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BY EMAIL

January 17, 2019

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
Toronto ON M4P 1E4
Kirsten.Walli@oeb.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Ottawa River Power Corporation
2019 IRM Rate Application
OEB File No. EB-2018-0063**

In accordance with Procedural Order No. 2, please find attached OEB staff's supplementary interrogatories in the above proceeding.

Ottawa River Power's responses to supplementary interrogatories are due by January 31, 2019.

Yours truly,

Original Signed By

Judy But
Analyst, Application Policy & Climate Change

Encl.

**OEB Staff Supplementary Interrogatories
Ottawa River Power's 2019 IRM Application (EB-2018-0063)**

Load Forecast

Staff-25

Ref: IRRs to VECC-5 b) and d) / Staff-21 e)

Pre-amble

In response to VECC-5 b), total forecasted customers from 2019 to 2030 in Almonte was provided.

In response to VECC-5 d), total forecasted consumption for total load (kWh from 2019 to 2030) in Almonte was provided.

In response to Staff-21 e), Ottawa River Power noted that "Almonte is seeing unprecedented growth as Ottawa commuters are buying houses in Almonte. There are numerous subdivisions under construction or planned in Almonte, and there is insufficient useful capacity to service them."

Questions

- a. For the Almonte area, please provide:
 - i. A rate class breakdown of customers from 2019-2022, including actual customers in 2018.
 - ii. A rate class breakdown of consumption from 2019-2022, including actual consumption in 2018.
- b. Please indicate the number of new customers that Ottawa River Power is planning to serve with the new build of MS-4. Can you provide a table with projections of the load growth (in MW) in Almonte only?
- c. What is the assumption used for growth in housing starts or new subdivision growth for the residential load forecast?
- d. Given that actual consumption in Almonte has steadily decreased since 2015, please explain why new station capacity would be required to meet existing shortfall during a failure scenario (in the event one of the two 5 MVA substations fail).

- e. Please show the supporting calculations or analysis to show that a new MS-4 needs to be built in 2019 rather than in 2020.

Peak Load

Staff-26

Ref: IRRs to Staff-18 a) and b) / VECC-8

Pre-amble

It is not clear how the peak load of 10,775 MVA was calculated and what is meant by “aggregate station load”.

Questions

- a. Please explain how the load of 10,775 kVA was calculated based on the information provided in the spreadsheet in Appendix M.
- b. Please explain the definition of “aggregate station load”.
- c. Please explain why the peak load was revised from 12,764 kVA to 10,775 kVA in the responses to the interrogatories.
- d. Please discuss how Ottawa River Power plans to ensure that future load will be accurately calculated going forward.

Staff-27

Ref: Application, p. 22 / IRRs to Staff-18 / Municipal Substation Planning Report, p. 10 (prepared by Barkley Technologies Inc.)

Pre-amble

For 2018 peak load, there are different values for the area load in the application, interrogatory responses, and in the technical study performed by Barkley Technologies for Ottawa River Power in 2016. The discrepancies are noted below:

- Application, p. 22: 9.459 MVA total summer peak in 2018
- Interrogatory responses, Staff-18 a) table: 8.716 MW winter peak in 2018
- Municipal Substation Planning Report, p. 10: 8.326 MW winter peak in 2018

Questions

- a. Please explain the discrepancies in coincidental peak load in 2018 in MW and MVA in the Almonte area.

- b. Please confirm the correct value of the Almonte coincidental peak load in 2018 in MW and MVA, and confirm whether the Staff-18 a) excel spreadsheet supersedes the peak load figures in the application.

Staff-28

Ref: Staff-18 a) excel spreadsheet

Pre-amble

Ottawa River Power provided the forecast annual peak loads from 2019 to 2022 for coincidental and station summer and winter peaks for the Almonte area.

Questions

- a. Please discuss how the annual peaks are forecasted from 2019 and onwards. Please show calculations and assumptions.
- b. Please specify the duration of the annual peaks for each station.
- c. Please provide in excel format the monthly peak (MVA) values for summer and winter peak load for the years 2017 and 2022.

Capacity Issues during Failure Scenario

Staff-29

Ref: IRR to Staff-18 b) / Staff-19 a) / Appendix D – part 2 (drawing DSC_2412)

Pre-amble

Ottawa River Power noted that there is 13 MVA of transformer capacity installed for a load of 10,755 kVA. There is very little capacity remaining for new load growth. More importantly, there is no contingency allowed for the failure of any major component (transformer, switchgear, damage to single poles outside substations).

Appendix D – part 2 of the IRM application, however, includes an image of Almonte MS-1 transformer nameplate (dated August 4th, 2017) showing a 10 MVA transformer at MS-1 assuming 55C rise or 11.2 MVA transformer assuming 65C rise. This discrepancy raises substantial doubt on whether the capacity at MS-1 is 5 MVA or 10 MVA.

Questions

- a. Please explain why the nameplate image on drawing DSC_2412 contradicts the assertion that Almonte MS-1 has a 5 MVA rating.
- b. If the nameplate rating does not depict accurately the transformer capacity of MS-1, please clarify what the nameplate image in drawing DSC_2412 was intended to illustrate. If the evidence is not updated, please provide an image of the MS-1 transformer nameplate.
- c. What are the emergency summer and winter ratings for all of the Almonte MS transformers?

Staff-30

Ref: IRR to Staff-20 vii / Municipal Substation Planning Report, p. 43 (prepared by Barkley Technologies Inc.)

Pre-amble

In Ottawa River Power's discussion of alternatives, it appears that the option of replacing power transformer at MS-3 with a larger unit was not considered.

Questions

- a. Please discuss why Ottawa River Power did not to implement the recommendation by Barkley Technologies Inc. to replace the 3 MVA transformer at Almonte MS-3 with a 5 MVA transformer.
- b. Please provide the analysis to demonstrate that Ottawa River has exhausted all other options prior to making the decision to build a new substation.

Staff-31

Ref: IRRs to VECC-8 / VECC-11

Pre-amble

In response to VECC-8, Ottawa River Power was asked to discuss when each existing station was expected to reach capacity.

In response to VECC-11, Ottawa River Power notes it has forecasted replacement of all other Almonte and Pembroke stations.

Questions

- a. Please discuss in greater detail how MS-2 is expected to reach capacity in 2019, while MS-3 could reach capacity in 2020.
- b. Please provide the analysis showing when the forecasted replacement of all Almonte and Pembroke stations would occur.

Staff-32

Ref: IRR to VECC-12 f) / Staff-21 a) and b)

Pre-amble

Ottawa River Power submitted the following information in response to VECC-12 f):

Date	# Customers	Duration	Customer Hrs	
July 18, 2009	850	0.50	425	MS 1
July 17, 2010	815	0.42	342.3	MS 2
Nov 22, 2014	1829	3.0	5487.	MS 1

Ottawa River Power also stated that based on the test results and inspection records, the transformers and other major station equipment are in good condition.

Questions

- a. Please describe what caused the last station outage in 2014 and what was done to restore supply to customers.
- b. What was the Almonte area peak in 2014 and what was the load on November 22, 2014 (the outage date)?
- c. Please explain the basis for the concerns over prolonged outages and rolling blackouts without a new substation. This claim does not appear to be consistent with historical data as an outage has not occurred at MS-1 and MS-2 over the last four years.
- d. Please explain why Ottawa River Power expects the performance of transformer station equipment to deteriorate, particularly when the test results and inspection records identified no concerns with the station equipment condition.

OEB's ICM Tests

Materiality Criteria

Staff-33

Ref: Chapter 3 Filing Requirements, p. 24 / VECC-1 a) / VECC - Appendix 1 / ICM model, tab 10b (Proposed ACM/ICM Projects)

Pre-amble

Ottawa River Power did not provide an analysis in its application demonstrating that the materiality threshold test has been met and that amounts will have a significant influence on the operation of the distributor.

Questions

- a. What is the current 2019 CAPEX excluding the ICM project? What is the total CAPEX for 2019 including the ICM project?
- b. Please reconcile the response to a) to the \$2,700,000 (per ICM model) or \$2,887,500 (per VECC Appendix 1).
- c. If necessary, please update the ICM model to correspond to any corrected information above.

Staff-34

Ref: ICM model, tab 10b (Proposed ACM/ICM Projects)
Staff-23

Pre-amble

Based on the OEB's policy on funding of capital investments, the condition for cost recovery begins with the year in which the asset enters into service. The cost of purchasing land for the MS-4 substation was booked as a cost incurred in 2018. It is below the materiality threshold established in 2018.

Questions

- a. Ottawa River Power has identified the land costs for the purchase of the land in 2018 as part of the MS-4 costs. Please confirm that this land is solely for the siting of the MS-4 station.
- b. Please confirm that Ottawa River Power is not applying for recovery of the land, which cost was incurred in 2018, for recovery through the 2019 ICM rate riders, as the recovery of incremental capital is based on the maximum eligible incremental capital amount for 2019 project costs.

- c. If Ottawa River Power is also seeking recovery of the land costs, please provide Ottawa River Power's proposal for this.

Need Criteria

Staff-35

Ref: Chapter 3 Filing Requirements, p. 24

Pre-amble

Ottawa River Power did not provide evidence of passing the means test for the proposed ICM project. The distributor must pass the means test in order to receive funding during the IRM term, and is identified as a requirement for ICM eligibility.

As noted in the OEB's policy, the regulated return must not be greater than 3% of deemed return on equity, otherwise funding for any incremental capital project will not be allowed.

Question

- a. Please confirm that Ottawa River Power's achieved Return on Equity on a deemed regulatory basis for 2017 per its filed Scorecard is 11.82%, versus an allowed ROE of 9.19%. Please confirm that Ottawa River Power does not exceed the Means Test based on the most recent actual information, per the 2017 Scorecard.

Staff-36

Ref: Chapter 3 Filing Requirements, p. 24 / IRR to VECC-12 d)

Pre-amble

The requested ICM claim must be incremental to a distributor's capital requirements and must be outside of the base upon which the rates were derived.

In response to VECC-12, Ottawa River Power stated that "current base rates do include amounts for this projects [sic]." (emphasis added)

Questions

- a. Please explain how current base rates include amounts for this project. Are these all costs? If not, what (estimated) costs for the project are recovered through current rates as opposed to what Ottawa River Power is seeking recovery through ICM rate riders?

Prudence Criteria

Staff-37

Ref: Chapter 3 Filing Requirements, p. 24 / IRR to Staff-20 a) and b) / Staff-23 b)

Preamble

The OEB's test on prudence requires the distributor to demonstrate that the proposed option is the most cost-effective for ratepayers, although not necessarily the least cost.

The responses to Staff-20 b) and c) only provided the costing range for different design alternatives of the same option, which was the construction of a new substation.

It was noted in response to Staff-23 b) that informal talks were held with another vendor, but no written estimate was provided.

Questions

- a. Based on the response to Staff-20 vii), please provide the analysis undertaken to show that the new build of MS-4 was the most cost-effective option, in comparison to the two alternatives considered (1) expanding existing stations and (2) the purchase of a spare transformer.

- b. Please provide estimated cost for each individual alternatives other than building MS4:
 - Install cooling fans at MS-2
 - Replacing existing transformer at Almonte MS-3 with 5 MVA transformer
 - Use mobile back up
 - Purchase a spare transformer
 - CDM initiatives
 - Real time monitoring in conjunction with utilizing emergency ratings

Actions for No Approval

Staff-38

Ref: Response to VECC-12 c) / Staff-24 d)

Preamble

Ottawa River Power has not advised of the specific actions it will take, in the event the OEB does not approve the ICM project.

In response to VECC-12 c), Ottawa River Power notes that it will build the substation as it is needed and an application to Infrastructure Ontario was made to provide the necessary means to do this.

In response to Staff-24 d), Ottawa River Power notes that the company will likely be faced with significant negative cash flow in the short term and financial hardship during the IR term.

Questions

- a. Please advise of the specific actions that Ottawa River Power will take, in the event the OEB does not approve of the ICM project.
- b. Please discuss the significance of the cash shortfall and the actions that Ottawa River Power might take to deal with above noted financial hardship in the event the ICM project is not approved.

Staff-39

Ref: Application, p. 23-24 / ICM rate riders per tab 12 of ICM model (updated attachment)

Pre-amble

Ottawa River Power provided bill impacts that were inclusive of ICM rate riders for 2019.

Question

- a. Please confirm accuracy of the updated ICM rate riders by rate class in tab 12 of the ICM model updated by Staff.

Rate Class	Total Revenue by Rate Class	Billed Customers or Connections	Billed kWh	Billed kW	Service Charge Rate Rider
	<i>Col I total</i>	<i>From Sheet 4</i>	<i>From Sheet 4</i>	<i>From Sheet 4</i>	<i>Col I / Col K / 12</i>
RESIDENTIAL	79,198	9,676	74,039,950		0.68
GENERAL SERVICE LESS THAN 50 kW	21,104	1,283	28,817,166		1.37
GENERAL SERVICE 50 TO 4,999 KW	27,171	150		218,712	15.10
STREET LIGHTING	3,790	2,838		3,609	0.11
SENTINEL LIGHTING	387	231		545	0.14
UNMETERED SCATTERED LOAD	386	88	611,520		0.37
Total	132,037	14,266	103,468,636	222,866	
	132,037				
	<i>From Sheet 11, E93</i>				

- b. Please provide a table that compares the bill impact with and without the ICM project.

Continuity Schedule Adjustments

Staff-40

Ref: IRRs to Staff-2 b) / Appendix C – Summary / Revised IRM Rate Generator Model

Pre-amble

Ottawa River Power provided a summary table (Appendix C – Summary) that presents the significant components in Account 1588 as of December 31, 2017. Two of those components are described as:

1. Unbilled revenues totaling \$326,313, and
2. Settlement differences totaling (\$181,389)

The sum of these amounts has also been reflected as a principal adjustment in Account 1588 as a credit entry of (\$144,925).

In response to Staff-2 b), Ottawa River Power stated:

“The effect of unbilled revenues had an estimated impact on Account 1588 of \$326,313.46 receivable from customers whereas the impact of settlement differences had an estimated impact of \$181,388.73 owing to customers. Due to the uncovered settlement differences, Ottawa River Power Corporation is filing a revised DVA Continuity Schedule to reflect the adjustment related to settlement differences and the difference in unbilled. The difference in unbilled revenues should not be disposed as this balance was entirely settled in 2018.”

Questions

- a. Please confirm that, although described as two different impacts (unbilled revenues and settlement differences), both are in fact RPP settlement differences. If this is not the case, please explain or differentiate between the effects that the two adjustments have either on Account 1588, or with Hydro One.
- b. Please confirm that the only difference between the two items is that “Unbilled revenues” are the RPP revenue-related differences from December of each fiscal year from 2015 to 2017, while “Settlement Differences” represent the RPP revenue-related differences for every month other than December of each fiscal year from 2015 to 2017, as well as the total Weighted Average Price differences from 2015 to 2017. If this is not correct, please provide additional detail on what these items represent.
- c. With reference to that the last sentence in the quoted statement above: “the difference in unbilled revenues should not be disposed as this balance was entirely settled in 2018”, please confirm that both amounts (the (\$326,313) for unbilled revenues and the \$181,389 for settlement differences) should not be

disposed as both amounts were entirely settled with Hydro One in 2018, and thus, have been recorded as principal adjustments in Account 1588 in the Revised IRM Rate Generator Model dated December 21, 2018.

Staff-41

Ref: IRRs to Staff-11 a / Appendix B – Account 1589 / Revised GA Analysis Workform / Revised IRM Rate Generator Model

Pre-amble

An analysis of Account 1589 is provided that reconciles the account's closing balance with a series of adjustments (rows 44 to 50 in Appendix B – Account 1589). Included in those adjustments is an amount of \$174,549 described as "2015 RPP True Up included in 2017 GL and settled with HONE in 2018". This amount is also included as a principal adjustment in Account 1589 in the revised IRM Rate Generator Model dated December 21, 2018.

In response to Staff-11 a), Ottawa River Power states:

"This adjustment pertains to 2016 and was journalized in 2017. The adjustment was calculated by comparing the daily consumption values and global adjustment charges against what was settled with Hydro One... A revised GA Analysis Workform has been submitted to reflect necessary revisions."

In the revised GA Analysis Workform, a reconciling item of (\$174,549) is shown in 2016 and a reconciling item of \$174,549 is shown in 2017.

Questions

- a. Please confirm that the "settlement with Hydro One in 2018", as indicated in Ottawa River Power's description of the transaction, is the actual cash payment/receipt between Ottawa River Power and Hydro One (transfer between cash accounts and accounts receivable/payable). If this is not the case, please elaborate further on what the 2018 entry is. Specifically, please provide the GL entries made in 2017 for this adjustment versus the GL entries made in 2018.
- b. If this GA-related settlement difference pertains to 2016 and was recorded in the GL in 2017 (as indicated in both the GA Analysis Workform and in response to Staff-11 a), please explain why this amount is included in the principal adjustments column in the revised Rate Generator Model, as the adjusting entry would have already been reflected in the 2017 transactions (column BD of the Rate Generator Model).
- c. Please confirm that the principal adjustments column for 2017 in Account 1589 should not include the amount of \$174,549 (provided that Ottawa River Power confirms that the effect of this adjustment on Account 1589 was already reflected

in the GL as of December 31, 2017). If Ottawa River Power disagrees with this statement, please explain its position on the matter.

- d. Please confirm that, in addition to 2016, the GA-related settlement true-ups in Account 1589 for 2015 and 2017 were recorded, and explain how they are reflected in the DVA Continuity Schedule.
- e. Please provide a revised Rate Generator Model that reflects these updated changes, if applicable.