

1 **UPDATED - TECHNICAL CONFERENCE UNDERTAKING - JT 3.1**

2

3 **JT 3.1**

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

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8 **RESPONSE:**

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10 **1. INTRODUCTION**

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

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

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

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

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29 The updated Revenue Requirement is provided in Table F below.

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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 2020 revised forecast and the impacts. 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 with 2020 Revised Forecast –**
 14 **Updated for 2020 Forecast (\$'000,000s)**

Investment Category	2020 Revised Forecast	2021	2022	2023	2024	2025	Average 2021-2025
System Access	\$51.0	\$56.7	\$41.0	\$37.4	\$34.5	\$34.0	\$40.7
System Renewal	\$33.9	\$45.4	\$44.0	\$40.2	\$39.4	\$40.5	\$41.9
System Service	\$29.8	\$26.8	\$28.3	\$24.3	\$25.2	\$23.9	\$25.7
General Plant	\$39.8	\$33.5	\$11.7	\$7.6	\$17.4	\$16.9	\$17.4
Capital Contributions	\$(27.0)	\$(39.2)	\$(23.5)	\$(19.9)	\$(19.2)	\$(19.3)	\$(24.2)
TOTAL	\$127.6	\$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 to include the revised 2020 forecast and the impacts. Net capital additions for
 18 2021 increased by \$9.4M. A total of \$2.0M General Plant project capitalization was deferred to
 19 2021 as a result of COVID-19. In System Renewal and System Service, the most notable
 20 change is the Uplands station of \$4.8M, which was budgeted in 2020 and is now deferred to
 21 2021. The System Renewal and System Service net increase of \$5.9M in 2021 is due to \$3.3M
 22 of work deferred from 2020 and the \$2.6M rebuild of Lincoln Heights. System Access capital

1 expenditures net of contribution in the first half of 2020 exceeded budget. This trend is expected
 2 to continue in the second half of the year. As a result, in-service additions increased by \$2.6M in
 3 2020 and \$1.6M in 2021.

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

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

Category	2020 Revised Forecast	2021	2022	2023	2024	2025
System Access (net of contribution)	\$23,472	\$19,534	\$17,922	\$17,620	\$15,630	\$15,312
System Renewal and Service	\$44,528	\$68,895	\$94,210	\$54,420	\$59,767	\$81,904
General Plant excluding CCRAs	\$12,981	\$16,152	\$12,343	\$6,513	\$5,822	\$18,043
CAPITAL ADDITIONS excl. CCRAs	\$80,981	\$104,581	\$124,475	\$78,554	\$81,218	\$115,259
CCRAs	\$910	\$51,224	\$210	\$100	\$2,130	\$7,300
TOTAL CAPITAL ADDITIONS	\$81,891	\$155,805	\$124,685	\$78,654	\$83,348	\$122,559

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12 In addition to the foregoing, rate base reconciliation between closing 2020 and opening 2021
 13 that was provided in UPDATED Exhibit 2-1-1: Rate Base Overview has changed.

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15 The closing 2020 gross assets was reduced by \$3.06M after using actual additions and
 16 disposals for the first half of 2020 and the revised additions and disposals forecast for the
 17 second half of 2020. The difference between the adjusted closing 2020 gross assets and the
 18 opening revised 2021 gross assets relates to adding back into rate base assets for which
 19 revenue requirement was recorded into Regulatory Accounts in 2016-2020.

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1 **UPDATED GROSS ASSETS (\$'000s)**

2020 Closing Gross Assets	\$1,260,911
New Administrative Office & Operations Facilities	\$99,545
CCRA	\$13,802
2021 Opening Gross Assets	<u>\$1,374,258</u>

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4 Similarly, after accounting for Q1 and Q2 2020 actuals and a revised 2020 forecast, the
5 difference between the closing 2020 accumulated depreciation and the opening 2021
6 accumulated depreciation is shown below. This includes adding back into rate base assets for
7 which revenue requirement was recorded into Regulatory Accounts in 2016-2020.

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9 **UPDATED GROSS ACCUMULATED DEPRECIATION (\$'000s)**

2020 Closing Accumulated Depreciation	\$272,309
New Administrative Office & Operations Facilities	\$3,775
CCRA	\$446
2021 Opening Accumulated Depreciation	<u>\$276,530</u>

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11 Table B.1 below provides a summary of rate base for the 2020-2025 period, which has been
12 updated to reflect the revised 2020 forecast.

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1 **Table B.1 – Summary of 2020-2025 Rate Base – Updated for 2020 Forecast (\$'000s)¹**

	Bridge	Test Years				
	2020	2021	2022	2023	2024	2025
Opening Gross Assets	\$1,182,029	\$1,374,258	\$1,525,856	\$1,646,745	\$1,721,723	\$1,801,900
Closing Gross Assets	\$1,260,911 ²	\$1,525,856	\$1,646,745	\$1,721,723	\$1,801,900	\$1,921,823
Average Gross Assets	1,221,470	\$1,450,057	\$1,586,301	\$1,684,234	\$1,761,812	\$1,861,862
Opening Accumulated Depreciation	\$(225,440)	\$(276,530)	\$(326,683)	\$(381,037)	\$(437,652)	\$(496,160)
Closing Accumulated Depreciation	\$(272,309) ³	\$(326,683)	\$(381,037)	\$(437,652)	\$(496,160)	\$(558,524)
Average Accumulated Depreciation	\$(248,875)	\$(301,607)	\$(353,860)	\$(409,345)	\$(466,906)	\$(527,342)
Opening Net Book Value	\$956,589	\$1,097,728	\$1,199,173	\$1,265,708	\$1,284,071	\$1,305,740
Closing Net Book Value	\$988,602	\$1,199,173	\$1,265,708	\$1,284,071	\$1,305,740	\$1,363,299
Average Net Fixed Assets	\$972,596	\$1,148,451	\$1,232,441	\$1,274,890	\$1,294,906	\$1,334,520
Working Capital Allowance	\$77,997	\$84,870	\$90,411	\$95,934	\$103,375	\$107,049
RATE BASE⁴	\$1,050,593	\$1,233,321	\$1,322,852	\$1,370,823	\$1,398,281	\$1,441,569

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4 **3. OPERATING EXPENSES**

5 **3.1. DEPRECIATION AND AMORTIZATION**

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

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11 ¹ Figures include Facilities and CCRA.

12 ² Please see reconciliation above regarding 2020 closing gross assets not equalling 2021 opening gross assets.

13 ³ Please see reconciliation above regarding 2020 closing accumulated depreciation not equalling 2021 opening
14 accumulated assets.

15 ⁴ Totals may not sum due to rounding.

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)
TOTAL⁵	\$40,081	\$41,663	\$46,576	\$48,900	\$50,112

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5 ⁵ 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)
TOTAL⁶	\$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 ⁶ 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 2020⁷	\$(18,426)	\$(14,062)	\$(11,963)	\$(7,811)	\$(5,560)

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11 ⁷ Totals may not sum due to rounding.