EB-2018-0063

Ottawa River Power Corporation
Application for electricity distribution rates effective May 1, 2019

Vulnerable Energy Consumers Coalition (VECC) Interrogatories

VECC-13

Ref 1: Ottawa River_2019_IRR_VECC_20181221
Ref 2: Ottawa River_2019_IRR_VECC Revised_20190109

Please provide the differences between the two documents.

There were five revisions made changing the peak kVA from 12,764 to 10,775.

- VECC 6 f)
- VECC 7 a) 1st sentence and 5th sentence
- VECC 8, 1st paragraph and 2nd paragraph

VECC-14

Ref 1: Ottawa River_2019_IRR_OEB Staff_20181221
Ref 2: Ottawa River_2019_IRR_OEB Staff Revised_20190109

Please provide the differences between the two documents.

There were eight revisions made:

- Staff 17 – changed from capacity to ampacity
- Staff 18 a) – changed to "Please see Appendix M
- Staff 18 b) – changed from 12,764 to 10,775 kVA in 1st sentence and 5th sentence
- Staff 19 – changed from 5778 to 5067 kVA
- Staff 20 a) ii) – changed from 12,764 to 10,775 kVA
- Staff 20 a) iii) – changed from 9,500 to 10,000 kVA
- Staff 21 e) - changed from 9,500 to 10,000 kVA

VECC-15

Ref 1: Ottawa River_2019_IRR_VECC Revised_20190109 VECC IR#1
Ref 2: Ottawa River_2019_IRR_VECC_App 1_20121221

The capital amounts at reference #1 do not align with the capital amounts at reference #2.

Please reconcile.

Ottawa River Power included contributed capital in the numbers in VECC 1 and not in VECC 2. Ottawa River Power has corrected the Plan/Board Approved numbers for 2015 and 2016. Ottawa River Power has included the contributed capital on its project spreadsheet and can be seen at Appendix 1 Revised.

	2015 CAPEX	2016 CAPEX	2017 CAPEX	2018 CAPEX	2019 CAPEX	2020 CAPEX
Plan/Board Approved	$1,167,330	$1,206,640 *6months at 2010 capex and 6months at 2016 capex Rates implemented July 1, 2016*	$1,245,950	$1,245,950	$1,245,950	$1,245,950
Actual	$780,067	$1,105,055	$1,165,057			
In-Service Additions (Actual)	$780,067	$991,531	$1,165,057			

With the revision in the 2015 Board approved number, there is a 33% difference in 2015. This is primarily attributed to account #1930. The approved budget was $302K with spending of only $35K. The remaining item is account #1980 with a budget of $80,000 and no work completed on the Scada in 2015.

VECC-16

Ref: Filing Requirements for Electricity Distribution Rate Applications, Chapter 3 Incentive Rate-Setting Applications July 12, 2018 P24

The Board's Filing Requirements indicate the ICM is not available for incremental funding if a distributor's regulated return exceeds 300 basis points above the deemed return on equity embedded in the distributor's rates.

Please discuss and provide Ottawa River's deemed return on equity in base rates compared to its rate of return for 2017 and 2018.

Ottawa River Power's ROE did not exceed 300 basis points above the deemed return on equity in 2017. It was 11.82% which is 2.63 points above expected. Please note that this increase is because Ottawa River Power applied for it smart meter disposition in 2016 and will be recouping its costs over four years. In 2017 Ottawa River Power had $241,069 in additional revenue from this rate rider. Without this, the actual ROE would have been 6.87% or 2.32 points below expected.

Ottawa River Power has not completed its 2018 year end at this time, but expects the ROE to be in the same range.

VECC-17

Ref: Filing Requirements for Electricity Distribution Rate Applications, Chapter 3 Incentive Rate-Setting Applications July 12, 2018 P24

The requested amount for an ICM claim must be incremental to a distributor's capital requirements within the context of its financial capacities underpinned by existing rates and satisfy the eligibility criteria of materiality, need and prudence set out in section 4.1.5 of the ACM Report.

Criteria	Description
Materiality	A capital budget will be deemed to be material, and as such reflect eligible projects, if it exceeds the OEB-defined materiality threshold. Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount (as defined in this ACM Report) and must clearly have a significant influence on the operation of the distributor; otherwise they should be dealt with at rebasing. Minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. A certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.
Need	The distributor must pass the Means Test (as defined in the ACM Report). Amounts must be based on discrete projects, and should be directly related to the claimed driver. The amounts must be clearly outside of the base upon which the rates were derived.
Prudence	The amounts to be incurred must be prudent. This means that the distributor's decision to incur the amounts must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

a) Please explain how Ottawa River's ICM request is incremental.

The substation 4 project exceeds the OEB threshold amount. This is calculated in the ICM model at Tab 10. The materiality threshold is $1,059,224.

The substation build will have a significant impact bringing the total capital budget to $2.7 million. These costs are not in the current rate base as approved in the 2016 Cost of Service.

b) Please explain how Ottawa River's ICM request satisfies the above criteria: materiality, need, and prudence.

This ICM request is material. The project itself is approximately 1.4 time the approved 2016 CAPEX for Ottawa River Power.

The need as stated is to serve not only new customers but existing customers as well. There is not enough capacity should a 4.16 KV station fail, to serve the rest of the community.

Ottawa River Power intends to build Sub 4 to accommodate current and future load. This was the most prudent option. While MS-3 with a capacity of 3,000 kVA would be a candidate for capacity expansion, the entire station, including transformer, metalclad switchgear, and feeder cables are operating beyond its useful life.

The MS-1 and MS-2 transformers are 5,000 kVA, which is the typical maximum size for 4 kV systems. This is a technical limitation due to the 4 kV short circuit fault levels.

The purchase of a spare transformer was also considered, but this would not allow timely restoration of power following a failure at one of the existing stations. Each of the existing stations in Almonte has different physical configurations, and it would be challenging to find a spare transformer that could be installed quickly without major modifications to the station. It is estimated that changing a transformer could take one to two days minimum, which would result in a prolonged outage. Further, if there was a major failure in the 4 kV metalclad switchgear, a spare transformer would not help. In our experience, faults in switchgear can take many days to repair.

VECC-18

When exactly will new load growth exceed available capacity? Please provide all assumptions and calculations.

Load growth is not the only issue in Almonte. Current loading is also a factor. Ottawa River Power is following typical utility practise to be tolerate of the failure of any single major component to prevent prolonged outages. Substation transformers do fail, often without warning, and ORPC has a responsibility to be able to restore power in that circumstance in a reasonable time. Typically, this means within an hour or so. If there is no spare capacity in the system, outages could last days or longer.

VECC-19

Ref: EB-2015- DSP

a) Please provide the capital projections for 2016 to 2020.

Ottawa River Power Corporation						
Capital For VECC						
		2016	**2017**	**2018**	**2019**	**2020**
180600	Land Rights		39,130	88,721		
180870	Building	54,222	4,010	1,573	20,000	50,000
182000	Mun. Trans. Stn - <50kv	215,585	16,362	54,055	1,657,000	140,000
183000	Poles Towers Fixtures	213,082	133,966	155,714	110,000	130,000
183500	O/H Conductors, Devices	213,608	317,294	286,947	202,000	240,000
184000	Distribution lines u/g	16,314	31,950	44,327	3,500	32,000
184500	Undergd Conductor/Dev	42,864	140,969	134,406	51,000	100,000
185000	Distributrion Transformers	127,653	197,153	316,413	269,000	230,000
185503	Customer services	102,071	125,335	66,351	92,000	100,000
186000	Meters	36,172	35,397	6,766	33,000	150,000
191500	Office equipment	27,072	4,398		10,000	10,000
192000	Computer Hardware	1,669	6,397	1,083	10,000	50,000
192501	Computer Software	21,070	33,881	10,652	25,000	30,000
193000	Rolling Stock and equipment	116,565	322,428	30,997	350,000	50,000
194000	Miscellaneous Tools & Equipment	14,007	3,354	3,542	5,000	10,000
194500	Measurement Equipment		1,000			5,000
195500	Communication Equipment					10,000
196000	Miscellaneous Equipment					
198000	System Supervisory Equipment		35,234	17,294	50,000	75,000
	Contributed Capital	(96,899)	(263,533)	(100,000)	(187,500)	(166,050)
		1,105,055	**1,184,725**	**1,118,841**	**2,700,000**	**1,245,950**

VECC-20

Ref: VECC IR#2 (c)

Please discuss the potential to defer the new bucket truck in Almonte proposed for 2019.

Ottawa River Power has already signed a purchase order and is expecting delivery of the new vehicle in July of 2019. The truck that it is replacing has had numerous hydraulic repairs and continues to get stuck in the up position. It has become very unreliable.

VECC-21

Ref: VECC IR#3 (b)

Please compare load growth rate projections to the Almonte 4 kV system over the next 5 years compared to previous years.

Ottawa River Power provides the following table of peaks up to 2022.

The issue is not the individual station loading, it is the coincident system load. The 2019 through 2022 forecast is based on a typical 3% annual increase as supplied in Appendix M. The table below was converted to MVA using a 94% power factor.

Year	Summer Peak (MVA)	Winter Peak (MVA)
2017	8.2	8.7
2018	8.9	9.1
2019	9.2	9.4
2020	9.5	9.7
2021	9.8	10.0
2022	10.1	10.3

The peak demands for the period of 2017 through 2022 are somewhat irrelevant to the current situation of inadequate capacity under failure contingency situations.

When the utility amalgamated in 2000, there were 1837 residential customers. The current number of residential customers is 2810. This is a 60% growth over 18 years. Consumption increased from 17,823,044 kWh to 22,810,328 kWh, which is a 28% increase. GS > 50 kW also grew from 11 customers to its present 22, which is a 100% growth rate in 18 years. In 2000 this class consumed 5,711,060 kWh. In 2018 this had risen by 95% to 11,161,488 kWh.

This growth is expected to continue as stated in the application. Providing predictions beyond 2022 would not add to information already provided.

VECC-21

Ref: VECC IR#12

Please provide the historical failure at one of the three existing stations rate compare load growth.

Ottawa River Power does not understand this question.