

1           **OTTAWA RIVER POWER CORPORATION (“ORPC”)**  
 2           **RESPONSES TO BOARD STAFF INTERROGATORIES**

3

4           **QUESTION #1**

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

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

12

13          **RESPONSE:**

14          In addressing interrogatories, ORPC has determined the following amendments to its  
 15          initial application which affect the proposed rates:

**Application Amendments**

IR	Amendment	Rate Base	Return on Capital	PILs	Distribution Expenses	Revenue Requir.	Revenue Offsets	Base Rev. Requir.
	<b>Initial Application</b>	<b>11,518,294</b>	<b>931,001</b>	<b>56,851</b>	<b>3,362,658</b>	<b>4,350,510</b>	<b>(377,968)</b>	<b>3,972,542</b>
OEB-19	Line loss factor	5,568	450	42		492		492
OEB-21(a)	Apprentice Tax Credits			(27,750)		(27,750)		(27,750)
VECC-11 *	2010 Cost Allocation							
VECC-8(e)	OPA revenue						10,000	10,000
	<b>Revised Application</b>	<b>11,523,862</b>	<b>931,451</b>	<b>29,143</b>	<b>3,362,658</b>	<b>4,323,252</b>	<b>(367,968)</b>	<b>3,955,284</b>

\* Affects Revenue Allocation and Rate Design

16          The total bill impacts resulting from these changes are as follows:

**Total Bill Impacts**

	Monthly Usage	Initial Appl.	With Changes
Residential	800 kWh's	(12.0%)	(12.4%)
General Service Less Than 50 kW	2,000 kWh's	(7.3%)	(7.1%)
General Service 50 to 4,999 kW	45,900 kWh's, 120 kW's	(9.3%)	(9.0%)
Unmetered Scattered Load	500 kWh's	(37.8%)	(37.3%)
Sentinel Lighting	102 kWh's, 0.29 kW	2.6%	1.1%
Street Lighting	76 kWh's, 0.22 kW	8.6%	8.5%

1 Note that all ORPC interrogatory responses rely on the data as submitted in its initial  
2 application, unless otherwise requested in the question or explicitly noted in the  
3 response.

4 The following models have been revised and the updated versions submitted  
5 electronically, along with ORPC's interrogatory responses:

- 6 • Rate model ("RateMaker")
- 7 • RateMaker PILs model
- 8 • 2010 Cost Allocation Model
- 9 • Revenue Requirement Work Form

10

11 For version control, "IRr1" has been included in the file names of the revised models.

12

1 **QUESTION #2**

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

8 **RESPONSE:**

9           ORPC has not received any letters of comment in respect of this Application.

10

1 **QUESTION #3**

2 Board records show that the Applicant filed its application on June 30, 2010, after  
3 the August 28, 2009 closing date for 2010 cost of service rate applications as set  
4 out in the Board's March 5, 2009, letter: "Multi-year Electricity Distribution Rate  
5 Setting Plan - Final Selection of Electricity Distributors for Rebasing in 2010 and  
6 2011 - Board File No.: EB-2009-0028".

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

9

10 **RESPONSE:**

11 The Board's letter of March 5, 2009 did not refer to August 28, 2009 as a 'closing date'  
12 for 2010 cost of service rate applications; it stated that applicants were encouraged to  
13 file no later than August 28, 2009 for rates to become effective May 1, 2010. While  
14 ORPC understood that its 2010 rates would not necessarily become effective May 1 if its  
15 rate application was filed after August 2009, ORPC was not aware of any deadline for  
16 filing a cost of service application prior to the Board's letter dated April 20, 2010.

17 ORPC and its consultant worked with all due intensity and diligence to complete a  
18 quality submission by the date specified in its letter to the Board dated April 26, 2010  
19 (see last page of Exhibit 1/1/3/1).

1 **QUESTION #4**

2 Please state whether or not the applicant has included an amount for recovery of  
3 late payment penalty litigation costs in its 2010 Test Year application. If yes,  
4 please indicate the amount and explain how the applicant is proposing to recover  
5 this amount. If yes, please provide evidence supporting the amount allocated to  
6 the applicant (e.g. the settlement agreement).

7

8 **RESPONSE:**

9 ORPC did not include an amount for recovery of the late payment penalty litigation costs  
10 in its 2010 Test Year application.

1 **QUESTION #5**

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

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

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

8

9 **RESPONSE:**

10 Bill impacts would vary by season only for the Residential class, due to the variation in  
 11 monthly volume thresholds for block pricing under the Registered Price Plan (RPP). The  
 12 following table presents the overall bill impacts for all the suggested monthly volume  
 13 levels identified in the Board's latest filing requirements.

**Residential Total Bill Impacts**

Monthly kWh's	Summer		Winter	
	\$	%	\$	%
100	(\$0.86)	(4.0%)	(\$0.86)	(4.0%)
250	(\$2.97)	(8.3%)	(\$2.97)	(8.3%)
500	(\$6.50)	(10.9%)	(\$6.50)	(10.9%)
800	(\$10.83)	(12.0%)	(\$10.70)	(12.1%)
1,000	(\$13.67)	(12.3%)	(\$13.67)	(12.7%)
1,500	(\$20.77)	(12.7%)	(\$20.77)	(12.9%)
2,000	(\$27.88)	(12.9%)	(\$27.88)	(13.1%)

14 The seasonal differential in bill impacts is negligible. The same RPP block rates were  
 15 used in the bill impact analysis, in accordance with the Board's filing requirements, to  
 16 isolate the effect of changes to delivery rates. As a result, when comparing commodity  
 17 charges between existing and proposed delivery rates, the only difference arises from  
 18 the proposed change to the Total Loss Factor, and this change is independent of  
 19 seasonality.

20

1 **QUESTION #6**

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

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

6 Please explain the role(s) that the currently-approved distribution rates played in  
7 calculating the 2010 revenue and, in particular, state the weighting (i.e. number  
8 of months), if any, the currently-approved distribution rates were given in the  
9 2010 revenue calculation.

10

11 **RESPONSE:**

12 The above-noted reference relates to the basis for the pro-forma financial projections in  
13 Exhibit 1/4/5/3, which shows separate 2010 forecasts for existing and proposed rates.

14 As stated in Exhibit 1/4/5/2, all test year projections assume that rates are constant for  
15 the entire calendar year.

1 **QUESTION #7**

2 Ref: Exhibit 2/1/1/1/p1, Exhibit 2.5.1.p1-2, Exhibit 3.1.3.pp1-2 and Exhibit  
3 3.1.3.1.pp1-4.

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

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

10

11 **RESPONSE:**

12 The detailed calculation of projected Power Supply Expenses, shown in Exhibit 3/1/3/1,  
13 also appears in worksheet C2 of the Excel rate model ("RateMaker") submitted into  
14 evidence

15 RPP and non-RPP volumes were considered in deriving a weighted average commodity  
16 price, as shown in Exhibit 3/1/3. The RPP block rates were not explicitly considered in  
17 the calculation, as Power Supply Expenses are recorded based on spot price. Rather,  
18 the different commodity spot price forecasts for RPP and non-RPP volumes were  
19 considered to derive a weighted average price. This calculation, presented in Tables 1  
20 and 2 of Exhibit 3/1/3, is also included in the RateMaker model, worksheet  
21 'ElectricityPrice'.



1 **QUESTION #8**

2 Ref: Exhibit 2/2/2/p1

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

9 a) Please describe the type of transportation equipment referred to as "RBD".

10 b) Please provide any supporting evidence that, in addition to its chronological  
11 age, the current equipment needs to be replaced.

12 c) Further, please provide the implication of deferring the acquisition of new  
13 transportation equipment.

14 d) Has the 2010 planned acquisition been made?

15 .

16 **RESPONSE:**

17 a) RBD is an abbreviation for radial boom direct. This equipment typically has insulated  
18 booms for handling loads, a boom mounted auger for digging pole holes, and  
19 storage bins for carrying material or tools of the trade. This is the normal  
20 digger/direct truck used by all utilities for: auguring pole holes, setting poles, hauling  
21 trailers material and pole trailers, lifting transformers, unloading equipment, and  
22 supporting structures. It is used on daily basis in the operation of the distribution  
23 system

24 b) The unit that it replaces was purchased in 1992 and is the original unit (body and  
25 boom) and diesel chassis with 105,000 Km. Our mechanic indicated the rotation gear  
26 is at the end of its life in the boom rotation and the chassis requires a rear axle  
27 rebuild.

28 c) ORPC has two RBD's, one at each of its service garages, located 100 km apart.  
29 They are critical in the response to outages and also used to carry out planned work.

1       Deferring the replacement will mean higher repair costs, down time and lost  
2       productivity, and most important, delays in responding to customer requirements and  
3       emergencies (trucks and operators would have to be brought from our other office or  
4       from neighbouring utilities if available).

5       d) There is a long delivery time for construction vehicles. This replacement truck was  
6       ordered in August 2009 from Altec Industries and delivery is expected in early  
7       September 2010.

8

1 **QUESTION #9**

2 Ref: Exhibit 2/2/3/p1

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

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

9 .

10 **RESPONSE:**

11 ORPC has not applied the half-year rule for depreciation in its financial statements  
12 (Exhibit 1/4/2) or its historical results (Exhibit 1/4/3), nor has there been any change in  
13 ORPC's depreciation policy or practices. For rate-setting purposes only, depreciation  
14 was recalculated as though the half-year rule was in effect starting in 2005, in order to  
15 derive the rate base and annual expense on that basis.

1 **QUESTION #10**

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

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

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

9 .

10 **RESPONSE:**

11 The following information provides a comparison of actual capital expenditures to Ottawa  
 12 River Power Board of Directors approved budgeted amounts:

<b>2006 Capital Expenditures</b>		<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
1805	Land		77,100	77,100
1808	Buildings & Fixtures		173,000	173,000
1820	Distribution Stations	12,073	217,000	204,927
1830	Poles	210,546	114,150	(96,396)
1835	OH Conductors	219,569	200,440	(19,129)
1840	Ducts	16,481		(16,481)
1845	Underground Cable	28,962	46,200	17,238
1850	Transformers	57,171	106,850	49,679
1855	Services	100,441	44,350	(56,091)
1860	Meters	35,376	79,550	44,174
1915	Furniture		4,000	4,000
1920	Hardware	7,966	19,500	11,534
1925	Software	38,159	58,000	19,841
1930	Transportation Equip	26,606	30,700	4,094
1940	Misc. Tools & Equipment	9,409	10,000	591
1955	Communication Equipment	1,854		(1,854)
1995	Capital Contributions	(201,233)	(108,300)	92,933
<b>TOTAL</b>		<b>563,380</b>	<b>1,072,540</b>	<b>509,160</b>

13

14 Actual expenditures in 2006 were almost \$510,000 lower than budgeted with the delay  
 15 of building a new substation, including the corresponding land and building, of \$455,000  
 16 in the Almonte service area. The rebuilding of this Almonte Station impacted the capital  
 17 budget over three years. The project was planned for 2006 to be completed in

1 conjunction with the expansion and rebuilding of a generating station owned by  
 2 Mississippi River Power Corporation (“MRPC”). The two corporations (ORPC – Almonte  
 3 and MRPC) were previously owned by the predecessor utility Almonte Hydro, therefore,  
 4 the substation shares a site with MRPC. Inasmuch as the station had to be coordinated  
 5 with the generation facility upgrade, delays to the generating station (land claims,  
 6 environmental approvals, connection assessments etc.) drove the timetable of the  
 7 distribution station.

8 Other variances included more pole work of \$96,000, with more being accomplished on  
 9 the Ottawa Street rebuild in Almonte, load transfer work completed, and an unexpected  
 10 commercial development. These variances were offset by higher capital contributions  
 11 (\$93,000), less service work (\$56,000) and lower transformer requirements (\$50,000).

12

	<b>2007 Capital Expenditures</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
1805	Land		20,500	20,500
1808	Buildings		28,700	28,700
1810	Leasehold Improvements	19,588	49,000	29,412
1820	Distribution Stations	18,175	465,660	447,485
1830	Poles	117,645	68,800	(48,845)
1835	OH Conductors	247,669	135,016	(112,653)
1845	Underground Cable	42,993	46,200	3,207
1850	Transformers	114,212	124,650	10,438
1855	Services	177,265	44,255	(133,010)
1860	Meters	8,005	0	(8,005)
1915	Furniture		5,700	5,700
1920	Hardware	5,497	6,000	503
1925	Software	16,211	110,000	93,789
1930	Transportation Equip	81,506	75,000	(6,506)
1940	Misc. Tools & Equipment	2,274	12,200	9,926
1955	Communication Equipment		1,000	1,000
1995	Capital Contributions	(50,096)	(121,000)	(70,904)
	<b>TOTAL</b>	<b>800,944</b>	<b>1,071,681</b>	<b>270,737</b>

13

14

15 Again in 2007, the major contributing factor to the annual variance of \$271,000 was due  
 16 to the delay in building the substation in the Almonte service area (\$468,000). This  
 17 variance was partially offset lower capital contributions (\$71,000) and by increased

1 spending in other areas: customer service work (\$133,000), a minor system expansion  
 2 and additional overhead conductor work arising from demand for residential and  
 3 commercial development (\$113,000), more pole work completed than expected  
 4 (\$49,000),.

	<b>2008 Capital Expenditures</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
1805	Land		24,000	24,000
1808	Buildings & Fixtures	26,104	63,400	37,296
1820	Distribution Stations	12,287	527,875	515,588
1830	Poles	88,870	75,360	(13,510)
1835	OH Conductors	202,916	79,594	(123,322)
1840	Ducts		5,340	5,340
1845	Underground Cable	4,814	54,280	49,466
1850	Transformers	59,677	123,470	63,793
1855	Services	120,154	66,705	(53,449)
1860	Meters	15,166	0	(15,166)
1915	Furniture		4,000	4,000
1920	Hardware	61,500	42,100	(19,400)
1925	Software	289,259	206,300	(82,959)
1930	Transportation Equip	213,067	211,000	(2,067)
1940	Misc. Tools & Equipment		10,000	10,000
1995	Capital Contributions	(194,103)	(80,000)	114,103
	<b>TOTAL</b>	<b>899,711</b>	<b>1,413,424</b>	<b>513,713</b>

5

6 Actual spending in 2008 was \$514,000 lower than budget, primarily due to the final delay  
 7 in the replacement of the substation in the Almonte service area (\$576,883). Other  
 8 factors contributing to the variance included higher capital contributions (\$114,000), less  
 9 transformer work completed (\$64,000) and less transformer work completed (\$64,000).  
 10 These variances were partially offset by an increase in overhead work completed on  
 11 Ottawa Street in Almonte, Mary St., Miller St. and Pembroke St. E. in Pembroke  
 12 (\$123,000), software costs related to the replacement of the Customer Information  
 13 System (\$83,000) and more service work completed (\$53,000).

	<b>2009 Capital Expenditures</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
1805	Land		24,000	24,000
1808	Buildings & Fixtures	6,329	60,500	54,171
1820	Distribution Stations	478,615	472,800	(5,815)
1830	Poles	78,052	96,730	18,678
1835	OH Conductors	213,146	89,190	(123,956)
1840	Ducts		5,340	5,340
1845	Underground Cable	77,683	70,430	(7,253)
1850	Transformers	119,746	117,762	(1,984)
1855	Services	127,263	90,300	(36,963)
1860	Meters	2,847		(2,847)
1915	Furniture		4,000	4,000
1920	Hardware	7,423	6,000	(1,423)
1925	Software	4,202	5,000	798
1930	Transportation Equip	14,240	15,000	760
1940	Misc. Tools & Equipment		10,000	10,000
1955	Communication Equipment		1,000	1,000
1980	System Supervisory Equipment	3,732		(3,732)
1995	Capital Contributions	(119,236)	(103,000)	16,236
	<b>TOTAL</b>	<b>1,014,042</b>	<b>965,052</b>	<b>(48,990)</b>

1

2 During 2009 actual capital spending exceeded the budget by \$49,000. The substation in  
 3 Almonte proceeded. The variance was mainly due to increased overhead work  
 4 (\$124,000) and increased demand for services (\$37,000), partially offset by savings  
 5 related to the substation: the building and fixtures were not fully completed (\$54,000)  
 6 and no land purchase was required (\$24,000).

7

1 **QUESTION #11**

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

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

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

8 .

9 **RESPONSE:**

10 ORPC has no formal strategic investment plan. The pattern of capital expenditures  
11 reflects the following priorities:

12 **Demand Projects:**

13 The demand projects within the ORPC service area are in response to modest amounts  
14 of residential and commercial development to connect new or upgraded services. As  
15 well, the municipalities and higher levels of government undertake infrastructure projects  
16 (road rebuilds, hospital upgrades, etc) that require relocation or extension of distribution  
17 plant. These will impact the Poles, Conductors, Services and Transformer plant  
18 accounts.

19 **Reliability Projects:**

20 The work plan for reliability projects is established to level out the expenditures and work  
21 load on a year over year basis. More particularly the main reasons for reliability work are  
22 as follows:

23 **Distribution Plant** – the small size of the distribution system allows for the ongoing  
24 identification of betterment work to update and replace aged plant. A large part of the  
25 system was sized for electric heating which is no longer required due to natural gas  
26 availability. Plant betterment, work related to pole replacements, replacement of very old



1 conductors and work to bring lines to present standards impact the Poles, Conductor,  
2 Services and Transformer accounts.

3 **Distribution Stations** – ORPC has eleven substations. Eight are located in Pembroke  
4 and three are located in Almonte. Eight are 4160 volt and the remaining three are 12,400  
5 volt stations. The newest station was rebuilt in 2009; the previous station build was in  
6 1991. The remaining stations were built prior to 1980. Plans are in place to upgrade  
7 grounding and switchgear at the older stations over time.

8 **Technology** – As well as ongoing replacement of older computers and software, major  
9 expenditures have been made on updating the Customer Information System to meet  
10 the Ontario market requirements.

11 **Transportation Equipment** – Line trucks (radial boom derricks and aerial bucket trucks)  
12 are normally operated and maintained for 15 to 20 years. ORPC staggers these high-  
13 cost purchases to limit the impact on the cash flow while ensuring timely replacement.

14

1 **QUESTION #12**

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

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

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

7 .

8 **RESPONSE:**

9 The data in this table are the actual results for 2009 and as such, the title of the column  
10 should state 2009 Actual.

1 **QUESTION #13**

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

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

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

8 .

9 **RESPONSE:**

10 The zero value for account *4730-Rural Rate Assistance Expense* appears because the  
11 actual expense was included in account *4708-Charges-WMS*.

12 ORPC confirms that the columns titled "2010 @ existing rates" and "2009 Projection"  
13 represent "2010 Projection" and "2009 Actual", respectively.

1 **QUESTION #14**

2 Ref: Exhibit 2/6/1/p1

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

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

8 .

9 **RESPONSE:**

10 CAIDI is the ratio of SAIDI over SAIFI. The SAIDI and SAIFI results for All Interruptions  
11 are each higher than the corresponding results Excluding Loss Of Supply. The higher  
12 CAIDI in 2006 and 2007 when Excluding Loss Of Supply signifies that the outage time  
13 experienced by customers was higher when excluding outages due to loss of supply. In  
14 other words, on average power was restored in less time for outages due strictly to loss  
15 of supply.

16

1 **QUESTION #15**

2 Ref: Exhibit 3/1/2/p1

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

5 a) Please provide details of the energy purchased from the embedded  
6 generators.

7 b) Please identify the embedded generators.

8 c) Please confirm that the energy purchased from the embedded generators  
9 has been appropriately reflected in the various calculations in the application  
10 or provide alternative calculations as necessary.

11 .

12 **RESPONSE:**

13 a) The details of the energy purchased from the embedded generators are presented in  
14 page 2 of Exhibit 8/3/3/1.

15 b) The embedded generators are:

- 16 • Brookfield Power  
17 • Mississippi River Power Corporation  
18 • Enerdu Power Systems

19 c) ORPC confirms that energy purchases from the embedded generators were  
20 appropriately reflected in the calculation of the line loss factor (see Exhibit 8/3/3/1).  
21 However, as noted in the response to Board staff question #19, ORPC has  
22 determined an incorrect loss factor was used to derive the projected power supply  
23 expense for 2010, with impacts to the working capital allowance, rate base and  
24 proposed revenue requirement.

25

1 **QUESTION #16**

2 Ref: Exhibit 3/2/2/p1

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

8 Please provide the calculations utilized and highlight the deductions mentioned  
9 above.

10 .

11 **RESPONSE:**

12 The correct reference for the text quoted in the question is Exhibit 3/2/1/p1.

13 The calculations and deductions appear in Exhibit 3/2/1/1, pages 1-3.

14

1 **QUESTION #17**

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

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

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

6 .

7 **RESPONSE:**

8 See the following tables – note that the table format from the third page has been split  
 9 into two tables in this response, for ease of legibility:

**2010 Revenues @ Proposed Rates**

		Low Voltage Charges			Transformer Allowances		
		Rate <sup>1</sup>	Volume <sup>2</sup>	Revenue	Rate <sup>3</sup>	Volume <sup>3</sup>	Revenue
Residential	kWh	0.0011	79,547,654	90,426			
General Service Less Than 50 kW	kWh	0.0010	36,098,055	37,466			
General Service 50 to 4,999 kW	kW	0.3960	211,781	83,858	(0.6000)	50,590	(30,354)
Unmetered Scattered Load	kWh	0.0010	437,952	455			
Sentinel Lighting	kW	0.3125	760	238			
Street Lighting	kW	0.3061	6,853	2,098			
<b>TOTAL</b>				<b>214,540</b>			<b>(30,354)</b>

<sup>1</sup> Exhibit 8/3/2/1

<sup>2</sup> Exhibit 3/1/1/1

<sup>3</sup> Exhibit 3/2/1/1

10

**2010 Revenues @ Proposed Rates**

	Gross Distr. Revenue <sup>1</sup>	LV Charges	Transformer Allowances	Net Distr. Revenue
Residential	2,502,874	(90,426)		2,412,448
General Service Less Than 50 kW	772,833	(37,466)		735,366
General Service 50 to 4,999 kW	840,815	(83,858)	(30,354)	726,603
Unmetered Scattered Load	6,375	(455)		5,920
Sentinel Lighting	13,123	(238)		12,885
Street Lighting	81,417	(2,098)		79,319
<b>TOTAL</b>	<b>4,217,436</b>	<b>(214,540)</b>	<b>(30,354)</b>	<b>3,972,542</b>

<sup>1</sup> Gross Total in last table below

1

2010 Revenues @ Proposed Rates		Fixed Charges			Variable Charges		
		Rate <sup>1</sup>	Volume <sup>2</sup>	Revenue	Rate <sup>1</sup>	Volume	Revenue
Residential	kWh	10.95	106,734	1,168,737	0.0168	79,547,654	1,334,137
General Service Less Than 50 kW	kWh	22.41	16,686	373,933	0.0111	36,098,055	398,900
General Service 50 to 4,999 kW	kW	297.48	1,728	514,045	1.5430	211,781	326,770
Unmetered Scattered Load	kWh	5.82	876	5,098	0.0029	437,952	1,277
Sentinel Lighting	kW	2.63	2,592	6,817	8.2971	760	6,306
Street Lighting	kW	1.49	31,836	47,436	4.9586	6,853	33,981
<b>TOTAL</b>				<b>2,116,067</b>	<b>2,101,369</b>		

<sup>1</sup> Exhibit 8/2/1/1

<sup>2</sup> Exhibit 8/2/1/2

2

2010 Revenues @ Proposed Rates	Revenue		
	Fixed	Variable	Total
Residential	1,168,737	1,334,137	2,502,874
General Service Less Than 50 kW	373,933	398,900	772,833
General Service 50 to 4,999 kW	514,045	326,770	840,815
Unmetered Scattered Load	5,098	1,277	6,375
Sentinel Lighting	6,817	6,306	13,123
Street Lighting	47,436	33,981	81,417
<b>Gross Total</b>	<b>2,116,067</b>	<b>2,101,369</b>	<b>4,217,436</b>
Transformer Allowances			(30,354)
<b>Total Revenue</b>			<b>4,187,082</b>
Less: Low Voltage			(214,540)
<b>DISTRIBUTION REVENUE</b>			<b>3,972,542</b>

3



1 **QUESTION #18**

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

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

8 a) Please provide further clarification to explain why the two variables, i.e.  
9 number of peak days and the number of days in the month were unusable to  
10 forecast load.

11 b) Please provide any mathematical expressions that were developed linking  
12 load and the two variables.

13 .

14 **RESPONSE:**

15 a) When either peak days or month days were added to the regression equation as  
16 explanatory variables, the coefficient was negative. This implies that the greater the  
17 number of peak days or days of the month, the less the monthly consumption, which  
18 appears to be counterintuitive. For this reason, these variables were not included in  
19 the regression analysis.

20 b) Regression results including peak days and month days are displayed below. The  
21 results illustrate the explanation in part (a).

22 OLS estimates using the 96 observations 2002:01-2009:12

23 Dependent variable: WholesalekWh

24 Adjusted R-squared = 0.905

25 Durbin-Watson = 1.53

<i>Variable</i>	<i>Coefficient</i>	<i>t-statistic</i>	<i>p-value</i>
const	1.1837e+07	5.3163	<0.00001
HDD_Ott	9419.95	27.1053	<0.00001
CDD_Ott	29939.9	10.5555	<0.00001
FTE_King-Pem	28931	3.1118	0.00248
Peak Days	-176072	-2.3031	0.02355

26

1

2 OLS estimates using the 96 observations 2002:01-2009:12

3 Dependent variable: WholesalekWh

4 Adjusted R-squared = 0.899

5 Durbin-Watson = 1.60

<i>Variable</i>	<i>Coefficient</i>	<i>t-statistic</i>	<i>p-value</i>
const	9.94887e+06	3.0965	0.00260
HDD_Ott	9474.27	26.6265	<0.00001
CDD_Ott	29782.8	10.1948	<0.00001
FTE_King-Pem	29265.4	3.0576	0.00293
Month Days	-61178.6	-0.6394	0.52420

6

1 **QUESTION #19**

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

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

4 Beginning with the Residential load forecast of 79,547,654 kWh in Exhibit  
5 3/1/1/1/p1, please show the calculation of the 82,451,143 kWh value and explain  
6 any loss factors used.

7

8 **RESPONSE:**

9 The total loss factor used in the calculation was 1.0365:  $79,547,654 \times 1.0365 =$   
10  $82,451,143$  kWh,

11 ORPC acknowledges that the total loss factor should have been 1.0390, as calculated in  
12 Exhibit 8/3/3/1. Accordingly, the correct volume to project the 2010 Residential cost of  
13 power is  $1.0390 \times 79,547,654 = 82,650,013$  kWh. The revised calculation for the 2010  
14 cost of power appears in sheet C2 of the revised RateMaker model filed into evidence  
15 with these responses.

16

1 **QUESTION #20**

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

3 In Exhibit 3/3/1/1/p1 the total Other Revenue is shown as \$362,788. In Exhibit  
4 6/1/2/1/p1 the Revenue Offsets are shown as \$377,968.

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

7

8 **RESPONSE:**

9 In Exhibit 3/3/1/1, the 2010 projection for account *4405-Interest and Dividend Income*  
10 incorrectly included a net expense of \$21,180 for projected interest on deferral and  
11 variance account balances. Accordingly, the correct amount for total Other Revenue is  
12 \$383,968.

13 In determining the Revenue Offsets that appear in Exhibit 6/1/2/1/p1, a 50% offset was  
14 applied to the \$12,000 gain projected for account *4355-Gain on Disposition of Utility and*  
15 *Other Property*. The following table reconciles the two figures cited in the question:

***2010 Revenue Offsets***

Other Revenue per Exhibit 3/3/3/1			(362,788)
less: net interest expense on deferral accounts			21,180
<b>Adjusted Other Revenue</b>			<b>(383,968)</b>
4355-Gain on Disposition of Utility and Other Property	(12,000)	(50%)	6,000
<b>Revenue Offsets</b>			<b>(377,968)</b>

16 Note the correct Revenue Offset amount was used to determine the revenue deficiency  
17 and the proposed base revenue requirement for 2010. Accordingly, no adjustment to the  
18 proposed distribution rates is required due to this error.

19

1 **QUESTION #21**

2 Ref: Exhibit 4/1/2/p1

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

7 a) Please explain if this is a one-time or an on-going expense.

8 b) Please identify the inflation rate used for the 2010 OM&A forecast and the  
9 source document for the inflation assumptions.

10

11 **RESPONSE:**

12 a) The recruitment and training of trade apprentices could be viewed as either a one-  
13 time cost or an on-going cost. Because of the size and age of ORPC’s work force,  
14 these costs will be incurred over the next number of years.

15 During the summer of 2009, the first line apprentice was hired to replace the planned  
16 retirement of the line superintendent (with the expectation that a journeyman would  
17 be promoted to this position). The superintendent retired May 1, 2010.

18 In 2010 a second line apprentice (2<sup>nd</sup> year apprentice) was hired when the working  
19 foreman in Almonte announced his plan to retire in December 2010. The Almonte  
20 service area is served by a 3 person crew: a working foreman and two crew  
21 members.

22 Also in 2010, a third apprentice was hired for the Pembroke location in anticipation of  
23 the 2012 retirement of a senior journeyman. This crew is now made up of a line  
24 superintendent, four journeymen and two apprentices.

25 The utility’s only meter technician has a planned retirement date of 2012. An  
26 apprentice will be hired at the beginning of 2011 in order to prepare for this.

1 The costs of having additional staff during the apprentices learning stages, as well as  
 2 their education and training costs were calculated over the four year period. This  
 3 was then divided by four to arrive at the additional annual cost of \$119,000 that was  
 4 added to the O&M cost for 2010.

5 ORPC is eligible for certain tax credits related to apprentices, and acknowledges  
 6 such credits should have been reflected in the calculation of its proposed allowance  
 7 for PILs. The amount of tax credits to which ORPC is eligible will vary annually from  
 8 2010 to 2013. Therefore, ORPC proposes to normalize the amount assumed for its  
 9 test year PILs, by taking the average of the projected tax credits over the  
 10 aforementioned period, as summarized in the following table:

***Apprenticeship Tax Credits***

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Total</b>
<i>First Apprentice</i>					
Ontario	10,000	10,000	10,000	5,000	<b>35,000</b>
Federal	2,000	2,000	1,000	0	<b>5,000</b>
<i>Second Apprentice</i>					
Ontario	5,000	10,000	10,000	10,000	<b>35,000</b>
Federal	1,000	2,000	2,000	1,000	<b>6,000</b>
<i>Third Apprentice</i>					
Ontario		5,000	10,000	10,000	<b>25,000</b>
Federal		1,000	2,000	2,000	<b>5,000</b>
<i>Meter Technician *</i>					
Ontario					<b>0</b>
Federal					<b>0</b>
<b>TOTAL</b>	<b>18,000</b>	<b>30,000</b>	<b>35,000</b>	<b>28,000</b>	<b>111,000</b>
<i>Annual Average</i>					<i>27,750</i>

*\* Not eligible for apprentice tax credits*

11 Accordingly, RHI is amending its proposed allowance for PILs to reflect an annual  
 12 tax credit amount of \$27,750.

13 b) The inflation rate used for the labour component of O&M was 3%. This is based on  
 14 the IBEW contract in effect from July 1, 2008 to June 30, 2011. Other inflation  
 15 assumptions were based on management's judgment in light of the general  
 16 expectation for inflation.

17

1 **QUESTION #22**

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

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

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

9

10 **RESPONSE:**

11 Additional staff as well as a third year contract adder for unionized staff (3% increase in  
12 2010 plus an additional 30 cents to bring the journeymen closer to their cohorts) were  
13 the reasons for the increased percentage in the 2008 to 2010 period versus the 2006 to  
14 2008 time period.

15 During the summer of 2009 the first line apprentice was hired to replace the planned  
16 retirement of the line superintendent. In 2010 a second line apprentice (2<sup>nd</sup> year  
17 apprentice) was hired when the working foreman in Almonte announced his plan to retire  
18 in December 2010. Also in 2010 a third apprentice was hired for the Pembroke location  
19 in anticipation of the 2012 retirement of a senior journeyman.

20 The percentage increase in the management and non-union total compensation can also  
21 be explained by increased staff and wage adjustments. In 2007 the customer service  
22 manager went onto long term disability. His position was left vacant for a full year in  
23 anticipation of his return, causing the percentage in this period to be less than normal.  
24 The IT manager assumed the customer service position and an IT technician was hired  
25 in mid 2008. Additionally the new line superintendent was promoted in January 2010 for  
26 training and experience reasons, with the previous superintendent retiring in May 2010.

27 The second factor in the management and non-union compensation changes were the  
28 review of these salaries by the human resource committee of the Board of Directors.

1 The president's salary was adjusted in 2009 while the other salaries were adjusted in  
2 2010. This was done following extensive research, including taking part in the 2009  
3 MEARIE management survey and looking at other local comparators.

4



1 **QUESTION #23**

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

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

5 a) Please confirm that the headcount of 26 shown in Exhibit 4/4/1/p2 is for the  
6 year 2010 and reconcile this with the 27 FTEEs for the year 2010.

7 b) Further, please justify the higher FTEE number

8

9 **RESPONSE:**

10 a) The headcount in Exhibit 4/4/1/p2 should be revised for 2010 as follows:

11

Management	5
Line Department	9
Service Department	4
Office Staff, Admin & IT	9

12

13

14 b) The headcount in line department has increased by one with the addition of the new  
15 apprentice in Pembroke to prepare for the retirement of an experienced journeyman  
16 who will retire in early 2012. Due to the small size of the crew complement and the  
17 need to have qualified (2nd year apprentice) to carry out on –call work, it is  
18 necessary to have a significant overlap for line staff when they retire.

19

1 **QUESTION #24**

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

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

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

8

9 **RESPONSE:**

10 The OM&A Expenses reported in Exhibit 6/2/1/1/p1 do not include the reduction for the  
11 elimination of the PST, which is reported separately in that table as *Taxes other than*  
12 *PILs / Income Taxes* (as explained in Exhibit 4/2/2). Reconciliation:

**2010 OM&A**

Total OM&A, before PST savings	2,600,768
PST savings	(29,915)
<b>Total OM&amp;A</b>	<b>2,570,853</b>

13 The amount reported for PILs in Exhibit 4/8/3/1/p17 is the proposed allowance to be  
14 included in the revenue requirement. For purposes of computing the revenue deficiency,  
15 the line item *PILs / Income Taxes* in Exhibit 6/2/1/1 refers to the estimated PILs for 2010  
16 based on existing rates, which is zero (also shown in Exhibit 4/8/3/1/p17). The difference  
17 between the two is reported in Exhibit 6/2/1/1 as the *Provision for PILs/Taxes* (to derive  
18 the Gross Revenue Deficiency). Reconciliation:

**2010 PILs / Income Taxes**

PILs at Existing Rates	0
less: proposed PILS allowance	56,851
<b>PILs Revenue Deficiency</b>	<b>(56,851)</b>

19

1 **QUESTION #25**

2 Ref: Exhibit 9

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

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

9

10 **RESPONSE:**

11 ORPC has complied with the aforementioned bulletin. No changes to the rate filing are  
12 contemplated with respect to Account 1588.

13