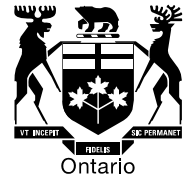


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**BY E-MAIL**

August 18, 2010

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Board Staff Interrogatories  
2010 Electricity Distribution Rates  
Ottawa River Power Corporation  
Board File No. EB-2009-0165**

In accordance with Procedural Order No. 1, please find attached Board staff interrogatories in this proceeding. Please forward the attached to Ottawa River Power Corporation and the intervenor in the proceeding.

Sincerely,

*Original Signed By*

Suresh Advani  
Advisor

Attachment

**Ottawa River Power Corporation  
2010 Electricity Distribution Rates  
EB-2009-0165  
Board Staff Interrogatories**

**1. Filing Consistent Information**

It would appear that certain data have been variously stated in the application such that it is unclear which values the Applicant is relying on and what the appropriate resultant rates should be.

If in addressing these interrogatories and those of VECC, any data is found to be inconsistently filed *and this affects the rates requested*, please file one complete consistent set of models, worksheets, data, etc. covering all key aspects of the application, in a manner that reflects the Board's current policies, guidelines, etc.

**2. Responses to Letters of Comment**

Following publication of the Notice of Application, has the Applicant received any letters of comment in respect of this application? If so, please confirm whether a reply was sent by the Applicant in response to such comments and if so, please file copies of such responses with the Board. If not, please explain why a response was not sent and advise whether the Applicant intends to respond and file a copy of the response if and when such response is given.

**3. Late Filing**

Board records show that the Applicant filed its application on June 30, 2010, after the August 28, 2009 closing date for 2010 cost of service rate applications as set out in the Board's March 5, 2009, letter: "Multi-year Electricity Distribution Rate Setting Plan - Final Selection of Electricity Distributors for Rebasing in 2010 and 2011 - Board File No.: EB-2009-0028".

Please provide a comprehensive explanation for the Applicant's ten-month delay in filing its 2010 cost of service rate application.

**4. Late Payment Penalty**

Please state whether or not the applicant has included an amount for recovery of late payment penalty litigation costs in its 2010 Test Year application. If yes, please indicate the amount and explain how the applicant is proposing to recover

this amount. If yes, please provide evidence supporting the amount allocated to the applicant (e.g. the settlement agreement).

## **5. Proposed Rates**

Ref: Exhibit 1/1/2/p2 and Exhibit 8/4/4/2/pp1-8

In the first referenced exhibit the Applicant provides select *summer* overall bill impacts. In the second referenced exhibit the Applicant provides additional *summer*, and separately *winter*, overall bill impacts.

For each customer class, please provide a comprehensive range of overall bill impacts encompassing the full year.

## **6. Budget Directives and Assumptions**

Ref: Exhibit 1/4/5/1/p1

The Applicant states that distribution revenue was forecast using weather normalized volumes multiplied by “both current approved distribution rates and by proposed rates in order to project the revenue for the 2010 test year”.

Please explain the role(s) that the currently-approved distribution rates played in calculating the 2010 revenue and, in particular, state the weighting (i.e. number of months), if any, the currently-approved distribution rates were given in the 2010 revenue calculation.

## **7. Power Supply Expenses**

Ref: Exhibit 2/1/1/1/p1, Exhibit 2.5.1.p1-2, Exhibit 3.1.3.pp1-2 and Exhibit 3.1.3.1.pp1-4.

The Applicant shows the Power Supply Expenses used in developing the Working Capital Allowance and outlines the methodology used.

Please provide detailed calculations in the form of a live Excel spreadsheet for the 2010 Power Supply Expenses forecast of \$16,175,760 showing, in particular, the utilization of the RPP and non-RPP volumes and rates, and provide support for any assumptions made.

## 8. Asset Retirement

Ref: Exhibit 2/2/2/p1

In discussing its Asset Retirement Policy the Applicant states: "The only other planned asset retirements are for vehicles reaching the end of their typical useful life. One such retirement is expected in 2010." In reviewing its Investment Planning Process & Strategy in Exhibit 2.4.4.p1 Ottawa River is silent on vehicle replacement cycles. In Exhibit 2.4.3.p14 it is noted that "Replacement of 20 year old RBD" comprises \$302,000 of the 2010 capital investments.

- a) Please describe the type of transportation equipment referred to as "RBD".
- b) Please provide any supporting evidence that, in addition to its chronological age, the current equipment needs to be replaced.
- c) Further, please provide the implication of deferring the acquisition of new transportation equipment.
- d) Has the 2010 planned acquisition been made?

## 9. Depreciation

Ref: Exhibit 2/2/3/p1

In discussing its Depreciation Policy, the Applicant states: "For rate-setting purposes, ORPC has applied the half-year rule for depreciation *retrospectively since the Board-approved balances for the 2006 EDR.*" [Emphasis added.]

Please elaborate on the retrospect reference and, in particular, any changes in Ottawa River's depreciation policy or practices respecting the application of the half-year rule.

## 10. Fixed Assets

Ref: Exhibit 2/3/3/1/pp1-20

The Applicant provides details of its 2006 EDR approvals and the actual/planned capital expenditures in the 2006-2009 period.

Please provide any information available that compares the approved capital expenditures (i.e. OEB approved or Ottawa River's Board of Directors approved) and the subsequent actual capital expenditures for each year in the 2006 to 2009 period and provide an explanation for the differences.

## **11. Fixed Assets**

Ref: Exhibit 2/3/3/1/pp1-20

In this exhibit where the Applicant provides details of its 2006-2010 capital expenditures, the expenditures seem to be concentrated within certain accounts.

Please provide a copy of any strategic investment plan being pursued or, in the absence of such a document, comment on any such informal plan the Applicant may be following.

## **12. Gross Assets**

Ref: Exhibit 2/3/1/1/p2

In this exhibit and in Exhibits 2.3.3.1.p16 and 2.4.3.1.p2, the Applicant shows its projection for 2009 capital expenditures to be \$1,014,042.

If available, please provide the 2009 actual value, including a breakdown for all capital accounts listed in Exhibit 2/3/1/1/p2.

## **13. Working Capital Allowance**

Ref: Exhibit 2/5/1/1/p1

The Applicant shows the 2009 and 2010 entries for the 4730-Rural Rate Assistance Expense account.

Please explain the zero value in the 2009 column. Further, please confirm that the columns titled "2010 @ existing rates" and "2009 Projection" represent "2010 Projection" and "2009 Actual" respectively.

## **14. Service Quality and Reliability**

Ref: Exhibit 2/6/1/p1

In the Service Quality Indicators table, the Applicant shows the 2006 CAIDI values for "All Interruptions" and "Excluding Loss of Supply" to be 1.14 and 1.29 respectively, and the 2007 CAIDI values to be 0.73 and 0.84 respectively.

Please clarify why the "All Interruptions" values are less than the "Excluding Loss of Supply" values.

## **15. Distribution System**

Ref: Exhibit 3/1/2/p1

The Applicant states on page 1 of the exhibit that “ORPC purchases wholesale energy from several embedded generators and also from Hydro One Networks”.

- a) Please provide details of the energy purchased from the embedded generators.
- b) Please identify the embedded generators.
- c) Please confirm that the energy purchased from the embedded generators has been appropriately reflected in the various calculations in the application or provide alternative calculations as necessary.

## **16. Throughput and Distribution Revenue**

Ref: Exhibit 3/2/2/p1

The Applicant states on page 1 of the exhibit that “existing volumetric rates include an embedded rate adder for Low Voltage service, and may also include a component to recover allowances for transformer ownership”. It further notes that these amounts have been deducted in order to arrive at net distribution revenue by customer class.

- a) Please provide the calculations utilized and highlight the deductions mentioned above.

## **17. Throughput and Distribution Revenue**

Ref: Exhibit 3/2/1/1/pp1-3

In the exhibit, the 2010 tables appear to be consistently based on currently approved (i.e. 2009) rates.

Please provide the three pages of tables utilizing the proposed 2010 rates.

## **18. Weather Normalized Distribution System Load Forecast**

Ref: Exhibit 3/1/2/1/p4

In the Load Forecast Report, it states: “For ORPC, neither the number of peak days nor the number of days in the month yielded meaningful results. Therefore, these were not included as explanatory variables”. A footnote referring to this statement states: “The major issue was unexplainable intuitively incorrect signs on the estimated coefficients”.

- a) Please provide further clarification to explain why the two variables, i.e. number of peak days and the number of days in the month were unusable to forecast load.
- b) Please provide any mathematical expressions that were developed linking load and the two variables.

## **19. Projected Power Supply Expenses**

Ref: Exhibit 3/1/3/1/p3

The 2010 volume for Residential class is shown as 82,451,143 kWh.

Beginning with the Residential load forecast of 79,547,654 kWh in Exhibit 3/1/1/1/p1, please show the calculation of the 82,451,143 kWh value and explain any loss factors used.

## **20. Other Revenues**

Ref: Exhibit 3/3/1/1/p1

In Exhibit 3/3/1/1/p1 the total Other Revenue is shown as \$362,788. In Exhibit 6/1/2/1/p1 the Revenue Offsets are shown as \$377,968.

Please differentiate between the Other Revenue and Revenue Offsets entities as used in this application and reconcile the two values quoted.

## **21. OM&A Costs**

Ref: Exhibit 4/1/2/p1

The Applicant cites a 6.2% increase in Adjusted OM&A Expenses over the 2008 to 2010 period and states that expenses related to “the recruitment and training of trade apprentices, to address recent and expected staff retirements” are a significant factor driving this increase.

- a) Please explain if this is a one-time or an on-going expense.
- b) Please identify the inflation rate used for the 2010 OM&A forecast and the source document for the inflation assumptions.

## **22. Employee Costs**

Ref: Exhibit 4/4/1/1/p1

The Employee Costs Table shows that the Total Compensation (Salary, Wages and Benefits) costs for union staff increased by 5.9% p.a. from 2008 to 2010 compared to 3.5% p.a. from 2006 to 2008. For management and non-union staff, the increases were respectively 7.5% p.a. and 3.8% p.a.

Please explain the circumstances that have led to a higher increase in employee costs for the 2008 to 2010 period compared to the 2006 to 2008 period.

## **23. Staff Levels**

Ref: Exhibit 4/4/1/p2 and Exhibit 4/2/1/5/p1

Exhibit 4/4/1/p2 shows the headcount to be 26. Exhibit 4/2/1/5/p1 shows the Number of FTEEs for 2010 to be 27.

- a) Please confirm that the headcount of 26 shown in Exhibit 4/4/1/p2 is for the year 2010 and reconcile this with the 27 FTEEs for the year 2010.
- b) Further, please justify the higher FTEE number.

## **24. Table of Revenue Deficiency or Surplus**

Ref: Exhibit 6/2/1/1/p1

OM&A Expenses and PILs/Income Taxes for 2010 are shown as \$2,600,768 and a blank space respectively. The apparently-same entities are shown elsewhere as \$2,570,853 (Exhibit 4/1/1/1/p1) and \$56,851 (Exhibit 4/8/3/1/p17) respectively.

Please differentiate between the apparently-same entities, reconcile the values and identify the values upon which the Applicant will rely.

## **25. Regulatory Audit Bulletin – Account 1588**

Ref: Exhibit 9

On October 15, 2009, the Board's Regulatory Audit & Accounting group issued a bulletin related to Regulatory Accounting & Reporting of Account 1588 RSVA Power and Account 1588 RSVA Power Sub-account Global Adjustment.

Please confirm whether the Applicant has complied with this bulletin and whether or not the Applicant plans on making any changes to its filing with respect to Account 1588.