continuity schedule match the trial balance in the RRR filing with the exception of account 1595. However, Board staff notes that the balance in Account 2425 as reported for 2012 under RRR differs from the balance requested for disposition. The RRR 2.1.7 shows a balance in Account 2425 of -$106,480. The disposition per the DVA continuity schedule is for -$6,144.

a) Please reconcile and explain the difference.

Response:

The RRR 2.1.7 entry in Account 2425, Deferred Revenue, is for only 2012 OPA Funding Initiatives of -$106,480 that should have been recorded in Account 4375, Revenues from Non-Rate Regulated Utility Operations. The entry in Account 2425 of -$106,480 was non-DVA accounts and was not requested for disposition.

The only DVA account balance that did not match the RRR filing 2.1.7 was the balance in Account Disposition and Recovery/Refund of Regulatory Balances Control Account 1595 of -$6,144, as referenced above.

b) Please describe the nature of transactions that have been recorded in Account 2425, Other Deferred Credits.

Response:

FFPC used Account 2425 in error to record a Revenues from Non-Rate Regulated Utility Operations from OPA Funding Initiatives in the RRR 2.1.7 filing. The revenue was for non-DVA items as described above.

c) According to the Board's EDDVAR report[1], at the time of rebasing, all account balances should be disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline. Please provide reasons for the portion of Account 2425 that is being sought for recovery and why no disposition has been sought for the other portion.

Response:

FFPC has determined in the responses to (a) and (b) that the entry in the 2012 RRR 2.1.7 of -$106,480 was for OPA Funding Initiatives recorded in error and was not a DVA account balance for disposition or recovery.

The entry in FFPC's EDDVAR, 2013 Continuity Schedule, line 31, Account 2425, was correct and recorded the entire correct disposition of Account 1595 Disposition and Recovery/Refund of Regulatory Balances, Control Account, Shared Tax Savings of -$6,141 detailed in Ref: E9/T1/S1/p.1, ll 7-9, above.

To clarify, a redacted screenshot of the EDDVAR model below of line 31, Other Deferred Credits, 2425 with the 2013 entry of -$6,144 is shown below.

			2013			2.1.7 RRR	
	Account Descriptions	Account Number	Interest Disposition during 2013 - instructed by Board	Closing Principal Balances as of Dec 31-12 Adjusted for Dispositions during 2013	Closing Interest Balances as of Dec 31-12 Adjusted for Dispositions during 2013	As of Dec 31-12	Variance RRR vs. 2012 Balance *(Principal + Interest)*
29							$0
30							$0
31	Other Deferred Credits	2425		-$6,144	$0		$6,144

INTERROGATORY

9.1-Staff-35
Ref: E9/T1/S2/pp.6-8, Account 1508 – Sub-account IFRS Transition Costs

FFPC is applying for disposition of its December 31, 2012 balance in IFRS Transition Costs of $27,183 including carrying charges to April 30, 2014. FFPC has also stated that it is deferring implementation of IFRS until January 1, 2015, and that costs may be incurred in the future as

[1] Report of the Board dated July 31, 2009 (EB-2008-0046) on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR), page 13

FFPC completes its transition to IFRS. FFPC has also requested continuation of IFRS transition costs sub-account 1508.

The Board's general policy and practice is not to dispose of the Account 1508 sub-account IFRS Transition Costs until the distributor has completed its adoption of IFRS for financial and regulatory purposes and so has a complete record of such costs to review.

Board staff notes that Section 2.12.3 of the 2014 Filing Requirements refer to Accounting Procedures Handbook – FAQ #1 and FAQ #2, dated October 2009 and states the following with respect to the disposition of Account 1508 Other Regulatory Assets, Sub-account Deferred IFRS Transition:

As per the October 2009 APH FAQ #1 and FAQ #2, an applicant must file a request for review and disposition of the balance in Account 1508 Other Regulatory Assets, Sub-account Deferred IFRS Transition Costs or Account 1508 Other Regulatory Assets, Sub-account IFRS Transition Costs Variance, in its next cost of service rate application immediately after the IFRS transition period.

a) Given that FFPC's IFRS adoption will be on January 1, 2015 and given Section.2.12.3 of the 2014 filing requirements, please explain why FFPC is seeking disposition of the balance in its current rate application instead of requesting disposition in the next rate proceeding when the IFRS transition period is complete.

Response:

FFPC is seeking disposition of IFRS Transition Costs in this current rate application as FFPC has adopted Revised CGAAP effective December 1, 2013. The work completed to move to Revised CGAAP has essentially moved FFPC to IFRS. The remaining work to move to IFRS is minimal and is expected to be done with internal staff with minimal to zero incremental costs booked to Account 1508 Other Regulatory Assets, Sub-account IFRS Transition Costs Variance. As a result, FFPC submits it is reasonable to seek approval, at this time, to recover the balance in 1508 Other Regulatory Assets, Sub-account IFRS Transition Costs Variance since most of the costs have been incurred to move to IFRS.

b) Please indicate whether or not FFPC has any IFRS transition costs built into its OM&A in the current application. If so, please confirm that the difference between what is included in rates and the actual costs would be recorded in this account.

Response:

FFPC does not have any IFRS transition costs built into its OM&A in the current application.

INTERROGATORY

9.1-Staff-36
Ref: E9/T1/S2/p.9, Accounts 1518 and 1548

FFPC has stated that it does not track the variances in the Account 1518, Retail Settlement Variance Account – Retail and Account 1548, Retail Settlement Variance Account – Service Transaction Request.

According to the APH Article 490, page 4:

> A distributor must establish at least two variance accounts for the purpose of recording variances between reasonable costs incurred for the provision of retail services and the rates for these services in their Board-approved rate order. These are:
>
> i. A Retail Cost Variance Account for Retail Services ($RCVA_{Retail}$), and
> ii. A Retail Cost Variance Account for Service Transaction Requests ($RCVA_{STR}$)

a) Please provide an explanation for not recording balances per the APH.

Response:

FFPC has a low percentage of customers enrolled with retailers since deregulation in 2001. The percentage of retailer customers to non-retailer customers peaked in 2008 to approximately 3% of total customers and is currently 1.5% of total customers, which is approximately 55 customers.

FFPC has determined that attempting to pass the credits of the Historic Power Agreement through retailers, which are commercial, for-profit enterprises, might be seen as inconsistent with the wording and spirit of the Historic Power Agreement. Accordingly, retailer enrolled customers are ineligible to receive credits associated with the Agreement. FFPC believes that FFPC's low retailer enrolment is due to the ineligibility of retailer enrolled customers to benefit from the Historic Power Agreement. Annual rebate press announcements detail the exclusion of customers enrolled with a retailer. FFPC determined that the low retailer enrolment and the resources required to administer, record and report costs are greater than any anticipated recovery from FFPC customers.

b) Please quantify the estimated variance in Accounts 1518 and 1548 had FFPC followed the APH.

Response:

FFPC has provided an estimate variance in Accounts 1518 and 1548 below. The retailer revenues for Accounts 4082 and 4084 are actual revenues for 2006-2013 and the 2014 revenue is a Test Year estimate.

The cost of providing service for service agreements and service transactions request service has been estimated in the table below to reflect annual activity costs.

The estimated resulting annual variance for Accounts 1518 and 1548 are the shown below. FFPC submits that these variances are not material.

FFPC- Estimate of Variance Accounts 1518 & 1584		2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Test
		CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
4082	Retail Service Revenue	$ (680)		$ (1,367)	$ (1,623)	$ (1,553)	$ (1,130)	$ (1,195)	$ (1,194)	$ (1,000)
5315-Sub account	Service Agreement Costs	$ 400		$ 1,200	$ 1,700	$ 1,400	$ 1,000	$ 1,000	$ 1,000	$ 900
	Estimated Variance Retail 1518	**$ (280)**		**$ (167)**	**$ 77**	**$ (153)**	**$ (130)**	**$ (195)**	**$ (194)**	**$ (100)**
4084	Service Transaction Request				$ (1,568)	$ (1,475)	$ (540)	$ (583)	$ (478)	$ (380)
5315-Sub account	Incremental Labour, IT,				$ 1,400	$ 1,300	$ 600	$ 600	$ 400	$ 400
	Estimated Variance Retail 1548	**$ -**	**$ -**	**$ -**	**$ (168)**	**$ (175)**	**$ 60**	**$ 17**	**$ (78)**	**$ 20**

INTERROGATORY

9.1-Staff-37
Ref: E9/T1/S2/p.12, Account 1592

FFPC is requesting an exception from recording any tax variances in account 1592 – PILs and Tax Variance for 2006 and Subsequent Years due to its not-for-profit status and rate minimization strategy.

Board staff notes that FFPC had Shared Tax Savings Adjustments in its 2012 and 2013 IRM proceedings (EB-2012-0146 and EB-2012-0083).

a) Please describe the nature of these shared tax savings.

Response:

The Shared Tax Savings is the result of the completed 'Shared Tax Saving Workform' completed for both 2012 and 2013 IRM proceedings above. Both workforms were completed as part of a mandatory process of the IRM rate mechanism.

b) Board staff notes that FFPC's approach to account 1592 and its approach to its IRM applications are not consistent. Given that FFPC had shared tax savings adjustments in its rates in 2012 and 2013, please explain why FFPC believes that going forward, there would be no tax variances that would need to be captured in account 1592.

Response:

In the 2014 test year, the PILs are assumed to zero, and it is also assumed that the tax rate is zero. Since FFPC is a not-for-profit entity, it is assumed that the tax rate will remain at zero in the future resulting in no tax variances.

INTERROGATORY

9.1-Staff-38
Ref: E9/T3/S3/ Tables 9.15 and 9.17

As a result of the Board's decision with respect to FFPC's stand-alone smart meter cost recovery application EB-2012-0327, FFPC was approved Smart Meter Disposition Riders to recover the net deferred historical revenue requirement and Smart Meter Incremental Revenue Requirement Rate Riders to recover the ongoing incremental revenue requirement for smart meters until FFPC Power rebased its rates through a cost of service application. The utility is doing so in this Application.

FFPC's existing approved distribution rates are based on a revenue requirement based on the 2006 EDR cost of service methodology and include the recovery of costs for conventional meters now stranded through replacement by smart meters for residential and GS < 50 kW customers. As such, FFPC's distribution rates recover the return of (i.e., depreciation expense) and return on capital for conventional meters, until they are rebased through this Application.

a) In Table 9.15, FFPC shows no increase in accumulated depreciation from end of 2012 to 2013. Please explain why.

Response:

FFPC's incorrect reading of the Smart Meter Decision, EB-2012-0327, resulted in no increase to accumulated depreciation from end of 2012 and 2013. FFPC should have charged amortization until disposition in a cost of service application.

b) Please update Tables 9.15 and 9.17 to reflect the depreciation expense that would have been recovered in FFPC's distribution rates to December 31, 2013. Please provide these two tables in working Microsoft Excel format, if available.

Response:

FFPC has revised Tables 9.15 and 9.17 (below) and attached to this response the tables in working Microsoft Excel format named:

FFPC_2014_9.1-Board-38_Tbl_9.15_9.17.xlsx

Revised Table 9.15:

Table 9.15 — **Stranded Meter Treatment**

Year	Notes	Gross Asset Value	Accumulated Amortization	Contributed Capital (Net of Amortization)	Net Asset	Proceeds on Disposition	Residual Net Book Value
		(A)	(B)	(C)	(D) = (A) - (B) - (C)	(E)	(F) = (D) - (E)
2006		$ 351,835	$ 216,225		$ 135,610		$ 135,610
2007		$ 382,601	$ 230,248		$ 152,353		$ 152,353
2008		$ 390,590	$ 244,323		$ 146,267		$ 146,267
2009		$ 391,865	$ 258,449		$ 133,416		$ 133,416
2010		$ 391,865	$ 272,575		$ 119,290		$ 119,290
2011		$ 391,865	$ 286,700		$ 105,165		$ 105,165
2012		$ 391,865	$ 299,649		$ 92,216		$ 92,216
2013	(1)	$ 391,865	$ 311,679		$ 80,186		$ 80,186

Revised Table 9.17:

Stranded Meter History and Cost Allocation

Rate	# Meters in Service	2008	2009	2010	2011	2012	2013	Stranded Meter Disposition Rate Rider Per Customer
								Monthly Charge
Residential	3283	$61,001	$56,192	$49,998	$44,287	$38,578	$33,704	**$0.86**
GS <50 kW	422	$66,471	$61,020	$53,975	$47,459	$40,944	$35,409	**$6.99**
GS >50 kW	47	$18,795	$16,204	$15,317	$13,419	$12,694	$11,073	**$19.63**
					$0			
Net Book Value	3752	**$146,267**	**$133,416**	**$119,290**	**$105,165**	**$92,216**	**$80,186**	
Accumulated Amortization		*$244,323*	*$258,449*	*$272,575*	*$286,700*	*$299,649*	*$311,679*	
Gross Book Value		$390,590	$391,865	$391,865	$391,865	$391,865	$391,865	

INTERROGATORY

9.1-Staff-39
Ref: E9/T3/S6 Accounting Changes under CGAAP and Account 1576 (Appendix 2-EE)

FFPC has requested a refund of -$114,729 to customers for Account 1576. FFPC has stated that it made changes to its depreciation and capitalization policies effective January 1, 2013.

a) Board staff notes that the Net Additions under CGAAP and under revised CGAAP are the exact same amounts for 2013 (i.e. an amount of $256,922). Given this, please state the changes that were made by FFPC to the capitalization policy effective January 1, 2013, and their impact on PP&E in 2013.

Response:

FFPC confirms that Net Additions under CGAAP and under revised CGAAP to be the same amounts for 2013, which is $256,922.

FFPC's revised capitalization policy, as detailed in FFPC's Asset Management Plan and Appendix 2-BB, Service Life Comparison, proposed new 'Adjusted Useful Life' for PP&E assets for the calculation of depreciation.

As stated in Appendix 2-DB, FFPC has historically excluded any type of overhead expense to net capital additions. Because of this consistent treatment, no changes are required in determination of Net Additions under revised CGAAP.

b) Please update the 2013 forecast figures in Appendix 2-EE if necessary and provide the reasons for the update (i.e. adjustments identified, audited by external auditor).

Response:

FFPC confirms that no adjustments are required in Appendix 2-EE.

INTERROGATORY

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).

Response:

The accumulated depreciation for Account 1860 in the 2011 and 2012 were the correct FFPC general ledger account balances. Depreciation was, in error, not calculated on the stranded meter assets in 2011 and 2012. Correcting entries were made in 2012 to adjust for this omission.

Table 8.8 Stranded Meter Treatment has been amended as per Board Staff 9.1-Staff-38, Ref: E9/T3/S3/ Tables 9.15 and 9.17

Appendix 2-S
Stranded Meter Treatment

Year	Notes	Gross Asset Value	Accumulated Amortization	Contributed Capital (Net of Amortization)	Net Asset	Proceeds on Disposition	Residual Net Book Value
		(A)	(B)	(C)	(D) = (A) - (B) - (C)	(E)	(F) = (D) - (E)
2006		$ 351,835	$ 216,225		$ 135,610		$ 135,610
2007		$ 382,601	$ 230,248		$ 152,353		$ 152,353
2008		$ 390,590	$ 244,323		$ 146,267		$ 146,267
2009		$ 391,865	$ 258,449		$ 133,416		$ 133,416
2010		$ 391,865	$ 272,575		$ 119,290		$ 119,290
2011		$ 391,865	$ 286,700		$ 105,165		$ 105,165
2012		$ 391,865	$ 299,649		$ 92,216		$ 92,216
2013	(1)	$ 391,865	$ 311,679		$ 80,186		$ 80,186

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

Response:

FFPC's Smart Meter application, EB-2012-0327, received an OEB Decision and Order on November 8, 2012 with respect to 'Accounting Matters' as follows:

'FFPC is authorized to continue to use the established sub-account Stranded Meter Costs of Account 1555 to record and track remaining costs of the stranded conventional meters replaced by smart meters. The balance of this sub-account should be brought forward for disposition as part of FFPC's next cost of service application.'

FFPC transferred the stranded meter assets as directed above, which had been recorded in Account 1860, to the sub-account 1555 Smart Meter-Stranded Meter assets.

FFPC followed the directions stated in the Board's 'Frequently Asked Questions', July 2012, page 12 that stated:

'Sub-account Stranded Meter Costs of Account 1555 should be used for purposes of both the disposition and recovery of stranded meter costs…'

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

Response:

Please see the updated Appendix 2-S as shown in VECC 31 (a) above.

Issue 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?

No Board staff interrogatories.

Appendix 1 - FFPC LTLT Elimination - 2013 Submission

FFPC
FORT FRANCES POWER CORPORATION

December 3, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms. Walli

Re: Fort Frances Power Corporation Elimination of Long Term Load Transfer Plan

As per the requirements of Section 6.5.4.1 of the Distribution System Code please find attached the updated Fort Frances Power Corporation (FFPC) implementation plan regarding the elimination of Long Term Load Transfer (LTLT) arrangements. Should you require any additional clarification or information please feel free to contact me directly.

Yours Truly,

Original Signed by

Joerg Ruppenstein
President & CEO
Fort Frances Power Corporation

Table of Contents

Introduction:

The Fort Frances Power Corporation (FFPC) is licensed to own and operate a distribution system within the boundaries of the Town of Fort Frances as at January 1, 1960. The service territory surrounding the Town of Fort Frances boundaries is licensed to Hydro One Networks Inc (HONI). FFPC performed a service territory review in 2008 and found a total of fourteen (14) customers that were not physically supplied by FFPC's distribution's system. Fort Frances Power Corporation is the "Geographic Distributor" and Hydro One Networks Inc. is the "Physical Distributor" for all fourteen (14) of these customers.

FFPC has engaged HONI to discuss acquisition and construction options to eliminate all Long Term Load Transfer Arrangements. It is FFPC's intention to extent its distribution system and/or to acquire necessary Hydro One Networks Inc.'s distribution system assets to supply these customers directly. FFPC is currently in the process of rebasing its rates through the Cost of Service application process, and the necessary feeder expansions are detailed in the submission (2014 to 2018 Distribution System Plan). Upon Board approval of FFPC's 2014 capital plan containing the expansion costs, FFPC will commence with its construction to eliminate the LTLT arrangements.

Summary of Geographic Distributor Load Transfer Arrangements:

FFPC LTLT customers are located in three separate geographic locations as per the following:

1. A pocket of twelve (12) customers residing on the fringe of Fort Frances Power Corporation's licensed service territory are currently physically connected to and serviced by Hydro One Networks Inc. in the following locations:

Customer Location		Customer Class	Proposed Elimination Method	Target Elimination Date	Actual Elimination Date
1725	McIrvine Road North	Residential	System Expansion	December 31, 2014	N/A
1880	McIrvine Road North	Residential	System Expansion	December 31, 2014	N/A
1940	McIrvine Road North	Residential	System Expansion	December 31, 2014	N/A
1960	McIrvine Road North	Residential	System Expansion	December 31, 2014	N/A
1980	McIrvine Road North	Residential	System Expansion	December 31, 2014	N/A
2600	McIrvine Road North	Residential	System Expansion	December 31, 2014	N/A
1401	Frog Creek Road	Residential	System Expansion	December 31, 2014	N/A
1411	Frog Creek Road	Residential	System Expansion	December 31, 2014	N/A
1551	Frog Creek Road	Residential	System Expansion	December 31, 2014	N/A
1615	Frog Creek Road	Residential	System Expansion	December 31, 2014	N/A
1675	Frog Creek Road	Residential	System Expansion	December 31, 2014	N/A
1775	Frog Creek Road	Residential	System Expansion	December 31, 2014	N/A

2. A single customer residing on the fringe of Fort Frances Power Corporation's licensed service territory is currently physically connected to and serviced by Hydro One Networks Inc.

Customer Location		Customer Class	Proposed Elimination Method	Target Elimination Date	Actual Elimination Date
1501	Mill Road	Residential	System Expansion	December 31, 2014	N/A

3. A single customer residing on the fringe of Fort Frances Power Corporation's licensed service territory is currently physically connected to and serviced by Hydro One Networks Inc.

Customer Location		Customer Class	Proposed Elimination Method	Target Elimination Date	Actual Elimination Date
1321	Minnie Avenue	Residential	System Expansion	December 31, 2014	N/A

Proposed Method of Eliminating LTLT Arrangements

Fort Frances Power Corporation being the Geographic Distributor has brought this matter to the attention of the Physical Distributor Hydro One Networks Inc (HONI). HONI and FFPC are currently developing a strategy to eliminate all LTLT arrangements.

FFPC intends to eliminate all LTLT arrangements by expanding its distribution system to connect directly to all fourteen (14) customers. FFPC will investigate purchasing necessary HONI assets, joint use arrangements, as well as constructing new pole lines. FFPC anticipates performing the necessary construction throughout the summer and fall of 2014.

Timeline

Construction is anticipated to begin around July 2014, upon Board approval of FFPC's 2014 capital expenditures contained in the 2014 COS application. The Fort Frances Power Corporation aims to have all LTLT arrangements eliminated by December 31, 2014.

Appendix 2 - HONI 2003 Letter Acknowledging FFPC Service Territory

Hydro One Networks Inc
483 Bay Street
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Brian Gabel
Vice-President and Chief Regulatory Officer

hydro one

June 19, 2003

Mr. Paul Pudge
Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto, Ontario
M4P 1E4

Dear Mr. Pudge:

RP-2003-0030/EB- 2003–0028, Fort Frances Power Corp.
Application to Renew Electricity Distribution Licence

Hydro One Networks Inc. (Networks) received a copy of Fort Frances Power Corp's application to renew its distribution licence on June 10, 2003.

Networks has reviewed the application and believes the distribution service area set out in the application is accurate.

Yours truly,

Brian Gabel

Brian Gabel

cc: Fort Frances Power Corp.
Mark Garner, Ontario Energy Board

Appendix 3 - FFPC OEB Scorecard

Introductory Scorecard

Distributor Name	Fort Frances Power Corporation

Performance Outcomes	Performance Categories	Measures	2008	2009	2010	2011	2012	Trend	Target: Industry	Target: Distributor-specific for 2012
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential Services Connected On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➲	90%	
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➲	90%	
		Telephone Calls Answered On Time	100.00%	97.40%	94.00%	94.10%	93.60%	🡻	65%	
	Customer Satisfaction	First Contact Resolution								
		Billing Accuracy								
		Customer Satisfaction Survey Results								
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distriburors deliver on system reliability and quality objectives.	Safety	Public Safety [measure to be determined]	*Consultation with ESA will identify a measure that is readily available for use.*							
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.99	0.38	0.60	0.09	0.30	🡻		at least within 0.09 and 0.60
		Average Number of Times that Power to a Customer is Interrupted	0.79	0.40	0.31	0.21	0.30	🡻		at least within 0.21 and 0.40
	Asset Management	Distribution System Plan Implementation Progress								
	Cost Control	Efficiency Assessment					4			
		Total Cost per Customer		$ 630	$ 638	$ 628	$ 650			
		Total Cost per Km of Line		$ 28,204	$ 28,692	$ 32,038	$ 33,187			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Annual Peak Demand Savings (Percent of target achieved)				2%	19%			0.61
		Net Cumulative Energy Savings (Percent of target achieved)				12%	49%			3.64
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			-	-	-		Applicable timeline prescribed by Ontario Regulation 326/09 made under the *Electricity Act, 1998*	
		New Micro-embedded Generation Facilities Connected On Time							90%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	3.96	3.30	3.91	4.97	2.67			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	-	-	-	-	-			
		Profitability: Regulatory Return on Equity — Deemed (included in rates)				0.00%	0.00%			
		Profitability: Regulatory Return on Equity — Achieved				0.48%	-17.20%			

Legend: 🡹 up; 🡻 down; ➲ flat; target met; target not met