



Energizing Our Community

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December 2, 2009

**Delivered by Courier and by RESS**

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: Orillia Power Distribution Corporation - Board File No: EB-2009-0273  
2010 Electricity Distribution Rate Application**

Please find attached the response to the Vulnerable Energy Consumers Coalition interrogatories in the above-noted proceeding.

Respectfully submitted,

John F. Mattinson P. Eng.  
President & Secretary  
Orillia Power Distribution Corporation



**Orillia Power Distribution Corporation (“OPDC” or “Orillia”)  
EB-2009-0273, 2010 Rate Application**

**Interrogatories of the Vulnerable Energy Consumers’ Coalition (“VECC”)**

**Question #1**

**Reference:** Exhibit 1/tab 2/Schedule 4, page 1

- a) Please provide a copy of the 5 year capital budget approved in 2008.

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**OPDC RESPONSE:**

A copy of the 5 year capital budget established by management as part of the 2009 budget process follows on the next two pages. It is important to note that while summary totals of this plan are included in long range financial planning models presented as information to Orillia Power’s Board, they do not approve the five year capital plan. The Board approves the budget for the following year taking into consideration the impacts of proposed total capital spending on the company’s financial position over a five year period including the budget year.

**Orillia Power Distribution Corporation  
 Five-Year Capital Plan \_ 2009 to 2013**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Future Projects</u>
<b>Overhead</b>						
Distribution Pole Replacement	202,000	225,000	225,000	225,000	225,000	
Subtransmission Pole Replacement	85,000	100,000	100,000	100,000	100,000	
Load Break Switches	117,000					
Wireless communications to four 44kV meter points	29,000					
Patrick St Rebuild - Nottawasaga to Brant St.	228,000					
Conductor upgrades & reconductoring	32,000					
Westmount Drive - Coldwater to Mississaga	158,000					
Colbourne to Andrew Re-build	164,000					
Line 15 North - Pick up Load Transfer Cust's	65,000					
O/H Services Misc.	39,000					
Re-Build West St. - James St. to by-pass		320,000				
Re-Build King St. - Cedar Island Rd. to Front (Rexton)						200,000
Re-Build James St. - High St. to East St.		200,000	200,000			
Replace 44 kV ABS with Load Interrupters (4)		120,000	120,000	120,000	125,000	
Re-Build Matchedash St. N. - Coldwater Rd to North St.			250,000			
Rebuild West St. N. - North St. to Fittons Rd. (20 poles)				400,000		
Motorize 4 Load Interruptors			100,000	100,000		
Rebuild & Restrung Colborne St. - West St. to the Esplanade - Ph 1				100,000		
Rebuild & Restrung Colborne St. - West St. to the Esplanade - Ph 2					100,000	
Phase 1 Dalton Cres/Lawrence Ave - replace rearlot buss						150,000
Replace Rear Lot Buss - 1/4 of Tallwood & the Trail						140,000
Rebuild Fittons Rd. E. - West St. to Bay St				400,000		
Phase 2 Dalton Cres/Lawrence Ave. - replace rearlot buss						225,000
Rebuild Coldwater Rd. - West St. to Emily					260,000	
	<b>1,119,000</b>	<b>965,000</b>	<b>995,000</b>	<b>1,445,000</b>	<b>810,000</b>	<b>715,000</b>
<b>Substations</b>						
Install oil retainers at Substations	80,000					
Battery Bank Replacement (Substations)	54,000					
Replace Industrial Substation			900,000			
13.8 substation - Couchiching Pt. Rd.						900,000
Harvie Settlement Rd. Substation						950,000
	<b>134,000</b>	<b>-</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>1,850,000</b>
<b>Underground</b>						
Primary replacement	19,000	20,000	20,000	20,000	20,000	
Re-Cable Raymond St subdivision	127,000					
Underground Services Misc.	56,000					
Victoria Cres - Lankin Blvd south to riser		130,000				
Recable Central Sub - CB2F1 & CB2F2		120,000				
Joint Use Ducts on Old Muskoka Rd						80,000
Recable Brewery Lane		70,000				
Duct Maple Leaf Crescent		40,000				
Duct King's Crt.		60,000				
Duct Lahay Ave.		40,000				
Recable Central Sub (CB2F3 & CB2F4)				120,000		
Convert 44 kV rear of Old City Hall to U/G						200,000
Recable Andrea Cres & Marlisa Dr.			130,000			
Phase 1 Dalton Cres/Lawrence Ave. area ducting						250,000
Recable North Sub (NBF1 & NBF2)				60,000		
Phase 2 Ducting Dalton Cres / Lawrence Ave area						350,000
Cable Harmon - Underground Primary					140,000	
Cable Phase 1 Dalton Cres/Lawrence Ave. area						200,000
Cable Phase 2 Dalton Cres/Lawrence Ave. area						250,000
	<b>202,000</b>	<b>480,000</b>	<b>150,000</b>	<b>200,000</b>	<b>160,000</b>	<b>1,330,000</b>

**Orillia Power Distribution Corporation  
 Five-Year Capital Plan \_ 2009 to 2013**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Future Projects</u>
<b><u>Distribution Transformers</u></b>						
Transformer Installation & Replacements	55,000	45,000	45,000	50,000	50,000	50,000
<b><u>Meters</u></b>						
Meters	10,000	10,000	10,000	10,000	10,000	
<b><u>Land</u></b>						
Easements	8,000	10,000	10,000	10,000	10,000	
<b><u>Buildings</u></b>						
Miscellaneous Upgrades - Discuss w PH	-	30,000	30,000	30,000	30,000	
<b><u>Vehicles</u></b>						
Replace Service Truck	264,000					
Replace T18		50,000				
Replace T 4			50,000			
Replace T 21					450,000	
	264,000	50,000	50,000	-	450,000	-
<b><u>Tools and Equipment</u></b>						
Major Tools & Equipment over \$1000	26,000	28,000	28,000	30,000	30,000	
<b><u>Computer Hardware and Software</u></b>						
Desktop / Laptop Upgrades, Peripherals, other hardwa	20,000	20,000	20,000	20,000	20,000	
Conversion to Harris Northstar V.6 & SQL Database		75,000				
Other software						
	20,000	95,000	20,000	20,000	20,000	-
<b><u>Office Equipment and Furniture</u></b>						
Replace Photocopier / Printer / Scanner unit	30,000					
Miscellaneous Office Equipment		2,000	3,000	3,000	3,000	
	30,000	2,000	3,000	3,000	3,000	-
<b>Total</b>	<b>1,868,000</b>	<b>1,715,000</b>	<b>2,241,000</b>	<b>1,798,000</b>	<b>1,573,000</b>	<b>3,945,000</b>

**Question #2**

**Reference:** Exhibit 1, Appendix 1-H

- a) Please confirm that all figures in this schedule have been rounded to the nearest thousand dollars.
- b) Please indicate how the cost estimates reflect forecasted productivity and inflation increases in general.
- c) Please confirm that the capital plans in this exhibit fully reflect the most recent 5 year capital plan approved by the Board of Directors. If unable to so confirm, please provide a copy of the most recent 5 year capital spending plan.
- d) With respect to subtransmission pole replacement, please provide the number of poles to be replaced in each year and the length of the pole replacement cycle (if applicable).
- e) With respect to overhead distribution pole replacement, please provide the number of poles to be replaced in each year and the length of the pole replacement cycle (if applicable).
- f) With respect to distribution transformers and meters, please provide the number of new meters planned for installation for each year 2010-2015 inclusive.
- g) With respect to office equipment and furniture, please explain why miscellaneous office equipment expenditures are much higher in 2010 than thereafter.
- h) With respect to computer hardware and software, please provide a breakdown of the numbers and types of equipment planned to be spent each year on desktop/laptop upgrades, peripherals, other hardware.
- i) Please provide the number of desktop stations and laptop computers currently being used by OPDC.
- j) Please explain how the costs for vehicles were estimated.

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**OPDC RESPONSE:**

**Response to (a):** We confirm that all figures in this schedule have been rounded to the nearest thousand dollars.

**Response to (b):**

The project cost estimates, included in the five-year capital plan are developed through project assessments carried out through the cooperation of operations and finance staff. These projects assessments involve estimates of materials, labour hours, equipment requirements as well as any sub-contractor costs.

During this process, productivity improvements as a result of improved work methodologies or equipment improvements are taken in to account. For example, in 2008, OPDC acquired a Radial Boom Derrick vehicle which, among its other benefits, resulted in improved safety and efficiencies while setting poles. As a result, the productivity increases realized through the utilization of this equipment are factored into capital projects where this equipment will be utilized.

With respect to inflation impacts, OPDC has had annual wage increases in the 3% to 3.5% range over recent years. For the purpose of preparing the five-year capital plan, we utilize this percentage increase as a basis for inflation figure in our calculations.

**Response to (c):**

On an annual basis, the Board of Directors approves the capital and operating budget for the coming year. In the case of the 2010 budget, Board approval was received on July 23, 2009. During the budget approval process, the Board reviews a planning model which details the forecasted capital spending over the next five years. The planning model integrates the forecasted capital spending derived from the projects listed in Exhibit 1, Appendix 1-H, however, that process does not include formal Board approval of document in Exhibit 1, Appendix 1-H.

**Response to (d):**

The pole replacement cycle is on average between 25 and 30 years. The number of subtransmission pole replacements planned for each year is as follows:

- 2010 – 9 or 10
- 2011 – 10 to 12
- 2012 – 10 to 12
- 2013 – 10 to 12
- 2014 – 10 to 12
- 2015 – 10 to 12

**Response to (e):**

The pole replacement cycle is on average between 25 and 30 years. The number of overhead distribution pole replacements planned for each year is as follows:

- 2010 – 33 to 35
- 2011 – 35 to 38
- 2012 – 35 to 38
- 2013 – 36 to 40
- 2014 – 36 to 40
- 2015 – 37 to 42

**Response to (f):**

The number of new meters required is highly dependent on developer activity and housing construction in the area. Over the longer term, this is difficult to estimate, particularly with multi-unit construction where the builder's decision on metering configuration (bulk meter or individual unit metering) can have a significant impact on the number required. Having said that, we have estimated in our long term capital plan for installation for each year 2010-2015 is as follows:

- 2010 – 30 to 50
- 2011 – 50 to 75
- 2012 – 50 to 75
- 2013 – 50 to 75
- 2014 – 90 to 120
- 2015 – 90 to 120

**Response to (g):**

The 2010 office equipment budget is higher than the norm, primarily as a result of the proposed hiring of a new engineering tech. With this new staff member, new office equipment is required (i.e. desk, filing cabinet, cubicle components, etc.) in addition to costs to reconfigure the cubicle / office set up in the engineering area to properly accommodate both the new and existing staff.

**Response to (h):**

With respect to computer hardware and OPDC's five-year capital plan, OPDC operates within the general guideline that computers and related peripherals (printers, monitors, keyboards, docking stations, etc.) will be utilized for a period of four to five years. Clearly some equipment may last longer than this, but in some cases it may not last even this long. The four to five year time horizon has proven to be accurate in our experience and of course we are always concerned when aging technology is potentially hampering our productivity, as this may drive up costs. We do not specifically identify the number of desktop or laptop units that are slated for replacement in a specific year, but follow the above guideline to forecast hardware requirements and replacement cycles over the longer term.

Irrespective of the comment above, there is one hardware acquisition, the purchase of a plotter for engineering that is specifically identified in 2010 and is not included in the figure for general desktop / laptop upgrades. This \$10,000 purchase is required to replace an existing plotter that is approximately 10 years old and has become very unreliable, requiring numerous service calls.

With respect to computer software, there are only two specific software purchases identified on the five-year capital plan. The first is an upgrade to a more current version of our accounting software package – Great Plains. The second is an upgrade of our billing software, scheduled for 2011.

**Response to (i):**

OPDC is currently utilizing 15 desktop computers and 12 laptop computers.

**Response to (j):**

The cost of vehicles is estimated based on current cost of acquiring the specific vehicle type required.



**Question #3**

**Reference:** Exhibit 1, Appendix 1-J

- a) For each year 2004-08 inclusive, please provide the budget amounts for (i) capital expenditures and distribution (ii) operations and (iii) administration as approved by the Board of Directors prior to the commencement of said years.

**OPDC RESPONSE:**

The schedule below summarizes budget amounts for (i) capital expenditures and (ii) distribution operations and (iii) distribution administration as approved by the Board of Directors prior to the commencement of the years 2004 through 2008.

<b>DISTRIBUTION CORPORATION BUDGET SUMMARY</b>	<b>BUDGET 2004</b>	<b>BUDGET 2005</b>	<b>BUDGET 2006</b>	<b>BUDGET 2007</b>	<b>BUDGET 2008</b>
<b>CAPITAL EXPENDITURES SUMMARY</b>					
Distribution Expenditures	2,075,000	2,162,000	1,557,000	1,637,000	2,300,000
<b>OPERATIONS EXPENDITURES SUMMARY</b>					
Distribution Expenditures	1,555,000	1,569,000	1,532,000	1,771,000	1,741,000
<b>ADMINISTRATION / BILLING / SERVICE CENTRE EXPENDITURES SUMMARY</b>					
Distribution Expenditures	1,604,000	1,655,000	1,856,000	1,909,000	2,070,000
<b>COMBINED EXPENDITURES SUMMARY</b>					
Distribution Expenditures	<b>5,234,000</b>	<b>5,386,000</b>	<b>4,945,000</b>	<b>5,317,000</b>	<b>6,111,000</b>

**Question #4**

**Reference:** Exhibit 2/ Tab 2/ Schedule 1, page 8

- a) Please explain why there are no disposals shown in 2010 to reflect the replacement of the two trucks in 2010.
- b) Please provide the mileage in terms of number of kilometers on the vehicles to be replaced, T-4 and T-18.

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**OPDC RESPONSE:**

**Response to (a):**

There are no disposals shown in 2010 to reflect the replacement of the two trucks in 2010 due to an oversight by OPDC when preparing the schedule.

The two trucks involved were purchased in 1998 and 2000 and currently have a net book value of NIL. Total gross cost (purchase price) of the two trucks equals \$46,715 (\$26,120 and \$20,595).

Consequently the impact of this oversight on net book value is NIL.

**Response to (b):**

Truck 4 – 157,446 km and Truck 18 – 191,451 km.

**Question #5**

**Reference:** Exhibit 2/tab 2/Schedule 1, page 9

- a) The evidence states that of its planned \$1.868M in 2009 capital expenditures, OPDC had spent only \$360K, i.e., less than 20% of the total, as of June 30, 2009. Please provide an update reflecting actual 2009 capital expenditures to date.
- b) Please provide 2008 capital expenditure figures comparable to those referred to in part a) of this question, i.e., (i) total planned 2008 spending and (ii) actual 2008 capital spending from January 1, 2008 to June 30, 2008.

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**OPDC RESPONSE:**

**Response to (a):**

As of November 25, 2009 actual capital expenditures to date are \$1,086,000 which represents 58% of the annual budget. Based on the most recent projections at this time, OPDC expects to achieve and possibly even slightly exceed its 2009 capital budget amount of \$1,868,000.

**Response to (b):**

Total budgeted capital spending in 2008 was \$2,300,000. Actual capital spending for the period January 1, 2008 through June 30, 2008 was \$479,000 or 21% of the budgeted amount. By 2008 year end, total capital spending was \$2,252,000 or 98% of budget.

**Question #6**

**Reference:** Exhibit 2/Tab 4/Schedule 1, page 21  
Exhibit 1, Appendix 1-H

- a) The first reference indicates that OPDC spent \$164,400 in 2005 to convert to the Harris billing system while the second reference indicates that OPDC expects to incur costs of \$80K in 2011 for “Conversion to Harris Northstar V.6 & SQL Database.” Please provide additional details with respect to the scope and need for each of the projects.

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**OPDC RESPONSE:**

Details regarding the 2005 conversion to Harris were provided in Exhibit 2/Tab 4/Schedule 1, page 22 and are repeated below:

*“Prior to 2005, OPDC utilized the Advanced billing system software and housed its billing server within its administration offices at 360 West Street in Orillia. The decision to convert to the Harris billing system was impacted by a number of items. At the time, OPDC was moving towards a model of outsourcing the majority of its information technology (IT) functions. This move provided cost savings, improved IT reliability and significant improvements for system backups and disaster recovery planning. The Harris software program through its licensed distributor was a very good fit with the outsourced IT model OPDC was pursuing, including remote location of its billing server. In addition, OPDC would recognize significant annual cost savings for maintenance and support by transitioning from Advanced to Harris.”*

Unlike the proposed upgrade in 2011, the 2005 conversion involved the complete transition to a new billing software program.

At present, OPDC is utilizing version 5.2.19 of the Harris billing system. This software runs on a DOS platform and the software provider states that they will not continue to support this platform indefinitely and is beginning efforts to have customers transition to version 6, which runs on a Windows platform. At this point, indications are that Harris will continue to support version 5 until at least 2011, but given the magnitude of a billing system upgrade and the potential negative implications to customers if it is not executed successfully, we feel it is prudent to begin planning for the transition for 2011. Furthermore, we would never want to be in a position where our billing system is not supported by the software developer. Although the upgrade is a significant undertaking that will involve all billing department staff, the fact that it is still a Harris product, should make the transition less disruptive and more cost effective than switching to an entirely new billing software provider.

In addition to the version obsolescence issue noted above, the Windows based version 6 has some clear advantages over the DOS based version 5. These include improved navigation within the software and reporting features that will enable enhanced efficiency with billing department staff.

**Question #7**

**Reference:** Exhibit 2, Appendix 2-A

- a) The evidence states that “Surplus vehicles are traded in or disposed of to gain the greatest possible recovery for the Company.” Please advise as to whether such surplus vehicles are included in rate base until they are traded in or disposed of.
- b) Please indicate the accounting treatment that OPDC uses when it trades in or disposes of vehicles and indicate how this treatment impacts revenue requirements benefits ratepayers.

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**OPDC RESPONSE:**

**Response to (a):**

OPDC does not normally carry surplus vehicles and doesn't have any currently on hand included in the rate base. There is no impact to the rate base of keeping fully depreciated vehicles on hand in any event. OPDC normally utilizes vehicles until well past the period for when they would be fully depreciated. At the point when a decision has been made to replace an old vehicle, they are normally traded in as part of the purchase for the new one.

**Response to (b):**

OPDC removes the gross cost and accumulated depreciation of the vehicle from the general ledger. Any proceeds from disposal are netted against net book value (if any) to determine a gain or loss on disposal and recorded in other revenues.

**Question #8**

**Reference:** Exhibit 4/Tab 3/Schedule 2, page 5 and page 12

- a) Regarding the additional engineering technician hired, please elaborate with respect to “the increased regulatory requirements and additional requirements for internal engineering support” that this position addresses.
- b) Please explain which regulatory requirements have increased such that regulatory officer hired in 2006 cannot handle them without the help of the engineering technician.

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**OPDC RESPONSE:**

**Response to (a):**

The primary factor influencing the increase in regulatory costs is the need to add a staff member in the engineering department in order to adequately address the increased regulatory requirements and regulatory reporting to agencies such as the ESA and the OPA.

In particular, the newly hired engineering technician will be focused on ensuring compliance with Regulation 22/04. This regulation has resulted in substantial time demands on engineering staff to perform inspections, project reviews and documentation. In addition, Government initiatives such as the FIT and microFIT are placing an increased demand on engineering resources.

**Response to (b):**

The engineering technician and the regulatory officer, although both involved in regulatory tasks, have distinctly different functions within the organization and both require the dedication of a full-time resource. The engineering technician duties, detailed above, are focused on satisfying regulatory requirements in the engineering department and specifically the requirements of Regulation 22/04 from the ESA.

The regulatory officer, hired in 2006, is focused on satisfying regulatory issues related to the OEB. This includes, but is not limited to; numerous regulatory filings and reporting, monitoring information sources to identify regulatory issues that may impact OPDC, providing support to all departments on regulatory issues and directly responding to customer inquiries on regulatory matters.

**Question #9**

**Reference:** Exhibit 3/Tab 1/Schedule 1, pages 1-2

- a) In its EB-2007-0680 Report (page 33) the Board directed Toronto Hydro to work with other parties to understand differences in load forecast methodologies employed. Has Orillia had any discussions with Toronto Hydro regarding changes it may be implementing in its load forecast methodology? If yes, what was the outcome and how are they reflected in Orillia’s current approach?
  
- b) Is Orillia aware of the fact that for its 2010 Rate Application (EB-2009-0139), Toronto Hydro has changed its load forecasting methodology to one that uses class specific models to forecast sales on a class specific basis? If yes, please comment as to why the Toronto data supports such analysis while (as discussed on page 9) Orillia’s data does not.

**OPDC RESPONSE:**

**Response to (a):**

OPDC has not had any discussions with Toronto Hydro regarding changes it may be implementing in its load forecast methodology.

**Response to (b):**

Yes, OPDC is aware of the fact that for its 2010 Rate Application (EB-2009- 0139), Toronto Hydro has changed its load forecasting methodology to one that uses class specific models to forecast sales on a class specific basis. OPDC notes that it appears the Toronto Hydro model uses Purchased kWh Energy per day by customer class by month as the actual data which the regression analysis attempts to predict. In the case of OPDC, Purchased kWh Energy per day by customer class by month is not available. As a result, OPDC would not be able to develop at this time a load forecast consistent with the approach used by Toronto Hydro in its 2010 Rate Application.

In addition, OPDC understands that in the 2010 cost of service rate applications for Burlington Hydro Inc., Cambridge and North Dumfries Hydro Inc. and Kitchener-Wilmot Hydro Inc, the load forecasting evidence for these three distribution indicates they attempted to conduct the load forecast on a class specific basis. However, in all three cases a load forecasting methodology based on total system purchases was more accurate than a load forecast based class specific data. Consequently, the three distributors based their load forecast in their 2010 rate applications on a total system basis. Based on this experience, it is OPDC view that class specific load forecast would also be less accurate for OPDC than the total system forecast.



**Question #10**

**Reference:** Exhibit 3/Tab 1/Schedule 3, pages 1-9

- a) Please prepare a table similar to Table 3-5, but use the definition of weather normal in predicting each historical year's total system purchases. The result will then be a **prediction of weather normal purchases** for each year 1996 – 2008. In the same table please include the resulting year over year change in **predicted weather normal purchases** for Orillia.
  - b) Using the results from part (a) and the predicted values in Table 3- 5, please calculate the variance in purchases energy for each year attributable to weather variations.
  - c) Please provide a schedule that set outs the actual Ontario weather normalized sales for each year from 1996-2008 as reported by the IESO. In the same schedule please calculate the annual year over year changes in total weather normalized Ontario sales.
  - d) Page 1 quotes the IESO's 18-Month Outlook which flags the decrease in industrial consumption as a significant contributor to the down turn in provincial usage. To what extent does proportion of industrial load in Orillia and the make of the industries in Orillia match that of the province overall?
  - e) What other model specifications did Orillia test (page 4) in the development of its prediction model? Please indicate the results of each in a format similar to that used on pages 5 and 6.
  - f) Please provide schedule setting out the year over year growth in population for the period 1996-2008.
  - g) What is Orillia's prediction regarding the growth in population in its service area for 2009 and 2010?
  - h) Please provide the GDP growth rates for 2009 and 2010 per the Ontario Economic Outlook (page 6).
  - i) Using Orillia's prediction model, the forecast GDP growth from the Ministry of Finance (part h) and the forecast for Orillia's population (per part g), please prepare a forecast of purchases for Orillia for 2009 and 2010. (Note: If no population forecast is available, please use the average annual population growth over the 1996-2008 period as the assumed growth rate for both years). Please provide the results in a format similar to that of Appendix 3-B.
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**OPDC RESPONSE:**

**Response to (a):**

A table similar to Table 3-5 has been provided below but uses the definition of weather normal in predicting each historical year's total system purchases. The results show Predicted – Weather Normal purchases for each year 1996 – 2008. The resulting year over year change in Predicted – Weather Normal purchases is also provided. The last column shows the variance in purchased energy for each year attributable to weather variations.

Year	Actual	Predicted	Predicted - Weather Normal	Year over Year Change in Predicted - Weather Normal	Difference in Predicted - Weather Normal and Predicted
<b>Purchased Energy (GWh)</b>					
1996	300.9	300.4	298.4		(2.0)
1997	302.8	302.4	301.4	3.0	(1.0)
1998	298.9	300.6	306.0	4.6	5.4
1999	309.7	307.8	310.9	5.0	3.1
2000	315.1	315.3	316.5	5.6	1.2
2001	316.4	318.7	320.2	3.7	1.5
2002	327.9	328.1	323.9	3.7	(4.3)
2003	326.8	328.2	325.0	1.2	(3.2)
2004	329.6	330.6	331.4	6.4	0.8
2005	346.9	341.5	334.3	2.9	(7.2)
2006	339.8	337.1	337.9	3.7	0.8
2007	340.4	342.3	341.6	3.7	(0.6)
2008	337.3	339.5	344.8	3.2	5.3

**Response to (b):**

See response to (a).

**Response to (c):**

The following table set outs the actual Ontario weather normalized sales for each year from 2003 and 2008 as reported by the IESO on the IESO website. The annual year over year changes in total weather normalized Ontario sales is also provided. Annual data for 1996 to 2002 has not been included as OPDC was not able to locate it on the IESO website

	Provincial Electricity Weather Corrected Sales from the IESO (GWh)	Year over Year Change
2003	151,286	
2004	154,125	2,839
2005	155,233	1,108
2006	152,349	(2,884)
2007	151,603	(746)
2008	148,920	(2,683)

**Response to (d):**

There does not appear to be information in the IESO's 18-Month Outlook on the proportion of industrial load in Ontario. As a result, OPDC is unable to answer this question.

**Response to (e):**

In conducting the regression analysis for the load forecast, OPDC's objectives were to achieve a 95% R square and to have a prediction model with variables that could be explained. OPDC used the standard variables used by other distributors for load forecasting in their 2009 cost of service applications.

When these standard variables were used with OPDC data the resulting regression analysis provided a 96.8% R square and there were no coefficients that did not make intuitive sense. As a result OPDC did not test other models as its objective was achieved with the first model tested.

**Response to (f):**

The following schedule sets out the year over year annual growth in population for the period 1996-2008:

	1996-2000	2001-2006	2007-2008
Year over Year Annual Growth in Population	0.90%	0.80%	0.70%

**Response to (g):**

Orillia predicts growth in population of 0.8% in its service area for 2009 and 2010, consistent with the average pattern shown in our response to f) above.

**Response to (h):**

With regards to GDP, on October 22, 2009 the Ontario Minister of Finance provided a fall update to the 2009 Ontario Economic Outlook and Fiscal Review.

In this review the 2009 GDP was updated from -2.5% to -3.5% and the 2010 GDP was updated from 2.3% to 2.0%. OPDC is not aware of any other recent Ontario GDP growth for 2009 and 2010 other than the rates prepared by the Ontario Ministry of Finance.

**Response to (i):**

Using OPDC’s prediction model, the updated forecast GDP growth from the Ministry of Finance (part h) and the forecast for Orillia’s population (per part g), the table below provides a summary of the forecast of purchases for OPDC for 2009 and 2010. In addition, in a format similar to that of Appendix 3-B, the results the details supporting the Forecasted Purchases Before Adjustments amount are also provided below

In the summary table OPDC has made adjustments to the predicted forecasted purchases to account for load displacement and CDM. In OPDC’s view the IESO 18-month outlook approach automatically reflects these adjustments in the forecast but when the prediction model is used to forecast 2009 and 2010 loads these adjustment are not included. As a result, a manual adjustment is required to account for the impact of load displacement and CDM in 2009 and 2010.

(GWh)	Forecasted Purchases Before Adjustments	Load Displacement	CDM	Forecasted Purchases After Adjustments
2009	346.0	2.3	5.2	338.5
2010	348.7	4.7	5.2	338.8

	Heating Degree Days	Cooling Degree Days	Ontario Real GDP Monthly %	Number of Days in Month	Spring/Fall Flag	Population	Number of Peak Hours	Blackout Flag	Predicted Purchases
Jan-09	791	0	139	31	0	30,849	336	0	34,370,986
Feb-09	675	0	139	28	0	30,869	304	0	31,086,638
Mar-09	595	0	139	31	1	30,890	352	0	31,392,589
Apr-09	361	1	138	30	1	30,910	320	0	27,651,605
May-09	169	7	138	31	1	30,931	320	0	25,955,880
Jun-09	40	56	137	30	0	30,951	352	0	26,478,305
Jul-09	9	92	137	31	0	30,972	352	0	28,026,812
Aug-09	13	70	137	31	0	30,992	320	0	27,005,010
Sep-09	79	24	136	30	1	31,013	336	0	25,063,414
Oct-09	277	1	136	31	1	31,034	336	0	27,277,575
Nov-09	455	0	135	30	1	31,054	320	0	28,899,214
Dec-09	655	0	135	31	0	31,075	352	0	32,818,880
Jan-10	791	0	135	31	0	31,095	320	0	34,370,468
Feb-10	675	0	135	28	0	31,116	304	0	31,219,220
Mar-10	595	0	136	31	1	31,137	368	0	31,658,250
Apr-10	361	1	136	30	1	31,157	320	0	27,818,866
May-10	169	7	136	31	1	31,178	320	0	26,140,445
Jun-10	40	56	136	30	0	31,199	352	0	26,680,153
Jul-10	9	92	136	31	0	31,220	336	0	28,130,191
Aug-10	13	70	137	31	0	31,240	336	0	27,357,081
Sep-10	79	24	137	30	1	31,261	336	0	25,316,971
Oct-10	277	1	137	31	1	31,282	320	0	27,432,596
Nov-10	455	0	137	30	1	31,303	336	0	29,302,860
Dec-10	655	0	138	31	0	31,323	368	0	33,239,673

**Question #11**

**Reference:** Exhibit 3/Tab 1/Schedule 3, pages 10-17

- a) Are the historical customer/connection values set out in Table 3-7 year-end or average annual values?
- b) Please provide a schedule that compares the forecast number of new customers as set out in this Exhibit for 2009 and 2010 with the number of new connections for each year reflected in the capital spending forecast in Exhibit 2. Please reconcile any material differences.
- c) Please confirm that for the Residential and GS<50 classes the historical average use per customer shown on page 13 will be influenced by the weather conditions in year concerned.
  - a) Given this fact, please confirm that the calculated growth rates for these two classes will be affected by historical variations in weather.
  - b) Why is it appropriate to use the growth rate in usage per customer/connection (non weather-normalized) to forecast usage for 2008 and 2009?
- d) Please confirm that the calculation of the geometric annual growth rate in Table 3-11 really only considers the values for 1996 and 2008. If this is not the case, please explain more fully how the value is calculated.
- e) Please provide the Hydro One information relied on in order to determine the weather sensitivity by rate class (page 16).
- f) Given that residential uses include lighting, cooking and refrigeration, why is it reasonable to assume that the Residential class is 100% weather sensitive?
- g) Please provide a schedule that sets out the average use per customer for each class as forecast for 2009 and 2010 based on the results on Table 15.
- h) Please provide a schedule setting the average weather normalized use per customer for each class based on the data provided by Hydro One Networks for Festival's 2007 Cost Allocation filing and indicate the year the data is based on.
- i) Please apply the same the methodology as used by Orillia to weather normalize 2010 usage (pages 15-17) and determine the weather normalized use by customer class for 2008 using the predicted total weather normalized purchases as determined in Question 10, part (a) and the actual non-weather normalized used by class for 2008. Please provide a schedule that sets out

the results in terms of total weather normalized use by customer class and per customer weather normalized use by customer class for 2008.

- j) Please contrast the percentage differences between non-normalized and the normalized forecast for 2009 and 2010 with the historical differences between predicted non-normalized and normalized sales over the period 1996-2008 (per Question 10, part (b)).
- k) What is the basis for Orillia’s assumptions regarding the 2.2 GWh and 4.4 GWh reduction attributable to load displacement generation in 2009 and 2010 respectively? Why is it all attributed to the GS>50 class?
- l) What level of interest has Orillia received to-date from its customers regarding the development of embedded generation? For example, how many customers have expressed interest to date, how many have requested some form of connection/impact assessment and what is the associated MW/MWh with the latter? In responding please separately identify the prospects for microFIT generators versus larger embedded generators.
- m) Given that the OEB has now determined that the loads associated with microFIT generators will be gross billed, won’t this mean there is a disconnect between the impact of distributed generation on the sales as reported by Orillia and other LDCs (which will not be net of microFIT generators) versus those reported by the IESO (which will be net of microFIT generators)? If so, please comment on what portion of the distributed generation adjustment should be “added back” into Orillia’s sales.

---

**OPDC RESPONSE:**

**Response to (a):**

The historical customer/connection values set out in Table 3-7 are average annual values

**Response to (b):**

The capital spending forecast for new and upgraded services is not based on a specific number of customers but on historical and current trends of the amount spent typically spent to connect new customers and upgrade services. Therefore, it is not possible to make the comparison requested.

**Response to (c):**

OPDC confirms that for the Residential and GS<50 classes the historical average use per customer will be influenced by the weather conditions in the year concerned. OPDC also confirms the calculated growth rates for these two classes will be affected by historical variations in weather.

The growth rate in usage per customer/connection is used to forecast the usage per customer/connection for 2009 and 2010 which is used to determine the non weather-normalized forecast for 2009 and 2010. It is appropriate to use this growth rate since the non weather normalized forecast should reflect a "weather actual" expectation of usage per customer in the forecast period.

**Response to (d):**

The calculation of the geometric annual growth rate in Table 3-11 really only considers the values for 1996 and 2008.

**Response to (e):**

The Hydro One information relied on in order to determine the weather sensitivity by rate class (page 16) is shown below.

<b>General service &gt;50kW</b>	<b>2004 kWh (Actual)</b>	<b>2004 kWh (Weather Corrected)</b>	<b>% Weather Sensitive</b>
Weather sensitive load	97,047,362	98,216,631	60%
Non-weather sensitive load	64,100,784	64,100,784	
<b>TOTAL</b>	<b>161,148,146</b>	<b>162,317,415</b>	

**Response to (f):**

OPDC has assumed that 100% of Residential and GS < 50 kW rate classes are weather sensitive based on OPDC's understanding of the weather normalization process used by Hydro One to provide weather normalized load data for the cost allocation study.

The Hydro One data shows that for General Service >50kW class it has a certain percentage of load that is weather sensitive and non-weather sensitive as provided in response to e). The data also shows that for Street Lighting, Sentinel Lighting and USL the total actual weather amounts and the total normalized amounts are the same which suggest they are not weather sensitive.

The data shows the classes that are partially weather sensitive and those that are 100% non-weather sensitive but the Residential and GS<50 loads did not fall into these two categories. As a result, OPDC concluded that Residential and

GS<50 loads are 100% weather sensitive. If these classes were partially weather sensitive then Hydro One would have provided similar information as was provided for the General Service >50kW class.

**Response to (g):**

The requested information for 2009 and 2010 is provided in Exhibit 3, Tab 1, Schedule 2, Page 3 of 3, Table 3-3: Annual Usage per Customer/Connection by Rate Class.

**Response to (h):**

The following provides a schedule setting the 2004 average weather normalized use per customer for each class based on the data provided by Hydro One Networks for OPDC’s 2007 Cost Allocation filing.

Residential	10,235
GS<50 kW	38,984
GS>50 kW	979,227
Street Lighting	723
Sentinel Lighting	1,684
USL	6,681

**Response to (i):**

The requested information is provided in the following table:

2008	Residential	General Service < 50 kW	General Service > 50 kW	Streetlights	Sentinel Lights	Unmetered Loads	Total
KWhs Weather Normalized	112,647,743	50,569,607	158,548,545	2,549,242	352,408	862,308	325,529,853
Customers	11,181	1,347	155	3,526	206	155	16,570
KWhs Weather Normalized/Customer	10,075	37,542	1,022,894	723	1,711	5,563	

**Response to (j):**

The percentage differences between non-normalized and the normalized forecast for 2009 and 2010 is generally higher than the historical differences between predicted non-normalized and normalized sales over the period 1996-2008 (per Question 10, part (b)). However, the normalized forecast for 2009 and 2010 is properly taking into consideration the recent economic downturn as well as the impact of load displacement and CDM. However the non-normalized



forecast for 2009 and 2010 does not reflect the significant impact of these events .economic downturn.

As a result, the differences between non-normalized and the normalized forecast for 2009 and 2010 are reasonable for purposes of designing the proposed OPDC distribution rates.

**Response to (k):**

The reduction is attributable to a single GS>50 kw customer using a 1 MW generator at approximately 47% of its capacity due to customer policy on operating restrictions. This generator came on line in July 2009, hence the displacement is expected to be half (2.2 gWh) for 2009 of what it would be if run for a full year (4.4 gWh). The calculations are shown below:

**LOAD DISPLACEMENT**

Generator Capacity in kw	1,060
Number of units	1
	<hr/>
	1,060.0
Hours per year	8,760
kWh per year maximum	<hr/>
	9,285,600
Company operating policy - Hours limit per year	4,160
% of year generator allowed to run	47%
<b>Expected kWh per year displacement</b>	<b>4,409,600</b>
<b>2009 kWh Displacement - Generator came on line July 1, 2009</b>	<b>2,204,800</b>
<b>2010 kWh Displacement - Will be running for full year</b>	<b>4,409,600</b>

**Response to (l):**

Orillia has two customers with embedded generation facilities. They include a non-renewable load displacement generator with name plate capacity of 1.06mW connected July/09 and a renewable standard offer contract for solar PV with output capacity of 1.7kW (connection still pending).

OPDC is aware of 5 microFIT applications for solar PV each proposing output capacity of 9.4kW. We expect additional interest in microFIT generation but have no information to comment on how great that interest will be. Interest was expressed by a customer for non-renewable embedded generation with total name plate capacity of 1.53mW this year but this is not an active application. We are not aware of any other interest in larger embedded generation.

**Response to (m):**

The OEB has determined that the loads associated with FIT and microFIT generators will be gross billed. OPDC agrees there may be a disconnect

between the impact of distributed generation on the sales as reported by Orillia and other LDCs (which will not be net of FIT and microFIT generators) versus those reported by the IESO (which will be net of FIT and microFIT generators).

However, it is OPDC's understanding that the customer with FIT and microFIT generators will be billed distribution charges on a gross billed basis. In other words, they will be billed for distribution charges as if the FIT and microFIT generators are not even there.

With regards to the IESO 18-Month Outlook, Table 4.3: "Summary of Scenario Assumptions", shows Demand Forecast: Embedded Generation - Incremental growth of 145 MW at the time of peak. The Outlook does not indicate the type of embedded generation (i.e. FIT, microFIT or other). This information is the only numerical information that OPDC was able to find in the IESO 18-Month Outlook with regards to the Embedded Generation results. The 145 MW is 0.6% of the 2010 summer normal weather peak demand in the IESO 18-Month Outlook (Table 3.1: "Forecast Summary"). The embedded generation assumed in the OPDC load forecast is 1.4% of the 2010 load forecast used in the application.

In summary, OPDC has used the IESO 18-Month Outlook results and determined the 2010 weather normalized load forecast by applying a 4.3% reduction in energy, as per the IESO 18-Month Outlook, to the 2008 weather normalized amount. In OPDC's view the 4.3% could be justified to be applicable to the OPDC service area as 1.5% conservation savings as per response to OEB IR# 16(a), a reduction of 1.4% for embedded generation discussed above and the remaining reduction of 1.4% can be attributable to impact on energy usage from the recent economic downturn. Considering the Ontario GDP is forecasted to decline by 1.5% over the same period this appears to be a reasonable assumption. As a result, there does not appear to be an adjustment needed for FIT and microFIT generators.

**Question #12**

**Reference:** Exhibit 3/Tab 2/Schedule 1, page 2

- a) Please provide a schedule setting out the rates and volumes by customer class supporting the 2010 test year revenues reported in Table 3-20.
- b) Please clarify whether the rates used in part (a) included:
- Smart Meter charges
  - Discounts for transformer ownership where applicable.
  - LV costs

---

**OPDC RESPONSE:**

**Response to (a):**

The requested schedule has already been provided in the application in Table 8-16 (Ex. 8 Tab 5 Sch. 2 page 4). There are very minor differences among the classes compared to Table 3-20 although the total revenue requirement is still the same. The reason for these differences was explained in Board Staff IR # 21. Please see that explanation for further details.

**Response to (b):**

The rates used in part (a) exclude smart meter funding adders and LV cost adders.

The rates used in part (a) have been reduced by the transformer ownership allowance where appropriate.

**Question #13**

**Reference:** Exhibit 3/Tab 3/Schedule 3, page 2

- a) Please explain more fully the \$70,000 forecast Loss on Disposition for 2010.
- b) Does \$70,000 represent the full forecast loss or 50% of the forecast loss for 2010?

---

**OPDC RESPONSE:**

**Response to (a):**

The \$70,000 forecast Loss on Disposition for 2010 represents the costs (including labour, materials, equipment and disposal) for the removal and disposition of assets. This includes disposition of assets including, poles, conductors, transformers, devices, etc. For example, if a section of line is being upgraded, all costs related to the removal and disposal, are considered loss on disposition and are charged to this account.

Based on experience, the \$70,000 figure is in line with the typical yearly costs in this category and in light of the budgeted capital projects that involve upgrades; we certainly anticipate achieving, if not surpassing this budgeted amount in 2010.

**Response to (b):**

The \$70,000 represents the full forecast loss for 2010

**Question #14**

**Reference:** Exhibit 4/Tab 4/Schedule 1, page 1

a) Please confirm that by automatically giving the Executive/management group the same increase as awarded to the union, the Executive/management base salary levels are unrelated to either individual performance or utility performance.

---

**OPDC RESPONSE:**

OPDC confirms that by automatically giving the Executive/management group the same increase as awarded to the union, the Executive/management base salary levels are unrelated to either individual performance or utility performance.

**Question #15**

**Reference:** Exhibit 4/Tab 4/Schedule 1, page 3

Please confirm that the EPP payments to staff are in addition to contract increases.

---

**OPDC RESPONSE:**

OPDC confirms that the EPP payments to staff are in addition to contract increases.

**Question #16**

**Reference:** Exhibit 4/Tab 4/Schedule 1, page 5, Table 4-10

- a) Please explain why yearly incentive pay increased about five-fold in 2008 and thereafter and also explain why this 400% increase benefits ratepayers.

---

**OPDC RESPONSE:**

In 2007 and prior years, the only amount that was classified as incentive pay was the sick pay incentive plan for inside union and management workers. In 2008, the company introduced the Employee Performance Plan (EPP) which is the driver for the incentive pay increase in that year as well as future years. As noted on pages 2 and 3 of Exhibit 4/Tab 4/Schedule 1, the plan targets have been designed to provide both immediate and long-term benefits to the customers of OPDC.

- By reinforcing the importance of Health, Safety & Environment through specific plan targets, employees are further encouraged to keep these matters front of mind, in everything they do. OPDC believes strongly in nurturing a culture of safety, and by including it as an integral component of the EPP, we hope to further reduce the possibility of incurring the human and financial costs associated with a Health & Safety incident.
- The Service Quality measures within the plan act to consistently emphasize the focus and importance that OPDC places on satisfying customer needs and expectations. EPP targets in this category are set at levels substantially above the OEB targets to further drive our performance and achieve best in class results.
- In the eyes of the customers, System Reliability is clearly one of the most important measures of their local utility. In the past, OPDC has achieved admirable results with respect to Reliability and Efficiency measures. By setting EPP targets that exceed industry averages, OPDC is further reinforcing the long-term goal of achieving excellent Reliability and Efficiency results and guiding employee efforts to achieve that end. OPDC believes strongly that the proactive measures taken to ensure reliability and efficiency are an investment that saves customers money and inconvenience.

To help keep the EPP costs in perspective, it is important to note that the total maximum annual cost of the Plan is approximately \$40,000. The average cost of a single lost time injury in Ontario, as reported by WSIB, is \$98,000 (2006 data). The fact that the most heavily weighted measure in the EPP is related to health and safety, it is clearly a cost / benefit if this plan helps to avoid the potential cost of such an injury.

**Question #17**

**Reference:** Exhibit 5/Tab 1/Schedule 2, page 1

- a) If Orillia wanted to pay off the promissory note, is it able to do so without the agreement of the shareholder? If not, what agreements are required and why?
- b) If the shareholder were to demand repayment of the promissory note (or permitted OPDC to pay off the note), are there any impediments to OPDC borrowing from a third party such as a commercial bank? For example, would it require the guarantee or permission of the shareholder to undertake such borrowing?
- c) If the response to part b) is “yes,” is there any reason to expect these impediments would prevent OPDC from undertaking 3<sup>rd</sup> party borrowing? For example, if a guarantee were required from the shareholders, is there any reason to expect such a guarantee could not/would not be provided?

---

**OPDC RESPONSE:**

**Response to (a):**

OPDC is not able to pay off the note without shareholder agreement.

The wording in the promissory note precludes OPDC paying down the note without the full agreement of the shareholder. The bottom of the second paragraph of the note reads as follows: *“The undersigned does not have the right to prepay the principal in whole or in part at any time other than as required by the City therein.”*

OPDC is not aware of what agreements would be required as those would be under the sole control of the City of Orillia.

**Response to (b):**

The answer is yes to the question “are there any impediments to OPDC borrowing from a third party such as a commercial bank”?

OPDC would be required to seek shareholder approval to enter into a third party debt obligation that provides recourse to the assets of OPDC.

Secondly, obtaining financing from a third party at reasonable market interest rates is contingent on the borrower being able to demonstrate ability to repay the debt. Exhibit 1, Appendix 1-G presents income results under the status quo



projected out to 2013. That scenario shows flat revenue streams and ever increasing costs of operations. Given the declining financial results currently being experienced by OPDC and the even worse outlook moving out into 2013 and beyond, lenders may have significant concerns regarding the ability to repay the debt and require either very high interest rates, operating restrictions, or both in order to provide funds. Having said all of that, should OPDC receive its requested rates as outlined in this application, its financial position would be restored to a solid footing and lenders would not have those same concerns. In that case OPDC would have the ability to obtain reasonable cost 3<sup>rd</sup> party debt should the need arise.

**Response to (c):**

The answer to part (c) is contingent on future events, one of which would be approval of the rates requested in this application. Under the status quo scenario, it is quite possible that it would be difficult to obtain 3<sup>rd</sup> party borrowing at reasonable interest rates and reasonable covenants. It would also be difficult to project that shareholder approval would be forthcoming.

Again, under a scenario where OPDC's rates are approved as requested, it is very likely that OPDC would be able to obtain reasonable cost 3<sup>rd</sup> party debt should the need arise.

**Question #18**

**Reference:** Exhibit 6/Tab 1/Schedule 1, page 3  
Exhibit 8/Tab 2/Schedule 1, Table 8-4

- a) Please provide a schedule that sets out the derivation of Distribution Revenues @ Existing Rates (\$6,161,700). Please include the volumes and rates used for each class and confirm that:
- The rates used exclude any smart meter or LV cost adders
  - The rates used have been reduced by the transformer ownership allowance where appropriate.
- If not, please recalculate the revenues at existing rates by class with the rates specified as above.
- b) Based on the responses to the first round of interrogatories from all parties please prepare a schedule that sets out all the adjustments/revisions that Orillia has acknowledged as being required to the currently requested 2010 revenue requirement and the impact of each.

---

**OPDC RESPONSE:**

**Response to (a):**

The requested schedule has already been provided in the application in Exhibit 8, Tab 5, Sch. 1 pg 4 of 4 as Table 8-13.

OPDC confirms that the rates exclude smart meter funding adders and LV cost adders.

OPDC confirms that the rates have been reduced by the transformer ownership allowance where appropriate.

**Response to (b):**

There are currently no adjustments/revisions that Orillia acknowledges as being required to the requested 2010 revenue requirement.

**Question #19**

**Reference:** i) Exhibit 7/Tab 1/Schedule 3

- a) Please provide an electronic copy of the 2010 Cost Allocation Run.
- b) With respect to Table 7-2, please confirm that the proportion of revenues by class shown in the column “2010 Distribution Revenues Allocated based on Proportion of Revenue at Existing Rates” matches those shown in response to Question #18, part (a).
- c) Why is Orillia proposing to move the revenue to cost ratio for the USL class to 100% when the upper end of the Board’s range is 120% and GS>50 is at 125.2%?

---

**OPDC RESPONSE:**

**Response to (a):**

An electronic copy of the 2010 Cost Allocation Run was filed as part of OPDC's 2010 cost of service rate application on September 16, 2009.

**Response to (b):**

OPDC confirms that the proportion of revenues by class shown in the column “2010 Distribution Revenues Allocated based on Proportion of Revenue at Existing Rates” matches those shown in response to Question #18, part (a). Please refer to Table 8-3 of the Application.

**Response to (c):**

Unmetered scattered load revenues are very small relative to the GS > 50 class. The difference between moving from 210.4% to 120% instead of 100% is \$4,374 and would make no tangible difference to the rates in the significantly larger GS>50 class.

As USL had been over contributing to its costs by more than double, it was felt that matching their revenues with costs (ie. 100% revenue to cost ratio) was fair and reasonable at this time considering it was only \$4,374 to do so.

**Question #20**

**Reference:** Exhibit 8/Tab 2/Schedule 1

- a) Please confirm that the Board's EB-2007-0667 Guideline (page 12) sets the upper limit for the MSC at 120% of avoided costs plus the allocated customer costs (i.e., Minimum System plus PLCC Adjustment). Based on this definition, do any of Orillia's proposed monthly service charges exceed the Board's upper limit?
- b) On page 3 Orillia states that "an MSC ceiling has not been established". However, on page 2 Orillia states that "the OEB indicated that for the time being, it does not expect distributors to make changes to the MSC that result in a charge that is greater than the ceiling as defined in the Methodology for the MSC". Please explain why the later direction from the OEB doesn't effectively establish a ceiling for those distributors whose MSC values are below the Board's upper limit.

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**OPDC RESPONSE:**

**Response to (a):**

Please see response to Board Staff IR#39.

**Response to (a):**

Please see response to Board Staff IR#39.

**Question #21**

**Reference:** Exhibit 8/Tab 2/Schedule 2

- a) Please provide a schedule setting the volumes and HON rates used to determine the forecast 2010 LV costs of \$185,000.

**OPDC RESPONSE:**

<b>2010 Low Voltage Costs</b>	<b>Rates / Determinants</b>	<b>Costs</b>
Fixed rate per meter point	\$118.27	
Variable rate per kW	\$0.35	
Number of meter points	4	
Forecasted aggregated kW	512,000	
Annual fixed cost		\$6,000
Annual variable cost		\$179,000
Total forecasted low voltage charges		\$185,000

**Question #22**

**Reference:** Exhibit 8/Tab 3/Schedule 1

- b) Please confirm that all of charges to Orillia for Transmission Network and Connection service are based on Hydro One Networks-Distribution's retail transmission service rates.
- c) Please confirm that Orillia has not included any allowance in its application for increases in 2010 to Hydro One Networks-Distribution's retails transmission service rates.

---

**OPDC RESPONSE:**

**Response to (a):**

OPDC confirms that all of the charges to Orillia for Transmission Network and Connection service are based on Hydro One Networks-Distribution's retail transmission service rates.

**Response to (b):**

OPDC confirms that it has not included any allowance in its application for increases in 2010 to Hydro One Networks-Distribution's retails transmission service rates.

**Question #23**

**Reference:** Exhibit 8/Tab 4/Schedule 1

- a) Are the sub-transmission lines currently used to deliver power from Orillia Power Generation Corporation to Orillia Power Distribution owned by Orillia Power Distribution or by Hydro One Networks?
- b) If owned by Hydro One Networks is Orillia billed LV charges for the use of this line and will this billing cease in 2010 when the supply arrangements change?
- c) If the response to part (b) is yes, please explain how this change has been factored into the determination of the forecast 2010 LV costs.

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**OPDC RESPONSE:**

**Response to (a):**

The lines are owned by Orillia Power Distribution.

**Response to (b):**

See response to (a).

**Response to (c):**

See response to (a) and (b).