

Background Information

The Fort Frances Power Corporation has been informed that recent changes to the Market Rules would require our utility to respond to an order from the IMO to Reduce Voltage by 3% to 5% within five minutes.

Fort Frances Power Corporation has not participated in voltage reduction in the past and at this time is not in a position to do so. Such an undertaking would come as a tremendous financial, technical and administrative burden to the utility as it would require, upgrading the Fort Frances MTS for remote operation and staff to perform the necessary tasks.

At this time, Fort Frances Power Corporation requests that they be granted an exemption from the Market Rules Amendment, "Voltage Reduction Capability-Distributor Requirements" Chapter 4 Appendix 4.3.

The Fort Frances Power Corporation operates its system from a single substation (Fort Frances MTS). The substation is an unmanned station and is unable to respond to an order to "reduce voltage" from the IMO within the five minutes stipulated in the amendment. Estimates from the Line Superintendent indicate that it would take approximately twenty minutes during regular working hours and forty minutes after regular working hours to respond to an order to operate.

We have estimated the costs associated with upgrading the Fort Frances MTS and the three additional employees needed to operate it on an ongoing basis. Please find these estimates attached to this plan. To make these modifications this far into the deregulation process would be extremely difficult. An investment such as this could not be absorbed by a utility of our size without having a significant impact on our rates and our customers.

This rule is coming forward at a very inopportune time as strategic planning for the utility was done prior to incorporation, nearly two years ago. An issue such as this may have had significant impact on the decisions made by the shareholder.

Fort Frances MTS

Fort Frances MTS was designed and built in the mid 1970's. At that time, the Town of Fort Frances had a contract with the local pulp and paper mill that provided the Town with power at substantially reduced rates. With this contract in place, the Public Utilities Commission built Fort Frances MTS to withstand the projected growth and demand this discounted power could provide the impetus for. The paper mill absorbed the financial consequences for the demand for this power and began a series of attempts to have the contract dissolved. On February 8th, 1983 the Supreme Court of Canada ruled that the mill would only be obligated to supply the Town with a limited amount of discounted power. This amount accounts for approximately one third of Fort Frances Power Corporation's current wholesale power needs. Shortly afterwards, natural gas was introduced to our community and the load demand on the MTS began to decline sharply. Fort Frances Power Corporation figures show that over the past ten years our customer base can best be categorized as holding steady to marginally declining. From this information, we project that the load on Fort Frances MTS will not likely grow in the near future. Recent census taking within the Town of Fort Frances have shown a decline in population.

Although the capacity of Fort Frances MTS would suggest that it fits into the category outlined in the Market Rules Amendments, our load history will show that it typically operates far below 20 megawatts. The Yearly Average Peaks for Fort Frances Power Corporation range between 12 to 14 megawatts and seldom higher. The last instance of a monthly peak near 20 MW was in January 1994 when a peak of 20.023 MW was measured.

Another point of interest is that although the Fort Frances MTS has two transformers with an aggregated capacity of 40 MVA, current energy demands require approximately ½ the capacity of one unit. In theory, one of the transformers could fulfill a backup role with the other unit more than capable of facilitating all of the Town's electrical load.

Impact on the IMO Grid

The Fort Frances Power Corporation has carefully looked into any possible impact that an exemption to the Market Rules Amendment may have. We would like to state that due to the nature of our relatively small load, a Voltage Reduction, or lack thereof, would appear to be rather insignificant and would pose no ill effect to the IMO grid or to other Market Participants.

We would also like to conclude that an exemption to the Market Rules Amendment would not impose any foreseen cost to the IMO or to other Market Participants.

It should be noted at this time that Fort Frances Power Corporation has taken the steps necessary to comply with the Market Rules including developing procedures that deal with Load Shedding and No-Load situations.

The Fort Frances Power Corporation is committed to be a responsible Distributor on the IMO grid.

Impact to the Fort Frances Power Corporation

One area of concern to the Fort Frances Power Corporation is the fact that our system has never been operated below normal voltage to any degree. We are unsure as to what effect this would have on our system and to our customers. Currently we do not have the staff available to deal with the task.

Cost Analysis

1. Initial Capital Outlay; implementation of a full SCADA System for the control of two on-load tap-changers and circuit breakers associated with both power transformers at Fort Frances MTS.

On load tap-changer interfacing hardware and accessories	\$ 30,000.00
Two R.T.V.'S	30,000.00
Transducers, cables and accessories	20,000.00
Two PC's software and accessories	20,000.00
Network equipment	5,000.00
Station technician (four staff for 2.5 months)	108,000.00
Engineering	<u>30,000.00</u>
	\$243,000.00

2. Staffing

Three additional employees at \$50,000.00 plus benefits equal \$150,000.00. This additional cost would be a 15% increase to our operating expenses. A rate application increase to the OEB would be required.

Conclusion

In conclusion, the Fort Frances Power Corporation requests that an exemption to the Market Rules Amendment, Chapter 4, Appendix 4.3 be granted until such time that our Yearly Peak Average exceeds 20 megawatts.

With this exemption in place, it would permit the utility sufficient time to prepare for the additional costs and personnel necessary to upgrade the MTS to perform the Voltage Reduction tasks.