

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

**1. Filing Consistent Information**

Ref: Applicant's response to Board staff interrogatory #1

In response to Board staff interrogatory #1, the Applicant filed an updated set of models that, among other things, provided updated estimates for Revenue Requirement and Total Bill Impacts.

- a) Please confirm that the updated values contained in the re-filed set of models are the values on which the Applicant is now relying and for which it requests Board approval.
- b) If, as a result of addressing Board staff and/or VECC supplemental interrogatories, the most recently filed evidence is not that on which the Applicant will rely *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 Board current policies, guidelines, etc

**Response:**

- a) Confirmed. The models filed in conjunction with the responses to preliminary interrogatories are the values that Ottawa River Power is relying on.
- b) A complete and consistent set of models which include all values on which ORPC is relying on and is requesting approval for are being filed in conjunction with these responses.

Please note that the set of models and worksheet is identical to the one filed as part of the responses to preliminary interrogatories.

**2. Revenue to Cost Ratios**

Ref: Exhibit 7/1/2/p2

Please file a revised version of "Table 3: Proposed Changes to Revenue to Cost Ratios" using the most recently filed evidence.

**Response:**

The Revenue to Cost ratios remains the same as applied for in the September 15 responses to IRs.

	From 2006 Cost Allocation Model	Revised (TOA)	Proposed for Test Year	2011	2012	2013	Board Target Range
Residential	1.1	1.11	1.10	1.09	1.08	1.07	0.85-1.15
General Service Less than 50kW	0.88	0.88	0.88	0.88	0.88	0.88	0.8-1.3
General Service 50 to 4,999 kW	1.09	1.03	1.03	1.03	1.03	1.03	0.8-1.8
Unmetered Scattered Load	0.05	0.05	0.80	0.80	0.80	0.80	0.8-1.2
Sentinel Lighting	0.46	0.47	0.70	0.70	0.70	0.70	0.7-1.2
Street Lighting	0.29	0.30	0.40	0.50	0.60	0.70	0.7-1.2

Further please reconcile the revised ratios with:

- a) the Applicant's response to VECC interrogatory #11b, and

**Response:**

Customer Class Name	Service Revenue Requirement	Miscellaneous Revenue (mi)	Base Revenue Requirement *	Allocated Revenue <sup>8</sup>	Allocated Cost <sup>8</sup>	Revenue to Cost Ratio
Residential	2,338,929	202,987	2,135,943	2,574,512	2,338,929	1.10
General Service Less Than 50 kW	939,983	86,716	853,267	830,335	939,983	0.88
General Service 50 to 4,999 kW	776,310	59,250	717,060	801,568	776,310	1.03
Unmetered Scattered Load	8,489	608	7,881	6,814	8,489	0.80
Sentinel Lighting	19,680	1,396	18,284	13,825	19,680	0.70
Street Lighting	239,859	17,011	222,848	96,197	239,860	0.40
<b>TOTAL</b>	<b>4,323,251</b>	<b>367,968</b>	<b>3,955,284</b>	<b>4,323,252</b>	<b>4,323,252</b>	<b>1.00</b>

b) "Revenue to Expenses %" in Row 70 in Sheet O1 of the most recently filed Cost Allocation model, i.e. excel file.

**Response:**

ORPC's Cost Allocation Report describes the 3<sup>rd</sup> run (2010 Model) as the 2006 CAIF with the corrected treatment of Transformer Ownership Allowances and 2010 loads, costs, and revenues. In the 2010 CA model, the Distribution Revenue in row 29 is derived using the forecast demand (kW and kWh) and customer counts by rate class and the existing 2009 rates. The information at sheet O1 of the 3<sup>rd</sup> run is used as an input to the Rate Design section of RateMaker and serves as the starting point for the revenue to cost ratios.

In order for ORPC to produce the results requested above, ORPC essentially ran a 4<sup>th</sup> run of the Cost Allocation model by inputting the Net Distribution Revenue, at proposed rates, by class in row 29 of sheet I6. The results of row 70 are presented below and are consistent with the revenue to cost ratios presented at part a) of this question. Sheet O1 is presented at exhibit BS\_A of these responses.

Total	Residential	GS <50	GS>50- Regular	Street Light	Sentinel	Unmetered Scattered Load
100%	110.07%	88.84%	103.25%	40.11%	70.25%	80.27%

**3. Proposed Rates**

Ref: Applicant's response to Board staff interrogatory #5

Part of the Applicant's response to this interrogatory was a table titled "Residential Total Bill Impacts" which showed, for a range of "Monthly kWhs" and separately for "Summer" and "Winter", the dollar ("\$\$") and percentage ("%") decreases inherent in the Applicant's proposed rates. For example, at 800 Monthly kWhs and for Summer, the decrease is shown as \$10.83 and 12.0% which is the same decrease in the Applicant's pre-filed evidence and appears to be different from the decrease provided in response to Board staff interrogatory #1.

Please update, as necessary, the Applicant's response to Board staff interrogatory #5 with data that is consistent with that on which the Applicant will now rely.

**Response:**

Residential Total Bill Impact Monthly kWh's	Summer		Winter	
	\$	%	\$	%
100	-0.91	-4.20	-0.91	-4.20
250	3.09	-8.60	3.09	-8.60
500	6.75	-11.30	6.75	-11.30
800	-11.23	-12.40	-11.10	-12.60
1000	-14.17	-12.70	-14.17	-13.10
1500	-21.52	-13.10	-21.52	-13.40
2000	-28.88	-13.30	-28.88	-13.60

**4. Other Revenues**

Ref: Applicant's response to Board staff interrogatory #20

The Applicant's response to this interrogatory included the statement "Note the correct Revenue Offset amount was used to determine the revenue deficiency and the proposed base revenue requirement for 2010. Accordingly, no adjustment to the proposed distribution rates is required due to this error".

Please confirm that the revised Revenue Offset amount of \$367,968 that was provided in the Applicant's response to Board staff interrogatory #1, rather than the amount \$377,968 in the Applicant's pre-filed evidence, forms the basis to determine the revenue deficiency and the proposed base revenue requirement for 2010.

**Response:**

Ottawa River Power confirms that the revised Revenue Offset amount of \$367,968 that was provided in the Applicant's response to Board staff interrogatory #1 forms the basis to determine the revenue deficiency and the proposed base revenue requirement for 2010.

**5. Employee Costs**

Ref: Applicant's response to Board staff interrogatory #22

The Applicant's response to this interrogatory included the statement "The percentage increase in the management and non-union total compensation can also be explained by increased staff and *wage adjustments*". [Emphasis added.]

Please confirm whether or not the “wage adjustments” are consistent with an inflation rate of 3% for the labour component of O&M as provided in the Applicant’s response to Board staff interrogatory #21b

**Response:**

Ottawa River Power confirms that the “wage adjustments” are consistent with an inflation rate of 3% for the labour component of O&M as provided in the Applicant’s response to Board staff interrogatory #21b for **unionized** employees.

Specific O&M accounts (labour component), such as account #5161 management wages, were adjusted by the precise wage increase percentages given to non-unionized employees.

**6. Conditions of Service**

Ref: Exhibit 8/4/3/p1

Occasionally rates and charges are contained in an applicant’s Conditions of Service.

- a) Please identify any rates and charges that are included in the Applicant’s Conditions of Service and provide an explanation for the nature of any costs being recovered.
- b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2009 and the revenues forecasted for the 2010 Test Year.
- c) Please explain whether in the Applicant’s view, these rates and charges should be included on the Applicant’s tariff sheet.

**Response:**

- a) The following rates and charges are included in Ottawa River Power’s Conditions of Service:
  - o Secondary service beyond the utility supplied first 100 ft. Cost recovery.
  - o For three-phase transformation for loads less than 40 kW requiring their own individual transformer bank and not off of a common bus, the customer shall supply their own bank or rent transformation at a

rate of \$1.40 per installed KVA/month bank supplied (minimum bank – 45 KVA or \$63.00/month), based on a five-year contract, any pole upgrade or line extension @ customer cost. Cost recovery.

- If a customer requires that his one free maintenance shutdown per year (rolling year) be performed outside regular business hours, the customer shall pay the difference between the rate for regular and overtime. Cost recovery.
- The customer shall pay the cost for disconnection and reconnection initiated by deliberate un-authorized energy usage of \$2,935.95 (includes HST).
- Temporary connections identified as construction trailers, portable trailers, chip wagons, temporary buildings, etc. that are connected for less than two calendar years shall pay 100% of the cost of connection and disconnection, including any applicable transformer, in advance of connection. Cost recovery.
- The 2003 cost for ORPC to read the meter, exclusive of telephone lines is \$44.27 per month, plus HST. There is an additional cost to the customer of \$29.84 per meter for interval metering. In some cases, installations may require two meters as well as a totalized meter ( $\$29.84 \times 3 = \$89.52$ ). For an additional \$68.95 per month, the customer will be supplied with a website password which will provide access to their demand, energy, monthly loads and spot market prices. For an additional \$5.70 per month, a bill verification report can be produced for the customer. Please note that the services described above are performed by Utilassist and apply solely to customers in the GS>50 class. Cost recovery
- With the exception of landlords, there is an account set-up charge of \$20.00 for all new accounts, Approved rate of \$30.00 – conditions of service to be updated.
- A late payment charge of 1.5% per month (19.56% annually) is applied to all accounts not paid by the due date. Approved rate.
- Customer pays \$3.52 per foot from the property line for underground service (difference between cost of overhead and underground). Cost recovery



b) Please find below a schedule of the above charges:

	2006	2007	2008	2009	YTD Jul 31, 2010	Forecast 2010
Secondary service beyond 100 ft	0	0	0	0	0	0
Three-phase transformation for loads less than 40 kW	0	0	0	0	0	0
After hours maintenance	0	0	0	0	0	0
Unauthorized energy usage	0	0	0	0	0	0
Temporary connections	2,615	0	6,895	1,496	0	0
Interval metering charges	5,477	6,542	7,606	6,600	3,824	6,600
Set up fee	29,327	27,783	27,802	27,515	22,860	27,515
Late payment charges	25,610	30,603	27,322	45,304	26,961	45,000
Difference between overhead and underground	5,558	2,585	2,699	4,452	3,246	4,400

c) ORPC notes that the set up fee and late payment charges are already included in their current tariff sheet. The other revenue sources in the conditions of service, for which actual funds have previously been collected, are simply cost recovery charges. These are based on current labour rates, material costs and equipment costs. ORPC considers revenue generated is minimal.



## APPENDIX BS\_A



Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base	Total	1	2	3	7	8	9
		Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
<b>Assets</b>							
<b>crev</b> Distribution Revenue (sale)	\$3,955,284	\$2,371,526	\$743,619	\$742,318	\$79,186	\$12,429	\$6,206
<b>mi</b> Miscellaneous Revenue (mi)	\$367,968	\$202,987	\$86,716	\$59,250	\$17,011	\$1,396	\$608
<b>Total Revenue</b>	<b>\$4,323,252</b>	<b>\$2,574,512</b>	<b>\$830,335</b>	<b>\$801,568</b>	<b>\$96,197</b>	<b>\$13,825</b>	<b>\$6,814</b>
<b>Expenses</b>							
<b>di</b> Distribution Costs (di)	\$997,026	\$528,312	\$202,524	\$191,467	\$66,768	\$5,534	\$2,421
<b>cu</b> Customer Related Costs (cu)	\$685,302	\$393,868	\$202,164	\$85,225	\$3,722	\$242	\$82
<b>ad</b> General and Administration (ad)	\$888,525	\$487,005	\$213,226	\$146,231	\$37,644	\$3,085	\$1,334
<b>dep</b> Depreciation and Amortization (dep)	\$791,805	\$420,785	\$141,779	\$160,259	\$61,774	\$5,063	\$2,145
<b>INPUT</b> PILs (INPUT)	\$29,143	\$15,441	\$5,470	\$5,859	\$2,122	\$175	\$76
<b>INT</b> Interest	\$477,411	\$252,951	\$89,603	\$95,984	\$34,766	\$2,861	\$1,246
<b>Total Expenses</b>	<b>\$3,869,211</b>	<b>\$2,098,361</b>	<b>\$854,766</b>	<b>\$685,025</b>	<b>\$206,796</b>	<b>\$16,959</b>	<b>\$7,305</b>
<b>Direct Allocation</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>NI</b> Allocated Net Income (NI)	\$454,040	\$240,568	\$85,217	\$91,286	\$33,064	\$2,721	\$1,185
<b>Revenue Requirement (includes NI)</b>	<b>\$4,323,251</b>	<b>\$2,338,929</b>	<b>\$939,983</b>	<b>\$776,310</b>	<b>\$239,859</b>	<b>\$19,680</b>	<b>\$8,489</b>
	Revenue Requirement Input equals Output						



Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets	Total	1	2	3	7	8	9	
		Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	
<b>Rate Base Calculation</b>								
<b>Net Assets</b>								
dp	Distribution Plant - Gross	\$22,333,776	\$11,731,956	\$4,114,125	\$4,713,225	\$1,587,220	\$130,429	\$56,819
gp	General Plant - Gross	\$3,708,308	\$1,976,649	\$694,554	\$722,228	\$281,880	\$23,150	\$9,847
accum dep	Accumulated Depreciation	(\$16,005,790)	(\$8,358,933)	(\$2,928,915)	(\$3,480,790)	(\$1,106,211)	(\$90,925)	(\$40,016)
co	Capital Contribution	(\$1,329,991)	(\$734,218)	(\$246,019)	(\$209,201)	(\$126,368)	(\$10,289)	(\$3,896)
	<b>Total Net Plant</b>	<b>\$8,706,302</b>	<b>\$4,615,454</b>	<b>\$1,633,745</b>	<b>\$1,745,462</b>	<b>\$636,521</b>	<b>\$52,365</b>	<b>\$22,755</b>
	<b>Directly Allocated Net Fixed Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
COP	Cost of Power (COP)	\$16,212,879	\$6,510,050	\$2,954,206	\$6,493,467	\$197,598	\$21,717	\$35,841
	OM&A Expenses	\$2,570,853	\$1,409,184	\$617,914	\$422,922	\$108,134	\$8,861	\$3,838
	Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	<b>Subtotal</b>	<b>\$18,783,732</b>	<b>\$7,919,234</b>	<b>\$3,572,120</b>	<b>\$6,916,389</b>	<b>\$305,732</b>	<b>\$30,578</b>	<b>\$39,679</b>
	<b>Working Capital</b>	<b>\$2,817,560</b>	<b>\$1,187,885</b>	<b>\$535,818</b>	<b>\$1,037,458</b>	<b>\$45,860</b>	<b>\$4,587</b>	<b>\$5,952</b>
	<b>Total Rate Base</b>	<b>\$11,523,861</b>	<b>\$5,803,339</b>	<b>\$2,169,563</b>	<b>\$2,782,921</b>	<b>\$682,380</b>	<b>\$56,952</b>	<b>\$28,707</b>
<b>Rate Base Input equals Output</b>								
	<b>Equity Component of Rate Base</b>	<b>\$5,761,931</b>	<b>\$2,901,669</b>	<b>\$1,084,781</b>	<b>\$1,391,460</b>	<b>\$341,190</b>	<b>\$28,476</b>	<b>\$14,353</b>
	<b>Net Income on Allocated Assets</b>	<b>\$454,040</b>	<b>\$476,151</b>	<b>(\$24,431)</b>	<b>\$116,544</b>	<b>(\$110,599)</b>	<b>(\$3,134)</b>	<b>(\$490)</b>
	<b>Net Income on Direct Allocation Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
	<b>Net Income</b>	<b>\$454,040</b>	<b>\$476,151</b>	<b>(\$24,431)</b>	<b>\$116,544</b>	<b>(\$110,599)</b>	<b>(\$3,134)</b>	<b>(\$490)</b>
<b>RATIOS ANALYSIS</b>								
	REVENUE TO EXPENSES %	100.00%	110.07%	88.34%	103.25%	40.11%	70.25%	80.27%
	EXISTING REVENUE MINUS ALLOCATED COSTS	\$0	\$235,583	(\$109,648)	\$25,258	(\$143,663)	(\$5,855)	(\$1,675)
	RETURN ON EQUITY COMPONENT OF RATE BASE	7.88%	16.41%	-2.25%	8.38%	-32.42%	-11.01%	-3.41%
	Adjusted Distribution Revenue	\$3,955,284	\$2,371,525	\$743,619	\$742,318	\$79,185	\$12,429	\$6,206
	Adjusted Revenue	\$4,323,251	\$2,574,512	\$830,335	\$801,568	\$96,197	\$13,825	\$6,814
	Adjusted Revenue to Expenses %	100.00%	110.07%	88.34%	103.25%	40.11%	70.25%	80.27%
	Adjusted Revenue Minus Allocated Costs	\$0	\$235,583	(\$109,648)	\$25,258	(\$143,663)	(\$5,855)	(\$1,675)