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February 28, 2019

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: **Ottawa River Power Corporation**
2019 IRM Rate Application
OEB File EB-2018-0063
Ottawa River Power Reply to VECC Submission

In accordance with Procedural Order No. 2, please find attached Ottawa River Power's reply to the VECC's submission in the above proceeding.

Kind regards,

A handwritten signature in black ink that reads "J. Donnelly". The signature is written in a cursive, flowing style.

Jane Donnelly, CPA, CMA
President and CEO

**Ottawa River Power Corporation (ORP)
2019 IRM Rate Application
Applicants Response to VECC's Submission**

Purpose:

The purpose of this document is to provide the Board with the reply submission from Ottawa River Power based on its review of VECC's Submission dated February 15, 2019.

Response to VECC's Position:

Ottawa River Power disagrees with VECC's position that the new substation in Almonte should not be built ahead of 2020.

The Distribution System Plan submitted in its 2016 cost of service proceeding did indicate that a new substation could be built in Almonte after 2020. However, Ottawa River Power made changes at the executive level of the organization after 2016. The company then undertook an in-depth review of its stations. Based on an updated 2017 Substation Condition Assessment Study completed by Costello Utility Consultants, it was recommended that a new substation was required for new growth in Almonte. With the need to address new capacity and aging infrastructure identified by this updated Condition Assessment Study, the utility filed an ICM application a year earlier than planned.

Ottawa River Power presented evidence that the construction of MS-4 in Almonte is in the public interest as the materiality, need and prudence requirements have been met.

The need for the substation is justified from a capacity planning perspective from both current and projected future growth. A thorough review of the adequacy of existing capacity, projected load forecast and the practicality of potential alternatives were all examined.

ORPC staff and its consultants reviewed all possible options to provide security to existing customers and provide new capacity for new customers. ORPC has also consulted with other Ontario LDCs to make sure that their emergency planning criteria (maintaining loss of service with one station down) is consistent and considered "good utility practice".

The proposed new build is an appropriate long-term solution to address the capacity shortfall issue which has persisted for over two years in Almonte.

Please also see the letter attached from Costello and Associates which addresses VECC's submission.

All of which is respectfully submitted.

February 25, 2019

Ms. Jane Donnelly, CPA, CMA
President and CEO
Ottawa River Power Corporation
283 Pembroke St. W
Pembroke, ON K8A 6Y6

Subject: VECC February 15 Submission for EB-2018-0063

Dear Ms. Donnelly,

Further to your request last week, we have reviewed the VECC submission dated February 15, 2019, and offer you the following comments.

In general terms, VECC seems to be of the opinion that the ICM application should be denied on the bases that the 2016 Distribution System Plan (DSP) required the new station only in 2020, and there has been no material change in load or the condition of the station assets. VECC is correct in this regard.

The analysis of capacity and load growth in Almonte for the 2016 DSP apparently did not consider the total prolonged loss of one substation, whether due to the failure of a power transformer or medium voltage switchgear. This is a very real operating scenario, and a normal planning contingency for Ontario LDC's. It is our opinion that this concern is driving the need to build a fourth station in Almonte as soon as possible. The fact that there has not been a similar major outage in Almonte is no basis for not properly planning the distribution system to be tolerant of an unplanned failure.

With respect to VECC's comments concerning ORPC's use of Costello, their concerns about the advancement of the project by one year does not seem to be directly related by ORPC's selection of an engineering consultant. However, for the record, we offer the following comments:

1. Costello was initially selected by ORPC in 2014 to perform detailed engineering on the Pembroke MS-2 rehabilitation project. This was a competitive process.
2. Costello has assisted Ontario LDC's construct over 20 similar substations in the past 10 years, and we have a very good understanding of the cost and schedules for these projects.
3. We understand now that Costello was sole-sourced to perform the engineering for the Almonte MS-4 project. However, we submitted a competitive proposal to ORPC, and at the time, we were under the impression that it was a competition. Our pricing was very aggressive and competitive, based on reusing elements of the Pembroke MS-2 design at a minimal cost to ORPC.
4. VECC states that they did not have the Terms of Reference for the Substation Condition Assessment project. We specifically take exception to VECC's comment that Costello's report was not an in-depth analysis of the substation condition. The report prepared for ORPC was consistent with similar work performed for many Ontario LDC's, and our work has been used extensively by utilities to ensure the safety and reliability of our client's stations. The principals of our firm each have over 30 years of professional experience in stations and distribution engineering and operations and are considered in the Ontario LDC community to be experts in their fields.

The February 15, 2019 VECC response lists several technical challenges to the previous ORPC arguments with respect to upgrading transformer capacity, addition of fans, installation of voltage regulators, etc.. We believe that ORPC has addressed all these issues with the latest response to the OEB Board Interrogatories (which the OEB staff have accepted).

Under normal operating conditions, with all of the Almonte stations operating as planned, the need for new capacity would be driven by new development. Utilities must and routinely do plan for unplanned failures. Even when considering the Barkley 2016 winter peak of 8326 kW (~8900 kVA at 94% power factor), there was a shortfall in capacity at that time that could have triggered the need for new capacity. The addition of fans, voltage regulators, or other means would not solve this problem. The construction of a new station in Almonte will solve this problem.

All customers expect and deserve a safe and reliable supply of electricity from their licensed distributor. In particular, low income customers may be particularly sensitive to prolonged power interruptions. ORPC has a responsibility to ensure that there is adequate station capacity under any routine failure scenario, consistent with good utility practise in Ontario.

Respectfully submitted,



Stephen Costello
President
Costello Associates Inc.