Ottawa River Power Corporation

Exhibit 7

Response to Interrogatories

Cost Allocation

7-Staff-70 Cost Allocation
Ref: Cost Allocation Model, Tab I6.2 – Customer Data and Exhibit 1, p.7 of 73

In tab I6.2 of the Cost Allocation Model, ORPC shows an input of 74,122 bills in total. On page 7 of Exhibit 1, ORPC stated that it moved to monthly billing as of January 1, 2015.

a) OEB staff notes that for the residential class, the number of bills is based bi-monthly billing, while other classes reflect a monthly billing cycle. Please explain.

Response:

Ottawa River has corrected this to reflect the number of bills with monthly billing.

b) Please update the model, if necessary. If there is a change to status quo ratios, please update the relevant tables and confirm that there is no change the proposed ratios.

Response:

Ottawa River Power has updated the model which does call a change to status quo ratios. It has updated the relevant tables and confirms that there is no change to the proposed ratios.

On page 10 of 16, Exhibit 7, ORPC shows proposed revenue-to-cost ratios as follows:

Class	Previously Approved Ratios Most Recent Year: 2010	Status Quo Ratios (7C + 7E) / (7A)	Proposed Ratios (7D + 7E) / (7A)	Policy Range
	%	%	%	%
Residential	107.00	95.45	96.90	85 - 115
General Service < 50 kW	88.00	103.49	103.93	80 - 120
General Service > 50 to 4999 kW	103.00	116.33	110.00	80 - 120
Sentinel Lighting	70.00	74.08	85.08	80 - 120
Streetlighting	70.00	96.40	94.80	85 - 115
Unmetered Scattered Load	80.00	42.77	60.00	70 - 120

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c) Please provide further explanation as to how the change to monthly billing impacted the status quo revenue-to-cost ratios.

Response:

The revised Revenue to Cost ratios below include several changes, including updates to the Load Forecast, customer number weighting factors. The utility did not run the updates individually therefore the impact of monthly billing cannot be isolated at this time.

Class	Previously Approved Ratios Most Recent Year: 2010	Status Quo Ratios (7C + 7E) / (7A)	Proposed Ratios (7D + 7E) / (7A)	Policy Range
	%	%	%	%
Residential	107.00	92.26	95.50	85 - 115
General Service < 50 kW	88.00	115.36	115.00	80 - 120
General Service > 50 to 4999 kW	103.00	118.05	105.00	80 - 120
Sentinel Lighting	70.00	75.76	80.00	80 - 120
Streetlighting	70.00	98.01	98.00	85 - 115
Unmetered Scattered Load	80.00	53.93	80.00	70 - 120

d) Please provide further detail to justify the weighting factors used for billing and collecting.

Response:

Ottawa River Power has corrected its weighting factors used for billing and collecting as set out in the instructions in the cost allocation model as follows:

	1	2	3	7	8	9
	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
Insert Weighting Factor for Services Account 1855	1.0	2.0	10.0	0.3	0.3	0.3
Insert Weighting Factor for Billing and Collecting	1.00	1.00	1.50	0.50	0.50	0.50

Ottawa River Power acknowledges that GS<50 bills take the same amount of time and resources as a Residential bill. The GS>50 has been changed to reflect the increase in resources when billing this class with regard to time spent checking demand charges and pricing differences for non-RPP customer bills.

e) Please provide ORPC rational for its proposed revenue-to-cost ratios in particular for classes that are moving away from parity, while the USL class is outside the OEB prescribed target range.

Response:

Note that the revenue to cost ratios have been updated to reflect changes proposed in these responses (Load Forecast, Power Supply Expense, Rate Base, Revenue Requirement and Cost Allocation parameters). The rational for adjustments in the R/C ratios generally follows the Board requirements in that ratios outside of the range are moved inside the range while mindful of the bill impacts to each class. The revise revenue to cost ratios are shown in the table at the next page.

Cost Allocation Results and Revenue Allocation

Cost Allocation Results

Customer Class Name	REVENUE ALLOCATION (sheet O1) Service Rev Req (row40)		Misc. Revenue (mi) (row19)		Base Rev Req (row80)		Rev2Cost Expenses %	CUSTOMER UNIT COST PER MONTH (sheet O2) Avoided Costs (Minimum Charge)	Directly Related	Minimum System with PLCC * adjustment	Maximum Charge
Residential	3,316,407	65.02%	184,197	64.86%	3,132,210	65.03%	92.26%	$7.30	$10.68	$20.04	$20.04
General Service < 50 kW	777,594	15.25%	43,200	15.21%	734,393	15.25%	115.36%	$7.54	$11.18	$24.60	$24.60
General Service > 50 to 4999 kW	819,895	16.08%	38,971	13.72%	780,924	16.21%	118.05%	$31.71	$43.59	$104.65	$378.72
Sentinel Ligthing	19,809	0.39%	1,270	0.45%	18,539	0.38%	75.77%	$0.85	$1.30	$8.11	$8.11
Streetlights	160,798	3.15%	16,101	5.67%	144,697	3.00%	98.02%	$0.79	$1.20	$4.39	$4.39
Unmetered Scattered Load	5,803	0.11%	272	0.10%	5,532	0.11%	53.93%	$3.01	$4.61	$11.20	$11.20
other classes					0						$0.00
other classes					0						$0.00
other classes					0						$0.00
TOTAL	**5,100,305**	**100.00%**	**284,010**	**100.00%**	**4,816,295**	**100.00%**					

Revenue Reallocation - Service Revenue Requirement

Customer Class Name	Proposed Base Revenue Requirement % Cost Allocation Results		Existing Rates		Proposed Allocation		Revenue Offsets %	$	Service Revenue Requirement $ Existing Rates	Cost Allocation	Rate Application
Residential	65.03%	3,132,210	59.70%	2,875,470	61.93%	2,982,915	64.86%	184,197	3,059,667	3,316,407	3,167,112
General Service < 50 kW	15.25%	734,394	17.73%	853,837	17.67%	851,033	15.21%	43,200	897,037	777,594	894,233
General Service > 50 to 4999 kW	16.21%	780,924	19.29%	928,896	17.07%	821,919	13.72%	38,971	967,867	819,895	860,890
Sentinel Ligthing	0.38%	18,539	0.29%	13,738	0.30%	14,577	0.45%	1,270	15,008	19,809	15,847
Streetlights	3.00%	144,697	2.94%	141,496	2.94%	141,481	5.67%	16,101	157,597	160,798	157,582
Unmetered Scattered Load	0.11%	5,532	0.06%	2,858	0.09%	4,371	0.10%	272	3,130	5,803	4,643
other classes											
other classes											
other classes											
TOTAL	**100.00%**	**4,816,296**	**100.00%**	**4,816,296**	**100.00%**	**4,816,296**	**100.00%**	**284,010**	**5,100,306**	**5,100,306**	**5,100,306**

Revenue to Cost Ratio Allocation

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Target Range Floor	Celiling	Revenue to Cost Adjustment 2017	2018	20.19	Bill Impacts
Residential	0.92	0.95	-0.03	0.85	1.15				6.06%
General Service < 50 kW	1.15	1.15	0.00	0.80	1.20				5.44%
General Service > 50 to 4999 kW	1.18	1.05	0.13	0.80	1.20				8.21%
Sentinel Ligthing	0.76	0.80	-0.04	0.80	1.20				5.78%
Streetlights	0.98	0.98	0.00	0.80	1.20				18.44%
Unmetered Scattered Load	0.54	0.80	-0.26	0.80	1.20				1.22%
other classes									
other classes									
other classes									

7.0 – VECC –38

Reference: E7/pages 2-5
Cost Allocation Model, Tabs I5.2, I6.1, I6.2, I7.1

a) With respect to Tab I6.2, please confirm that all of the street light devices are connected directly to Ottawa River's secondary system (i.e., no daisy chaining).

Response:

Ottawa River Power confirms that all of its street light devices are connected directly to its secondary system.

b) Please explain why the 2016 customer/connection count by customer class in Tab I6.2 does not match the values from Exhibit 3, Table 3.25.

Response:

The values in the model filed with these responses have been corrected.

c) With respect to page 4 and Tab I5.2, please explain more fully why the Billing and Collecting weighting factor for GS<50 is only 0.89 relative to the value of 1.0 for Residential. In doing so please address the following:

- In what specific ways is more time required, per bill, for Residential?

Response:

Please see response to 7-Staff 70.

- How does the lower weight account for the extra effort required to monitor the kW demand of GS<50 customers in order to confirm their customer classification?

Response:

Please see response to 7-Staff 70.

d) With respect to page 4 and Tab I5.2, please explain more fully why the Billing and Collecting weighting factor for GS>50 is only 0.83 relative to the value of 1.0 for Residential and 0.89 for GS<50, when these customers' bills involve demand as well as energy readings and the determination of bills using IESO market prices.

Response:

Please see response to 7-Staff 70.

e) Please explain why the number of meters for each customer class, as shown in Tab I7.1, does not equal the forecast number of customers for each class per Table 3.25.

Response:

Ottawa River agrees that the number of meters for each does not equal the forecast number of customers. Changing the meter numbers to match has no material effect on the outcome.

f) Based on the responses to the foregoing interrogatories, please provide a revised 2016 Cost Allocation as required.

Response:

A revised model is being filed along with these responses.

7.0 – VECC –39
Reference: E7/pages 9-10

a) With respect to page 9, Table 3 (Appendix 2-P, Part B) – Column 7B) the values do not match the revenue at existing rates in the Cost Allocation model at Tab I6.1. Please reconcile.

Response:

Column 7B of Appendix 2P has been updated to match the Net Class Distribution Revenues from Sheet I6.1 of the Cost Allocation model.

b) With respect to page 9, Table 3 (Appendix 2-P, Part B) – Column 7C) the values do not match the revenue at status quo rates in the Cost Allocation model at Tab O1. Please reconcile.

Response:

Column 7C of Appendix 2P has been updated to match the revenue at status quo rates in the Cost Allocation model at Tab O1 of the Cost Allocation model.

c) With respect to page 10, Table 4 (Appendix 2-P, Part C) the status quo revenue to cost ratios do not match the ratios in the Cost Allocation model at Tab O1. Please reconcile.

Response:

Table 4 (Appendix 2-P, Part C) the status quo revenue to cost ratios now matches the ratios in the Cost Allocation model at Tab O1.

7.0 – VECC –40
Reference: E7/pages 14-16 and Appendix 2-P

a) Why is Ottawa River proposing to increase the revenue to cost ratio for USL to 80% in 2018 when the lower end of the policy range for that class is 70%.

Response:
See response to d) below

b) With respect to page 16, please provide the total bill impacts for the GS>50 class if the revenue to cost ratio is not reduced to 1.10 but rather kept at 1.17 (i.e., in a format similar to Appendix 2-W). Note: In calculating the commodity costs used in the bill impacts please ensure that usage is based on kWh.

Response:
See response to d) below

c) With respect to page 16, why is the Residential class used to "balance out" the revenue deficiency when there are other classes with lower revenue to cost ratios?

Response:
See response to d) below

d) What would be the reduction (form 1.17) in the revenue to cost ratio for GS>50 if the only other change was the proposed increase in the USL ratio to 60%?

Response:
The series of questions above may no longer be relevant as the revenue to cost ratios have recently been updated to reflect changes proposed in these responses (Load Forecast, Power Supply Expense, Rate Base, Revenue Requirement and Cost Allocation parameters). The revised results were presented as part of the utility's response to 7-Staff-70.

With the exception of USL and Sentinel Lights, all other ratios fell within the ranges. With respect to USL, given the relatively small amount of revenue associated with USL, and the low bill impact (1.22%), the utility opted to adjust the USL from 0.54 to the bottom of the target range (0.80). This represents an increase of $1,513/year