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TECHNICAL CONFERENCE UNDERTAKING - JT 3.1

JT 3.1

To please provide a revised version of Appendix 2-AA, and Sec-49 Attachment A, on the same basis as Jt1.1. Please also provide update opening 2021 rate base and revenue requirement impact during the plan of any update to the 2020 in-service addition forecast.

RESPONSE:

1. INTRODUCTION

As an initial note, in preparing this undertaking Hydro Ottawa noticed an error in Attachment SEC-49(A), where three rows were labeled incorrectly. Please see excel Attachment JT 3.1(A): REVISED Attachment SEC-49(A): Appendix 2-AA In-Service Additions. The revisions are highlighted in yellow.

In order to provide clarity of the impact on the proposed revenue requirement, the response to this undertaking has been organized to correspond with this Application's exhibit format. Hydro Ottawa will also provide bill impacts once available.

The following Attachments have been provided related to the the specific requests of this undertaking:

- Attachment JT 3.1(A): REVISED Attachment SEC-49(A) Appendix 2-AA -In-Service Additions
- Attachment JT 3.1(B): Updated Appendix 2-AA - Capital Programs Table - Capex
- Attachment JT 3.1(C): Updated Appendix 2-AA - Capital Programs Table - In-Service Additions

The updated Revenue Requirement is provided in Table F below.

1 **2. RATE BASE**

2 Table 1 from UPDATED Exhibit: 2-4-1: Capital Expenditure Summary is updated as Table A
 3 below with the impacts from the 2020 revised forecast. The 2021 net capital expenditures
 4 increased by \$3.7M. Due to COVID-19, some of the General Plant projects were deferred from
 5 2020 to 2021. In addition, one of the utility's stations, Lincoln Heights, suffered a fire in Q1 2020.
 6 The cost to rebuild the damaged station is \$2.6M. These two items are the reason for the higher
 7 capital expenditure in 2021, with the General Plant items reflected in lower capital expenditures
 8 in 2020.

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10 For more details, please see Attachment JT 3.1(B): Updated Appendix 2-AA - Capital Programs
 11 Table - Capex.

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13 **Table A – Summary of 2021-2025 Capital Expenditures – Updated for 2020 Forecast**
 14 **(\$'000,000s)**

Investment Category	2021	2022	2023	2024	2025	Average 2021-2025
System Access	\$56.7	\$41.0	\$37.4	\$34.5	\$34.0	\$40.7
System Renewal	\$45.4	\$44.0	\$40.2	\$39.4	\$40.5	\$41.9
System Service	\$26.8	\$28.3	\$24.3	\$25.2	\$23.9	\$25.7
General Plant	\$33.5	\$11.7	\$7.6	\$17.4	\$16.9	\$17.4
Capital Contributions	\$(39.2)	\$(23.5)	\$(19.9)	\$(19.2)	\$(19.3)	\$(24.2)
TOTAL	\$123.2	\$101.5	\$89.6	\$97.2	\$96.0	\$101.5

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16 Table 3 from UPDATED Exhibit: 2-4-1: Capital Expenditure Summary is further updated as
 17 Table B below with the impacts from the revised 2020 forecast. Net capital additions for 2021
 18 increased by \$9.4M. A total of \$2.0M General Plant project capitalization was deferred to 2021
 19 as a result of COVID-19. In System Renewal and System Service, the most notable change is
 20 the Uplands station of \$4.8M, which was budgeted in 2020 and is now deferred to 2021. The
 21 System Renewal and System Service net increase of \$5.9M in 2021 is due to \$3.3M of work
 22 deferred from 2020 and the \$2.6M rebuild of Lincoln Heights. System Access capital
 23 expenditures net of contribution in the first half of 2020 exceeded budget. This trend is expected

1 to continue in the second half of the year. As a result, in-service additions increased by \$2.6M
 2 in 2020 and \$1.6M in 2021.

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4 For more details, please see Attachment JT 3.1(C): Updated Appendix 2-AA - Capital Programs
 5 Table - In-Service Additions.

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7 **Table B – Summary of 2021-2025 Capital Additions – Updated for 2020 Forecast (\$'000s)**

Category	2021	2022	2023	2024	2025
System Access (net of contribution)	\$19,534	\$17,922	\$17,620	\$15,630	\$15,312
System Renewal and Service	\$68,895	\$94,210	\$54,420	\$59,767	\$81,904
General Plant excluding CCRAs	\$16,152	\$12,343	\$6,513	\$5,822	\$18,043
TOTAL CAPITAL ADDITIONS	\$104,581	\$124,475	\$78,554	\$81,218	\$115,259

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10 **3. OPERATING EXPENSES**

11 **3.1. DEPRECIATION AND AMORTIZATION**

12 Tables 1 and 2 from UPDATED Exhibit 4-3-1: Depreciation, Amortization, Disposal are further
 13 updated below as Tables C and D, respectively. Annual depreciation for years 2020-2025 has
 14 been revised to reflect in-service additions as at June 30, 2020 as well as the 2020 and 2021
 15 revised in-addition forecasts.

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1 **Table C– Summary of 2016-2020 - Depreciation Expense – Updated for 2020 Forecast**
 2 **(\$'000s)**

Asset Group	2016 Historical Year	2017 Historical Year	2018 Historical Year	2019 Historical Year	2020 Bridge Year
Land and Buildings	\$867	\$858	\$834	\$839	\$841
TS Primary Above 50	\$3,100	\$3,094	\$3,058	\$3,328	\$3,718
Distribution Stations	\$3,447	\$3,455	\$3,890	\$4,130	\$4,161
Poles, Wires	\$12,585	\$14,150	\$15,847	\$17,603	\$19,189
Line Transformers	\$2,269	\$2,513	\$2,766	\$3,024	\$3,205
Services and Meters	\$4,573	\$5,803	\$6,328	\$6,861	\$6,948
General Plant	\$2,286	\$2,240	\$2,233	\$3,778	\$3,483
Equipment	\$2,611	\$3,052	\$3,375	\$4,129	\$4,278
IT Assets	\$9,207	\$8,036	\$10,369	\$7,757	\$7,570
Other Distribution Assets	\$758	\$724	\$826	\$1,220	\$1,299
Sub-Total	\$41,703	\$43,925	\$49,526	\$52,667	\$54,692
Contributions and Grants	\$(1,622)	\$(2,262)	\$(2,950)	\$(3,767)	\$(4,580)
TOTAL¹	\$40,081	\$41,663	\$46,576	\$48,900	\$50,112

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5 ¹ Totals may not sum due to rounding.

1 **Table D – Summary of 2021-2025 - Depreciation Expense – Updated for 2020 Forecast**
 2 **(\$'000s)**

Asset Group	2021 Test Year	2022 Test Year	2023 Test Year	2024 Test Year	2025 Test Year
Land and Buildings	\$861	\$985	\$1,046	\$1,071	\$1,098
TS Primary Above 50	\$3,846	\$4,460	\$4,775	\$4,918	\$5,111
Distribution Stations	\$4,229	\$4,516	\$4,678	\$4,816	\$5,232
Poles, Wires	\$21,068	\$22,885	\$24,485	\$26,000	\$27,332
Line Transformers	\$3,470	\$3,708	\$3,925	\$4,127	\$4,299
Services and Meters	\$6,803	\$6,348	\$6,126	\$6,109	\$6,334
General Plant	\$3,728	\$4,601	\$4,618	\$4,643	\$4,687
Equipment	\$4,665	\$4,757	\$5,247	\$5,254	\$5,135
IT Assets	\$8,376	\$9,729	\$10,289	\$10,563	\$12,297
Other Distribution Assets	\$1,342	\$1,364	\$1,351	\$1,160	\$1,158
Sub-Total	\$58,388	\$63,356	\$66,541	\$68,661	\$72,682
Contributions and Grants	\$(5,630)	\$(6,771)	\$(7,606)	\$(8,295)	\$(8,976)
TOTAL²	\$52,758	\$56,584	\$58,935	\$60,366	\$63,707

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5 **3.2. PAYMENTS IN LIEU OF TAXES**

6 The amount of Payments in Lieu of Taxes (“PILS”) included in the revenue requirements, as
 7 presented in Table 1 from UPDATED Exhibit: 4-4-1 Payments in Lieu of Taxes, for each of the
 8 2021-2025 Test Years is summarized in Table E below.

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11 ² Totals may not sum due to rounding.

1 **Table E – Corporate PILS for Test Years 2021-2025 – Updated for 2020 Forecast (\$'000s)**

Test Year	Income Taxes/PILS Grossed Up
2021	\$1,290
2022	\$3,698
2023	\$8,471
2024	\$11,394
2025	\$7,501

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4 **4. CALCULATION OF REVENUE DEFICIENCY AND SURPLUS**

5 Table 2 from UPDATED Exhibit 6-1-1: Calculation of Revenue Deficiency or Sufficiency is
 6 further updated as Table F for the 2020 Forecast below.

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**Table F – Revenue Deficiency/Sufficiency for 2021-2025 –
 Updated for 2020 Forecast (\$'000s)**

	2021	2022	2023	2024	2025
Return on Rate Base	\$68,301	\$74,656	\$78,658	\$81,106	\$85,923
Distribution Expenses (not including depreciation, amortization)	\$93,923	\$96,280	\$98,697	\$101,174	\$103,714
Depreciation, amortization	\$52,758	\$56,584	\$58,935	\$60,366	\$63,707
Payment in Lieu of Taxes	\$1,290	\$3,698	\$8,471	\$11,394	\$7,501
Service Revenue Requirement	\$216,271	\$231,219	\$244,760	\$254,040	\$260,845
Less Revenue Offsets	\$11,013	\$10,971	\$11,667	\$12,151	\$12,457
Base Revenue Requirement	\$205,258	\$220,248	\$233,093	\$241,889	\$248,388
Transformer Ownership Credit	\$1,056	\$1,056	\$1,056	\$1,059	\$886
Revenue Requirement from Rates	\$206,314	\$221,304	\$234,149	\$242,947	\$249,274
Forecasted Load at 2020 Rates	\$187,888	\$188,816	\$189,699	\$190,686	\$191,453
Cumulative Revenue Deficiency (over 2020)	\$(18,426)	\$(32,487)	\$(44,450)	\$(52,261)	\$(57,821)
Yearly Revenue Deficiency over 2020³	\$(18,426)	\$(14,062)	\$(11,963)	\$(7,811)	\$(5,560)

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11 ³ Totals may not sum due to rounding.