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October 21, 2011

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

Dear Ms. Walli,

Re: EB-2011-0054 - Hydro Ottawa Limited 2012 Cost of Service Rate Application

Enclosed is Hydro Ottawa Limited's response to School Energy Coalition's Technical Conference Question #18c.

Hydro Ottawa Limited will submit two (2) hard copies with the Ontario Energy Board.

Yours truly,

Original signed by P. Hoey

Patrick Hoey Director, Regulatory Affairs

EB-2011-0054 Intervenors CC Violet Binette (Ontario Energy Board) Fred Cass (Aird & Berlis)



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**Technical Conference Question** 

c) [J2-1-1, J2-1-2, and K11, 11.1, Energy Probe #64] Please recalculate Tables 1 through 3 of J2-1-1, and the continuity schedules in J2-1-2, and Tables 1 through 6 of the Energy Probe IR response, using the Typical Lives set out in the Kinectrics Report.

## Response

Hydro Ottawa Limited (Hydro Ottawa) has undertaken a rudimentary illustrative analysis in order to respond to School Energy Coalition's (SEC) request for information that compares components and service lives determined by Hydro Ottawa for the purposes of depreciation under International Financial Reporting Standards (IFRS) with the Typical Useful Lives set out in the Kinectrics Report.

As discussed with counsel for the SEC, Hydro Ottawa's IFRS analysis was the result of many months of effort that involved, among other things, the determination of IFRS compliant asset components to which costs should be assigned, applicable service lives, and the allocation of opening balance sheet costs to such components. The analysis was completed by Hydro Ottawa accountants, engineers and operating staff, and reviewed by IFRS project partner Ernst & Young.

In order to provide the information sought by SEC, Hydro Ottawa's engineering staff applied judgment as to how to allocate opening net book values to the full range of Kinectrics asset components, even though many of the components are not applicable to Hydro Ottawa's circumstances. Modelling worksheets were expanded to allow for additional components, allocation percentages were estimated and the depreciation models were re-run. The result of this work is by no means a rigorous and accurate calculation and, in any event, Hydro Ottawa does not accept that the comparison that SEC seeks to make to the Kinectrics Report is either appropriate or relevant. Subject to these comments, the information sought by SEC is provided as Attachment 1.





## List of Components with differing depreciation lives between Hydro Ottawa and Kinectrics Typical Life

				1									
	Hudro Ottovio				Minoshria		One to One Bulettenship			One to Mary Allegation			
	Hydro Ottawa				Kinectrics One to One Relations			onsnip	One to Many Allocation				
				NBV \$\$\$				Using			Using		
		Related		Opening		Kinectrics		Kinectrics			Kinectrics		
	Component name	UsofA	Life	Balance Sheet	Component Name	Typical life	Actual	Lives	Variance	Actual	Lives	Variance	Allocation
1	Line Transformers Overhead & Underground	1850	30	31,115,669	OH Transformers & Voltage Regulators Station Service Transformer Pad-Mounted Transformers	40 45 40				2,220,575	1,525,203	(695,372)	100% @ 40 yrs
2	U/G Polymer Insulated Cable	1845	35	30,447,584	Primary Ethylene-Propylene Rubber (EPR) Cable: Primary Non-Tree Retardant (TR) Cross Linked Primary Non-TR XLPE Cables - In Duct Primary TR XLPE Cables - Direct Buriec Primary TR XLPE Cables - In Duct	25 25 25 30 40				2,338,961	2,162,158	(176,803)	60% @ 40 yrs, 40% @ 25 yrs
3	U/G Switchgear and Reclosers	1845	25	10,576,568	Pad-Mounted Switchgear	30	905,513	595,773	(309,740)				
4	Vault Switchgear and Reclosers	1845	30	2,090,705	UG Vault Switches	35	126,986	97,712	(29,273)				
5	U/G PILC Cable	1845	60	12,310,233	Primary Paper Insulated Lead Covered (PILC)	65	336,753	304,313	(32,440)				
	O/H Conductors & Non-Automated Devices	1835	45	34,028,029	OH Conductors	60	1,063,383	762,244	(301,139)				
7	O/H Automated Devices	1835	25	4,492,287	OH Line Switch OH Line Switch Motor OH Line Switch RTU OH Integral Switches Reclosers	45 25 20 45 40				386,073	194,724	(191,349)	100% at 40 yrs
	Other Stn. Equip. >50kV	1815	25	10,690,313	Station DC System - Overall	20	701,120	873,130	172,010				
9	Other Stn. Equip. < 50 kV	1820	25	9,905,464	Station DC System - Overall	20	1,006,110	1,138,236	132,126				
10	Station Switchgear >50kV	1815	40	20,737,464	Station Metal Clad Switchgear - Overal Station Independent Breakers Station Switch Electromechanical Relays Rigid Busbars Steel Structure	40 45 50 35 55				710,957	710,957	-	100% @ 40 yrs
	Station Switchgear <50kV	1820	40	13,224,604	Station Metal Clad Switchgear - Overal Station Independent Breakers Station Switch Electromechanical Relays Rigid Busbars Steel Structure	40 45 50 35 55					1,002,276	-	100% @ 40 yrs
12	U/G Conduit and cable chambers	1840	40	50,093,508	UG Foundations UG Vaults - Overall Ducts Concrete Encased Duct Banks Cable Chambers	55 60 50 55 60				2,171,120	1,384,478	(786,642)	26% @ 50 yrs, 54% at 55 yrs, 20% at 60 yrs
13	Services	1855	45	38,245,623	Secondary PILC Cables Secondary Cables - Direct Buried Secondary Cables - In Duct	75 35 40				1,383,394	1,900,605	517,211	0% @ 75 yrs, 50% at 35 yrs, 50% at 40 yrs
14	SCADA RTU,Relays,Communication Equipment	1980	15	6,635,386	Solid State Relays Digital & Numeric Relays Remote SCADA	30 20 20				889,531	548,045	(341,486)	90% @ 20 yrs, 10% at 30 yrs
	TOTALS						4,139,865	3,771,409	(368,456)	11,102,887	9,428,446	(1,674,441)	

Components that do not require a further breakdown of the opening balance sheet NBV (6 out of 14