Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

December 2, 2021

Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Long:

Re: Ottawa River Power Corp.
2022 Cost of Service Rate Application
Ontario Energy Board (OEB) File Number: EB-2021-0052
OEB Staff Interrogatories

In accordance with Procedural Order No.1, please find attached OEB staff's interrogatories in the above noted proceeding.

Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Original Signed By Shuo Zhang Digitally signed by Shuo Zhang Date: 2021.12.02 10:47:57 -05'00'

Shuo Zhang
Project Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Exhibit 1- Administration

1-Staff-1
Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2022 Electricity Distributor Rate Applications webpage.

1-Staff-2
Revenue Deficiency
Ref: Exhibit 1, page 103 of 111

Question(s):

When discussing revenue deficiency, Ottawa River stated that:

> The revenue deficiency which has been growing over time as a result of the inflationary increases to labour and third-party maintenance fees as well as additional (or "new") expenses that were not previously included in ORPC's operating budgets.

Question(s):

a) Please provide a complete list of new expenses that were not previously included in Ottawa River Power's operating budget. Please also specify the forecast expenditures on these items for the 2022 test year.

b) Has Ottawa River Power worked with its third-party vendors to find efficiencies? If so, please explain what efficiencies have been identified.

1-Staff-3
Customer Satisfaction
Ref: Exhibit 1, METSCO Customer Survey Report 2020, page 13

a) Please discuss why the 4% customers who are very dissatisfied about the service provided by Ottawa River Power are all situated with the Pembroke service area.

b) Please discuss Ottawa River Power's plan of improving customer satisfaction for the Pembroke service area.

1-Staff-4
Operational Technology Investment Program
Ref: Exhibit 1, METSCO Customer Survey Report 2020, page 26

a) Please explain the Operational Technology Investment Program refer to which capital project(s) presented in Appendix 2-AA.

1-Staff-5
Average Capital Expenditures
Ref: Exhibit 1, METSCO Customer Survey Report 2020, page 41

a) Please explain drivers for the increase in the average capital investments from $1.2 million per year as communicated to customers to the average of $1.35 million per year as proposed in the application.

1-Staff-6
Corporate Scorecard
Ref: Exhibit 1

a) Does Ottawa River Power have a corporate scorecard, that differs from the OEB scorecard? If so, please provide a copy of its corporate scorecard for each year over 2016-2021.

1-Staff-7
Productivity
Ref: Exhibit 1

a) Please discuss if Ottawa River Power has implemented any productivity initiatives over 2016-2021 to improve cost efficiency. If so, please provide details of these initiatives and quantified cost savings, if available.

b) Please discuss if Ottawa River Power plans for any new productivity initiatives for the period of 2022-2026.

1-Staff-8
COVID-19 Account

Ref: Exhibit 1, pages 59, 101

Preamble:

Ottawa River Power has not included any assumptions or provisions for the impact of the COVID-19 pandemic in this application. Ottawa River Power further indicated that it is recording all costs related to COVID-19 in the regulatory accounts as directed by the OEB accounting orders.

The OEB has issued its Report on the Regulatory Treatment of Impacts Arising from the COVID-19 Emergency, dated June 17, 2021 (the Report). The Report indicates that the OEB will adopt a means test. Per Ottawa River Power's scorecard, its 2019 and 2020 achieved regulatory return on equity (ROE) was 14.48% and 9.61%, respectively. Deemed ROE was 9.19%.

Question(s):

a) Per page 44 of the Report, the achieved regulated ROE for the purposes of the means test is calculated prior to any entries made to Account 1509 – Impacts Arising from the COVID-19 Emergency. Please explain whether the achieved regulated ROE shown on Ottawa River Power's scorecard was calculated before or after any entries made to Account 1509.

b) Please explain whether Ottawa River Power is seeking or plans to seek disposition of any 2019 or 2020 amounts recorded in Account 1509.

c) If seeking disposition of Account 1509
    i. please provide Ottawa River Power's 2019 and 2020 achieved regulated ROE calculated before any entries made to Account 1509, if not already provided in Ottawa River Power's scorecard.
    ii. please explain and provide Ottawa River Power's proposal for the Account 1509 sub-accounts in consideration of the rules for the account set out in the Report and update the evidence as necessary. For any aspects of Ottawa River Power's proposal that deviates from the Report, please explain why Ottawa River Power believes the deviation to be appropriate.
    iii. please provide the supporting calculations of the annual sub-account balances, broken down into categories, as appropriate, and the amount for disposition after applying the applicable recovery rate
    iv. please provide discussion on applicable aspects of the Report, such as interim/final disposition and rationale for it, causation, materiality, prudence, incremental savings, etc.

d) Per page 38 of the Report, Account 1509 remains in effect until the utility's subsequent rebasing application, when it is reasonable to presume that rates may be reset reflecting the revised operating conditions facing the utility. Please explain why Ottawa River Power has not reflected any COVID-19 impacts in this application.

   i. Please clarify Ottawa River Power's proposal to continue/discontinue entries in Account 1509 after rebasing in this rate application, and provide supporting rationale.

1-Staff-9
Property Taxes
Ref: Exhibit 1, Appendix 1A – Financial Statements
Exhibit 6, page 10

Preamble:

In Ottawa River Power's 2020 audited financial statements, note 19 shows property taxes of $23,172 and $12,307 for 2020 and 2019, respectively. In Table 5 of Exhibit 6, Ottawa River Power's property taxes for 2020 and 2019 are $51,549 and $50,206.

Question(s):

a) Please explain the difference between the property taxes shown in the financial statements and as presented in Exhibit 6.

b) Please explain how Ottawa River Power has forecasted its 2022 property taxes.

Exhibit 2 – Rate Base and Distribution System Plan

2-Staff-10
2021 Actual
Ref: Appendix 2-AA

Question(s):

a) Please update actual capital expenditures for 2021 bridge year in Appendix 2-AA format. Please specify how many months are actual vs. forecast.

2-Staff-11
Capital Expenditures
Ref: Appendix 2-AB

Question(s):

a) The proposed 2022 net capital expenditure is approximately 41% higher than the average of 2022-2026. Please explain if Ottawa River Power has considered a more balanced pacing of its capital plan during the DSP period.

2-Staff-12
Addition of ICM Assets to Rate Base
Ref: Exhibit 2, page 95 of 100
EB-2018-0063, Decision and Rate Order, March 28, 2019

Question(s):

a) Ottawa River Power completed the construction work and energized the new 5 MVA substation in the Almonte Ward in the Town of Mississippi Mills in 2020. Please specify the actual in-service date (i.e., month) of this new 5 MVA substation.

b) Please explain reasons for the delay of in-service date from the planned date of June 2019, as expected at the time of filing the ICM request.

c) Please provide a breakdown of comparison between actual and estimated project costs detailing the cost components submitted in the ICM application. (EB-2018-0063, 2019 IRM Application, September 25, 2018, page 18)

d) The actual cost for the project was 28.46% higher than the amount approved in the ICM application. Please explain what actions Ottawa River Power has taken to manage the actual costs as close to the OEB-approved budget as possible.

e) Ottawa River Power stated that “The original estimate provided by ORPC in the ICM calculation excluded labour costs as these costs were not considered incremental to the utility”. Please elaborate this statement.

   i. Please explain why labour costs were not considered incremental to the utility at the time of filing ICM request.
   ii. Has incremental labour cost incurred in the construction of this new substation? If so, please explain why.

2-Staff-13
SAIDI/SAIFI Performance
Ref: Exhibit 2, DSP, pages 48-50

Preamble:

When reviewing historical outages by cause code, it was noted that defective equipment was one of the top three cause codes ranked by percentage share.

Question(s):

a) OEB staff notes that there was consistent higher actual capital spending in System Renewal compared to planned for each year over 2016-2020. Please explain why outages caused by Defective Equipment were trending upward over the past few years (2018-2020).

b) Does Ottawa River Power track interruptions due to Defective Equipment by equipment type? If so, please provide a further breakdown of historical interruptions due to Defective Equipment by year and by equipment type.

c) With the proposed investments in System Renewal, please discuss Ottawa River Power's reliability performance target for the forecast DSP period (i.e., to maintain its historical performance level or to improve).

2-Staff-14
Asset Lifecycle Optimization
Ref: Exhibit 2, DSP, Section 3.3

Question(s):

a) Does Ottawa River Power have any quantitative methodologies for project prioritization across all investment categories? If so, please provide details of the quantitative methodology.

b) Please explain whether Ottawa River Power uses any tools for risk-based project prioritization.

c) How are the objectives listed in Table 3-1 on page 62 of the DSP are used in project prioritization?

2-Staff-15
Capital Expenditures
Ref: Appendix 2-AA

Question(s):

a) Please provide capital projects for each year over the period of 2023-2026 in Appendix 2-AA format in Excel.

2-Staff-16
System Renewal
Ref: Exhibit 2, DSP, page 75

Question(s):

a) Please provide annual number of replacements and associated cost for each year over the historical (2015-2021) and forecast (2022-2026) periods for the main asset classes presented in Figure 3-9 and Table 3-5 in Excel.

2-Staff-17
System Renewal
Ref: Exhibit 2, Appendix 2-AB

Question(s):

a) Please explain why the average annual spending in System Renewal, excluding the Pembroke MS transformer replacement, increases from $534k over the historical period of 2016-2021 to $732k for the forecast period of 2022-2026.

2-Staff-18
Cost Savings
Ref: Exhibit 2, DSP, page 30

Question(s):

a) Ottawa River Power stated that “Cost savings introduced through the AM process and enhanced decision-making are embedded with the forecasted capital expenditure plan.” Please provide examples of the cost savings introduced throughout AM process and explain how those savings are captured within the forecast capital expenditure plan.

2-Staff-19
System Renewal
Ref: Exhibit 2, Section 2.2, page 52
Exhibit 2, METSCO ACA Report, page 32

Preamble:

When explaining 2016 capital expenditure variance in System Renewal, Ottawa River Power noted that “Actual pole replacements came in at $255,694 for 2016 which was $191,194 over budget while overhead conductor replacement came in at $168,534 which was not accounted for in the 2016 DSP.” Same explanation was also identified for each year over 2017-2019.

Question(s):

a) Please explain why budget associated with overhead conductor replacement was not accounted for in the 2016 DSP.

b) Please explain the scope and purpose of historical expenditures on overhead conductor replacement. Were the replacements stand alone projects or part of overhead line rebuild projects?

c) The ACA classified no overhead conductors as poor or very poor condition. Please specify the amount forecasted for overhead conductor replacement in the 2022 test year, if any, and how Ottawa River Power has derived these costs. Please explain assumptions, data and methodology utilized in the forecast.

d) Actual pole replacement cost was approximately $362k more than planned pole replacement costs over 2016 to 2019 period. What factors were responsible for the higher spending in pole replacements?

2-Staff-20
Customer Connections
Ref: Exhibit 2, DSP, Section 5.1

Question(s):

a) Based on the information provided by the local municipalities, Ottawa River Power estimated new customer connections across its four service areas. Please provide the agreements between Ottawa River Power and the developer(s)/builder(s).

b) Please explain how the budget of $154,461 for the customer connections program for the 2022 test year was derived. Please provide all assumptions, data, and methodology.

c) Appendix B of the Distribution System Code describes the methodology to determine capital contribution a distributor shall charge a customer to construct an expansion. Please explain how Ottawa River Power calculates capital contributions from developers/builders. Please provide an example in Excel.

2-Staff-21
Disposals
Ref: Chapter 2 Appendix 2-BA, 2-H

Preamble:

Disposals shown in 2019 and 2020 of Appendix 2-BA appear to be fully depreciated, whereby disposal costs removed equals the accumulated depreciation removed for the corresponding assets. The exception to this is for Account 1850 Line Transformers in 2019, where $151,106 of disposal costs were removed, but no accumulated depreciation was removed.

a) Please explain why there was no related removal of accumulated depreciation. Please revise Appendix 2-BA as needed.

b) There are no disposals in Appendix 2-BA for 2021 and 2022. There are no gains/losses on asset disposition/retirement in Appendix 2-H for 2021 and 2022. Please confirm that this is appropriate. If not confirmed, please revise the evidence as necessary.

2-Staff-22
Depreciation
Ref: Exhibit 2, pages 64-66

Preamble:

Ottawa River Power indicated that depreciation rates have remained unchanged since its 2016 cost of service proceeding.

Question:

a) Please confirm that Ottawa River Power has not changed its depreciation policy since its 2016 cost of service proceeding. If not confirmed, please explain the change and how it impacts the revenue requirement in this proceeding.

2-Staff-23
Depreciation
Ref: Chapter 2 Appendix 2-BA and 2-C

Preamble:

The 2016 to 2020 capital additions as shown in Appendix 2-BA do not agree to that in Appendix 2-C. The differences are shown in the table below.

Chapter 2 Appendix	**2016**	**2017**	**2018**	**2019**	**2020**
2-C ($)	1,105,056	1,165,057	1,387,348	1,023,966	668,569
2-BA ($)	1,059,160	1,237,284	1,491,058	1,271,558	551,090
Difference	45,896	(72,227)	(103,711)	(247,592)	117,479

Question:

a) Please explain the difference and revise the evidence as needed.

2-Staff-24
ICM
Ref: Exhibit 2, pages 18,95-96
Decision and Rate Order, EB-2018-0063

Preamble:

Page 18 states that the ICM asset was expected to be in service by June 2019. The ICM asset was placed in service in 2020 and is to be transferred to rate base on May 1, 2022.

Table 55 on page 95 shows the actual project cost and incremental revenue requirement.

Table 56 on page 95 compares the incremental revenue requirement to the actual rate riders collected.

Questions:

a) In table 55, the "ICM" column shows approved amounts after the reduction to the maximum eligible threshold. The Project Cost and Annual Amortization amounts in the "Project Actual Values" column agree to the ending 2020 gross book value and 2021 depreciation expense in Appendix 2-BA. Please confirm that the amounts in the "Project Actual Values" column are the total amounts, without any reduction for the maximum eligible threshold. If not confirmed, please explain.

b) For table 56, please update the table to include an estimate of the 2021 rate riders collected.

c) The approved ICM asset was expected to be in service by June 2019, but the actual in-service date was in 2020. In table 56, the approved revenue requirement starting from May 2019 is compared to the rate riders collected.

    i. Please explain Ottawa River Power's position on the impact, if any, on a potential ICM true-up, from the delayed in-service date.

d) In Ottawa River Power's 2019 IRM, the OEB approved an ICM for the MS-4 in Almonte. This approved ICM revenue requirement reflected a full year's depreciation. In Appendix 2-BA, the depreciation related to the ICM asset is $25,794 in 2020 and $51,588 in 2021. Ottawa River Power has applied a half year of depreciation in 2020. OEB staff notes that in the decision for Halton Hill Hydro Inc.'s ICM[1], the OEB found that two full years' depreciation should be applied to be consistent with the ICM rate rider. In consideration of this decision, please explain why Ottawa River Power has applied a half year of depreciation in 2020. Please revise the evidence as needed.

[1] EB-2020-0026

Exhibit 3 – Operating Revenue

3-Staff-25
Load Forecast Model
Ref: Load Forecast Model

Preamble:

Ottawa River Power has supplied an excel model in which all entries and cell selection has been locked. This makes it difficult to validate model function and formulas used.

Question(s):

a) Please supply an unlocked model.

3-Staff-26
Load Forecast
Ref: Exhibit 3, Appendix 1E, page 6

Preamble:

Ottawa River Power states that it "has adopted the 7-year average from 2014 to 2020 as the definition of weather normal." It also states that it's "opinion is that a ten-year average based on the most recent ten calendar years available is a reasonable compromise that likely reflects the 'average' weather experienced in recent years."

Question(s):

a) If Ottawa River Power believes that a ten-year average is a reasonable compromise that reflects average weather experienced in recent years, please explain why only seven years was used?

b) Please provide energy and billing demand for the most recent 12 months available. For example, if November 2021 is the last month available, please provide December 2020 to November 2021.

3-Staff-27
Load Forecast
Ref: Exhibit 3, page 25

Preamble:

Customer connections are forecasted using a geometric mean growth rate.

Question(s):

a) Please provide the customer connection counts by rate class for each month available in 2021.

3-Staff-28
Demand Forecast
Ref: Load Forecast Model, sheet: Bridge&Test Year Class Forecast

Preamble:

The GS > 50 demand is forecasted using a seven-year historic average ratio of kW to kWh. This results in a ratio of 0.00310 kW for each kWh of energy. In each year from 2014 to 2017, the ratio was at or below this level, and in each year from 2018 to 2020 the ratio was above this level.

The unmetered rate classes are forecasted using a three-year historic energy and demand resulting in the forecast for these rate classes having a kW to kWh ratio consistent with the three-year historic average.

Question(s):

a) Is Ottawa River Power aware of the reason for the increasing kW to kWh ratio in the most recent three years?

b) Please explain why the seven-year average was used instead of a shorter duration such as three or five years.

c) As a scenario, please provide the forecasted kW that would result from using a three-year average kW to kWh ratio.

3-Staff-29
CDM
Ref: Exhibit 3, page 11, 28

Preamble:

Ottawa River Power has not made any adjustments for CDM, or used any variables that capture the impact of CDM. It notes that it observed a decrease in kWh consumed per customer, and that this could be attributed to energy-saving initiatives.

Question(s):

a) Please provide the verified persisting savings for all years available, and Ottawa River Power's best estimate of persisting savings for all following years up to and including 2022.

b) Does Ottawa River Power plan to continue to deliver CDM programs now that the conservation first framework has concluded? If so, please explain.

c) As a scenario, please provide a load forecast where

   i. Persisting CDM is added back to wholesale purchases
   ii. Regression re-run using the adjusted wholesale purchases and a trend variable. The trend variable should indicate one in January 2014, and increase by one each month, reaching 108 in December 2022
   iii. Persisting CDM is subtracted from the resulting forecast

Exhibit 4 – Operating Costs

4-Staff-30
2021 Actual
Ref: Appendix 2-JC

Question(s):

a) Please update actual OM&A costs for 2021 bridge year in Appendix 2-JC format. Please specify how many months are actual vs. forecast.

4-Staff-31
Inflation Rate and Assumptions
Ref: Exhibit 4, page 7 of 71

Preamble:

On Page 7 of Exhibit 4 states “ORPC typically uses the flat rate of 2% of inflation for budgeting purposes”.

Question(s):

a) Please explain which USoA accounts this inflation factor applied to.

4-Staff-32
Operations and Maintenance
Ref: Exhibit 4, page 8 of 71

Question(s):

a) Ottawa River Power has proposed an increase of approximately 15% in Operations and Maintenance costs for the 2022 test year compared to 2020 actuals. Please explain drivers for this increase.

b) When comparing 2022 budget with 2016 OEB-approved level, OEB staff notes an increase of approximately 23% in Operations and Maintenance costs and an increase of approximately 53% in net capital expenditures. Please explain how Ottawa River Power has considered the trade-offs between capital and operating expenditures when developing its 2022 budget.

4-Staff-33
Capitalized Meter Expense
Ref: Exhibit 4, page 18 of 71

Question(s):

a) Please explain on what basis Ottawa River Power has determined that more of the meter technician's time requires capitalization in 2019.

b) Please provide the percentage of expensed vs. capitalized meter expenditures before and after this change.

c) Please specify the expensed vs. capitalized meter expenditures for the 2022 test year.

4-Staff-34
Benchmarking
Ref: Exhibit 4, page 29 of 71

Question(s):

a) Other than the PEG benchmarking reports, has Ottawa River Power done any benchmarking analysis to compare its cost performance compared to other local distribution companies?

4-Staff-35
OM&A Program
Ref: Exhibit 4, page 32 of 71

Question(s):

a) Please discuss if Ottawa River Power plans to track its OM&A costs by program as opposed to by USoA account on a going forward basis.

    i. If so, please discuss Ottawa River Power's action plan.

b) Please discuss any challenges Ottawa River Power would face when implementing this change.

c) Please discuss the costs and benefits of this change.

4-Staff-36
Shared Services
Ref: Exhibit 4, page 44 of 71

Question(s):

a) Please provide the historical (2016-2021) and forecast (2022) annual costs of the internet services provided by Ottawa River Energy Solutions to Ottawa River Power.

4-Staff-37
Maintenance of Line Transformers
Ref: Exhibit 4, page 20 of 71

Preamble:

Ottawa River Power stated that expenses in account 5160 - Maintenance of Line Transformers increased in 2020 “due to requirement to test transformers for PCBs by obtaining and testing oil samples” and will “Decrease in 2021 due to expected normalization of expenditures after significant labour in 2020 to complete most PCB testing”.

Question(s):

a) Please confirm how many transformers are forecast to require oil samples and tests for PCBs in 2022.

b) Of the tests performed to date, how many of each pad mounted, pole mounted and stations transformers require replacement due to PCB content? When will the transformers be removed from service?

c) Please explain Ottawa River Power’s risk analysis regarding keeping equipment with PCBs in operation.

d) Please explain why Ottawa River Power did not begin surveying the PCB concentration in its distribution equipment at an earlier date.

4-Staff-38
Workforce Planning and Employee Compensation
Ref: Exhibit 4, pages 38-39 of 71

Preamble:

Ottawa River Power states on page 38, “There are currently 2 vacancies at ORPC based on the last approved Cost of Service headcount, however, ORPC is proposing to retain 1 of those in its 2022 figures.”

Question(s):

a) Please confirm the budgeted headcount for 2022 is 28 FTEs, including vacant positions for a Cashier position and an Engineering Technician position.

b) Please confirm Ottawa River Power does not expect to fill the Cashier position in 2022.

c) When does Ottawa River Power expect to fill the Engineering Technician position?

4-Staff-39
Billing and Collecting
Ref: Exhibit 4, page 7 of 71

Preamble:

Ottawa River Power states on page 7

> Billing and Collecting shows an increase of $230K from the last board approved Cost of Service. The increase can be attributed to inflationary increases as well as increased costs associated with various elements of billing and collecting such as software, outside services, paper, stamps, and salaries.

Question(s):

a) Please provide a breakdown of the major cost drivers for increases in billing and collecting.

b) Please detail the cost control and efficiency measures Ottawa River Power has implemented to limit increases in billing and collecting.

4-Staff-40
LRAMVA
Ref: Excel LRAMVA Work form, Tab 1
Exhibit 4 – Operating Expense, Page 61

Preamble:

The stated period over which CDM projects where completed appears to be inconsistent. The LRAMVA work form (Cell H16) states that it is for new projects

between 2022 and 2023. Exhibit 4 provides date ranges from 2015 to 2017 and references 2018. However, the LRAMVA work form has new project claims for 2019.

Question(s):

a) Please clarify the time period for the new CDM projects.

b) Please provide the time period and persistent savings that result from the new CDM projects.

4-Staff-41
LRAMVA
Ref: Excel LRAMVA work form, Tab 1a

Preamble:

Tab 1a (Cell B 21) states the following:

> Please document any changes in assumptions made to the generic inputs of the LRAMVA work form. This may include, but are not limited to, the use of different monthly multipliers to claim demand savings from energy efficiency programs; use of different rate allocations between current year savings and prior year savings adjustments; inclusion of additional adjustments affecting distribution rates; etc. All changes should be highlighted in the work form as well.

Question(s):

a) Please clarify if any changes have been made in the LRAMVA work form and not documented in Tab 1a.

b) If changes have been made and not documented in Tab 1a, please file a revised LRAMVA work form.

4-Staff-42
LRAMVA
Ref: Excel LRAMVA work form, Tab 8
Exhibit 3 – Revenues, Table 26 – 2016 Board Approved VS 2022 Load Forecast, page 61

Preamble:

Ottawa River Power stated that the overall decrease in consumption is a result energy conservation measures from the conversion to LED streetlights in municipalities.

Question(s):

a) Tab 8 in the LRAMVA work sheet has not been completed. Please confirm that Ottawa River Power will not be seeking an LRAM for streetlighting in this proceeding.

4-Staff-43
OPEB
Ref: Exhibit 4, page 22

Preamble:

Ottawa River Power indicated that it modified its calculation of labour burdens in 2020 to 44.23% to account for CPP, EI, EHT, WSIB, benefits and other expenditures in the assignment of costs.

Question(s):

a) Please indicate the labour burden percentage prior to 2020.

b) Please quantify the dollar value of labour burden applied to the test year using labour burden percentage prior to 2020 and after 2020.

c) Please explain why Ottawa River Power changed its labour burden percentage.

4-Staff-44
OPEB
Ref: Exhibit 4, pages 39-40

Preamble:

Ottawa River Power is proposing to recover Other Post-employment Benefits (OPEBs) on a cash basis, consistent with prior rate applications.

Question(s):

a) Please provide the 2016 to 2022 actual/forecasted OPEB costs on an accrual basis.

b) Please quantify the amount of OPEB and OMERS costs (based on the cash method) that have been capitalized in the test year, if any. Please provide the amount of OPEB and OMERS costs (based on the accrual method) that have been capitalized (or forecasted to be capitalized) in Ottawa River Power's general ledger for 2016 to 2021.

4-Staff-45
PILS
Ref: Exhibit 4, page 56

Preamble:

Ottawa River Power indicated that its 2017 and 2018 tax returns are the subject of an audit and that Ottawa River Power expects no or immaterial adjustments, once the audit is complete.

Question(s):

a) Please provide a status update on the audit of the 2017 and 2018 tax returns.

b) If the audit has been completed, please discuss whether there were any material adjustments and whether this affects the test year PILs. If so, please explain.

4-Staff-46
PILS
Ref: Exhibit 4, page 58
PILs Model
Chapter 2, Appendix 2-BA

Preamble:

Ottawa River Power stated to "Adjustments to incorporate Accelerated CCA were made for the Bridge and Test Years and as such an additional supporting document entitled "PILs Accelerated CCA Calculation" is submitted in conjunction with the PILs model. The difference to account for accelerated CCA was presented as a separate line item on the Schedule 8 of the PILs model."

Question(s):

a) The bridge year additions are $1,255,967 in Schedule 8 of the PILs model and $1,061,217 in Appendix 2-BA.

   i. Please confirm that the full ICM assets were reflected in Schedule 8 of Ottawa River Power's 2020 tax return. If not, please explain the treatment of ICM assets for Ottawa River Power's CCA purposes in its tax return.
   ii. Please explain the difference in the bridge year additions between the PILs model and Appendix 2-BA.

b) It appears that CCA for the bridge and test years were not initially calculated using accelerated CCA in Schedule 8 of the PILs model as column 4 "Cost of acquisitions from column 3 that are accelerated investment incentive property (AIIP)" was left blank. Completing column 4 would apply accelerated CCA rules to the AIIP eligible additions in the calculation of CCA. Instead, Ottawa River Power has made manual adjustments of $265,492 and $183,175 in Schedule 8 of the PILs model in the bridge and test years, respectively, to calculate CCA

using accelerated CCA rules. Please confirm this understanding. If not confirmed, please explain.

c) In Schedule 8 of the PILs model, Ottawa River Power calculated bridge and test year CCA to be $1,501,121 and $1,371,875, respectively. Using the PILs model, OEB staff inputted the same additions in column 3 into column 4 to recalculate CCA using accelerated CCA rules. The test year CCA is $1,276,514. Please explain why the test year CCA calculated by Ottawa River Power is not equal to $1,276,514. Please revise the PILs model as necessary.

   i. If the test year CCA of $1,371,875 as currently shown in the PILs model is appropriate, please provide the supporting calculation, including the document "PILs Accelerated CCA Calculation" which does not appear to be filed.

d) In Schedule 8 of PILs model, the test year shows a total $265,492 reduction in UCC in column 5. Please explain what this represents.

4-Staff-47
Loss Carry Forward
Ref: Exhibit 4, page 57

Preamble:

Ottawa River Power states that the anticipated tax loss of $9,272 is expected to be utilized in the next fiscal year as CCA is expected to decrease in 2023 resulting in a tax provision.

Question(s):

a) Please confirm that the tax loss is $11,527 as per the PILs model. If not confirmed, please explain.

b) Please explain the reason for the expected decrease in CCA in 2023.

Exhibit 5 – Cost of Capital and Capital Structure

5-Staff-48
Cost of Capital
Ref: Exhibit 5

Question(s):

a) Please update 2022 cost of capital parameters in accordance with the OEB's letter dated October 28, 2021.

Exhibit 7 – Cost Allocation

7-Staff-49
Weighting Factors
Ref: Exhibit 7, pages 8-10

Preamble:

A services weighting factor over zero exists for every rate class.

The billing and collecting weighting factors for the General Service < 50 and General Service 50 – 4,999 kW rate classes are both below 1.0 indicating a lower cost than residential. Ottawa River Power ascribes this to fewer bills and fewer calls in both rate classes. Other factors identified lead to more effort for these General Service rate classes. In the Street Lighting rate class, the weighting factor of 2.2 is identified as being reflective of the extremely low volume of bills issue.

Table 3 on page 10 provides an allocation of the components of the billing and collecting expense.

Question(s):

a) Please confirm that Ottawa River Power customers are not responsible for providing their own service connections regardless of rate class.

b) If part a) cannot be confirmed, please briefly explain the circumstances under which Ottawa River Power provides the service connection and in which circumstances the customer is responsible.

c) Please explain why fewer bills result in lower cost per bill in general service rate classes, but higher costs in street lighting.

d) Please indicate how the following line items were allocated, and whether these costs were incurred in lieu of a different cost captured elsewhere.

   i. Customer Billing expenses (ERTH Holdings)
   ii. Customer Billing expenses (E-Billing Hosting)
   iii. Collecting – Labour

7-Staff-50
Demand Allocators
Ref: Exhibit 7, page 14

Preamble:

Ottawa River Power states that it "intends to update its demand profiles in its next Cost of Service application."

Question(s):

a) Please confirm that Ottawa River Power commits to include a proposal to update its demand profiles in the next proceeding where it is required to file a cost allocation model.

7-Staff-51
Revenue to Cost
Ref: Exhibit 7, page 25

Preamble:

Ottawa River Power states that it proposes to adjust the revenue to cost ratios over the period of the 2022 test year, and then hold the ratios constant over the years of 2022 and 2023. It references Table 16, which indicates changes in the 2022 test year and in 2023, and then constant in 2024 and 2025.

In particular, the GS 50 to 4,999 kW class is proposed to move the remainder of the way from 150% to the 120% ceiling in 2023, while all revenue-to-cost ratios under 100% are proposed to increase. Of these, GS < 50 kW is the highest in 2022 at 93.7% and is proposed to increase to 96% in 2023. Unmetered Scattered Load and Residential start out lower at 80% and 93.36% and are proposed to increase to higher levels of 97.94% and 97.33% respectively.

Question(s):

a) Please confirm that Ottawa River Power is proposing to use the revenue-to-cost ratios in Table 16.

b) Please explain how Ottawa River Power selected the revenue-to-cost adjustments in 2022 and 2023.

7-Staff-52
Transformer Ownership
Ref: Cost Allocation Model, sheets I6.1 Revenue, I6.2 Customer Data, I8 Demand Data

Preamble:

On sheet I6.1 Revenue, the GS 50 – 4,999 kW has 219,807 kW of forecasted billing demand, 30,565 kW of which is indicated to be eligible for the transformer ownership

allowance (TOA), implying that it is served using customer owned transformers, and the remaining 189,242 kW is served using Ottawa River Power owned transformers.

On sheet I6.2 Customer Data, a value of 8 has been entered in cell F24 with a comment "number of customers with their own transformer". However, the cell is supposed to be populated with the number of customers served using utility owned transformers.

On sheet I8, the demand entries for the line transformer and secondary are blank in the GS 50 – 4,999 kW rate class.

Question(s):

a) What proportion of customers and demand are served by Ottawa River Power line transformers and secondary distribution?

b) Please update the cost allocation model to be consistent with the response in part a).

7-Staff-53
Transformer Ownership
Ref: Cost Allocation Model, sheets I6.1 Revenue, I6.2 Customer Data

Preamble:

The customer data sheet indicates that there are 19 USL customers, and the revenue sheet indicates that these customers use 606,879 kWh per year. OEB staff calculates that this works out to 2,662 kWh per month (606,879 / 19 / 12). No data is entered for the number of connections. A typical General Service < 50 kW customer uses 2,000 kWh per month.

Question(s):

a) How many connections are used by the USL rate class?

b) Please explain why an average USL customer uses more energy than a typical GS < 50 kW customer.

Exhibit 8 – Rate Design

8-Staff-54
Pole Attachment Charge
Ref: Exhibit 8, page 24 of 48
EB-2020-0049, 2021 Tariff of Rates and Charges

Question(s):

a) The OEB-issued interim province wide pole attachment charge of $44.50/pole/year was not shown on Ottawa River Power's 2021 Tariff of Rates and Charges. As a condition of licence, electricity distributors are required to charge the pole attachment rate approved by the OEB. This charge is to be included in the electricity distributor's tariff. Ottawa River Power's tariff does not list the wireline pole attachment charge. Please confirm that the interim charge of $44.50 for wireline pole attachments should have been included in Ottawa River's 2021 Tariff in the Specific Service Charges section.

b) Please clarify the pole attachment charge Ottawa River Power adopted for 2021 rate year.

c) Please confirm Ottawa River Power will adopt the OEB-issued province wide pole attachment charge for the 2022 rate year.

8-Staff-55
Retail Transmission Service Rates
Ref: RTSR Workform, sheet 4. UTRs and Sub-Transmission
Ref: EB-2020-0237, Appendix A, page 5

Preamble:

The RTSR rates have been calculated using 2020 rates for Hydro One Networks Inc. (HONI) and a second host.

The second reference stipulates that Ottawa River Power make payments to Brookfield Energy Management Inc. (BEMI) for:

> Avoided Transmission Charge = fifty percent (50%) of the HONI monthly transmission charges express in $ per kilowatt, calculated on the amount of power delivered by BEMI coincident with the monthly Hydro One billing hour.

Question(s):

a) Please confirm that the second host is BEMI.

b) Please confirm that BEMI is operating as an embedded generator to Ottawa River Power.

c) Please explain how the billing kW is determined for BEMI. For example, is it based on the volume supplied by BEMI at the peak of BEMI's deliveries, at the peak of HONI's deliveries, at the peak of Ottawa River Power's receipts, or some other measure?

d) Please explain why it is appropriate that a charge relating to energy supplied by a generator embedded withing Ottawa River Power's system would be recovered through Ottawa River Power's RTSRs.

8-Staff-56
Low Voltage
Ref: Exhibit 8, page 27

Preamble:

Ottawa River Power has forecasted low voltage charges based on a five-year historic average of charges. This results in a forecasted expense of $487,559.

Question(s):

a) Please provide a forecast of low voltage kW demand and explain how that forecast is arrived at.

b) Please provide the low voltage expense that would result if this volume were subject to current approved Hydro One Networks

c) Please comment on the relative merits of forecasting LV expense using the method proposed in Ottawa River Power's application relative to the method outlined in parts a) and b) of this question.

8-Staff-57
Loss Factors
Ref: Exhibit 8, pages 29-32
Ref: RRR Filings

Preamble:

Ottawa River Power has negative supply facility losses in 2017. It attributes this to the configuration with Hydro One and "deductive usage points".

The RRR filings indicate the following energy usage

Year	kWh from IESO Grid	kWh from Embedded Generation	Total
2016	138,968,687	51,775,219	190,743,906
2017	105,580,388	80,114,866	185,695,254
2018	128,340,976	65,288,893	193,629,869
2019	132,972,691	59,289,449	192,262,140
2020	116,856,307	69,857,369	186,713,676

Question(s):

a) For each point where power enters Ottawa River Power's distribution system, please provide the annual energy received, and the annual energy generated and purchased with respect to this energy.

b) Please explain what a "deductive usage point" is.

c) Do "deductive usage points" result in more power coming onto Ottawa River Power's system than is generated in respective of that power?

d) Please explain how a larger contribution of power from Hydro One would cause the "lower value" to outweigh the "higher value" in 2017.

e) Please reconcile the values in Appendix 2-R to the values from the RRR filings (reproduced above).

Exhibit 9 – Deferral and Variance Accounts

9-Staff-58
Accounts 1588 and 1589
Ref: Exhibit 1, pages 39
Exhibit 9, page 35

Preamble:

Ottawa River Power is requesting to defer the disposition of Account 1588 and 1589 as at December 31, 2019, until the OEB inspection has been completed.

Question(s):

a) Please provide an update on the status of the OEB inspection.

b) If the inspection has been completed, please revise the evidence to request disposition of Accounts 1588 and 1589 (presuming the disposition threshold is exceeded) and confirm that the revised balances are in accordance with the inspection report. For any years requested for disposition that are not within the scope of the inspection, please complete the GA Analysis Workform. Further, if the inspection is complete as of the date of reply to these interrogatories:

   i. Please confirm that Ottawa River Power would be requesting disposition of 2020 balances. If not, please explain why not.
   ii. Please file the OEB inspection report on record, redacting any personal confidential information as applicable.

iii. Please explain whether Ottawa River Power has made all correcting journal entries associated with the inspection report (if applicable), in its general ledger yet. If not, please explain when it plans to do so.
iv. Please indicate whether there are any outstanding items from the inspection report that Ottawa River Power needs to complete. If so, please indicate which items are outstanding and explain Ottawa River Power's plan to address these outstanding items, including how it will address these outstanding items.
v. Please explain how Ottawa River Power plans to apply any lessons learned from the inspection to its accounting of Account 1588 and 1589 balances, going forward.
vi. Given the findings in the inspection report, please explain whether Ottawa River Power will need to review its Account 1588 and 1589 balances for any years that are not in the scope of the inspection.

c) In Exhibit 9, Ottawa River Power discusses its RPP settlement true-up process, which trues up the GA 1st estimate used in the initial RPP settlement to the actual GA rate. Please confirm that Ottawa River Power also trues up estimated unbilled to actual consumption volumes, which is not billed until two to six weeks following month-end. If not confirmed, please explain how omitting a volume variance true-up is in accordance with the Accounting Guidance for Accounts 1588 and 1589.[2]

9-Staff-59
OPEB Account
Ref: Exhibit 1, page 39
DVA Continuity Schedule
EB-2014-0105, Settlement Proposal, page 34

Preamble:

In Exhibit 1, Ottawa River Power indicates that it is requesting disposition of balances related to OPEB accrual variance in Account 1508 as at December 31, 2020. However, in the settlement proposal for Ottawa River Power's 2016 cost of service proceeding, it states that "ORPC has confirmed that no OPEB amounts are included in rates as budgeted for the Test Year. No deferral account is required for OPEBs due to the limited future liability expected". Furthermore, in the DVA Continuity Schedule of the current proceeding, there is no OPEB related account listed.

Question(s):

[2] Accounting Procedures Handbook Update - Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019

a) Please explain whether the OPEB variance account referenced above exists.

b) If so, please provide the evidence and accounting order showing the establishment of this account.

c) Please explain the nature of this account and explain how it differs from the OPEB-related deferral account that was contemplated, and then confirmed to not be established in Ottawa River's 2016 cost of service proceeding.

d) Please update the evidence in Exhibit 9 as well as the DVA Continuity Schedule, as needed.

9-Staff-60
Accounts 1518/1548
Ref: Exhibit 9, page 24
Report of the OEB, Energy Retailer Services Charges, November 29, 2018 (EB-2015-0304)

Preamble:

Ottawa River Power indicated that it does not use Account 1518 – Retail Cost Variance Account - Retail and Account 1548 - Retail Cost Variance Account – STR.

In the DVA Continuity Schedule, there are no balances for Accounts 1518, 1548 and Account 1508 – Retail Service Charge Incremental Revenue.

In the Report of the OEB, Energy Retailer Services Charges, the OEB established Account 1508 – Retail Service Charge Incremental Revenue for electricity distributors that no longer used RCVAs. The purpose of the new variance account is to capture the incremental revenues that are a result of the increase in the electricity RSCs in the midst of an incentive rate-setting term, resulting in revenues earned being greater than amounts previously approved in an electricity distributor's distribution rates. The balance in the new variance account would be refunded to ratepayers in a future rate application, and the new account subsequently closed.[3]

Question(s):

a) Please provide Ottawa River Power's balance in the new 1508 sub-account, with the supporting calculation of the balance. Please comment on whether Ottawa River Power is ably to reasonably forecast the balance until April 30, 2022. If so, please provide the forecasted balance as at April 30, 2022.

[3] EB-2015-0304, Decision and Order, February 14, 2019

b) Please confirm that Ottawa River Power will discontinue the 1508 sub-account effective May 1, 2022.

9-Staff-61
Account 1595 (2016)
Ref: Account 1595 Workform

Preamble:

In the Account 1595 (2016) Workform, the rate rider analysis provided includes amounts relating to rate riders for Account 1575/1576 (credit of $1,161) and stranded meters (debit of $137,053). Per the July 2012 Accounting Procedures Handbook, Frequently Asked Questions #10 and Appendix B, upon approved disposition of Account 1575/1576 and approved recovery of stranded meters, the approved amounts are not transferred to Account 1595.

Question(s)

a) For presentation purposes that accords with the OEB's guidance, please revise the residual balance in Account 1595 to transfer the residual stranded meter amounts back to Account 1555 in the DVA Continuity Schedule.

b) For the stranded meter rate rider shown in the Account 1595 Workform, 9,463 residential customers were forecasted to be billed but only 1,896 residential customers were billed. Please explain this variance in the residential class.

c) In the Account 1595 Workform, the majority of the Account 1595 (2016) variance is due to the Global Adjustment rate rider in the GS 50 to 4999 kW class. Please explain the variance.

9-Staff-62
Account 1592
Ref: Exhibit 9, pages 9-10
Account 1595 Workform

Preamble:

Ottawa River Power is proposing to dispose of a credit balance of $11,181 in Account 1592 - PILs and Tax Variance. Ottawa River Power indicates that this balance is due to differences in shared tax savings calculated in the IRM model.
In the decisions an orders for Ottawa River Power's 2019, 2020 and 2021 rates,[4] the OEB approved tax sharing credit amounts of $6,649, $4,298, $4,679, respectively and directed Ottawa River Power to record these amounts in Account 1595 as the tax sharing amounts did not result in rate riders in one or more classes. The Account 1595

[4] EB-2018-0063, EB-2019-0063, EB-2020-0049

Workform do not lists these tax sharing amounts as being included in the applicable Account 1595 sub-account.

Question(s)

a) Please confirm that credit balance in Account 1592 represents the tax sharing amounts approved in Ottawa River Power's 2019 and 2020 rate proceedings. If not, please explain.

b) Please confirm that Ottawa River Power will record the 2021 tax sharing amount in Account 1595, as directed by the OEB.

9-Staff-63
Account 1508, Sub-account Pole Attachment Revenue Variance
Ref: Exhibit 9, pages 7, 26
DVA Continuity Schedule
OEB Letter Regarding Accounting Guidance on Wireline Pole Attachment Charges, July 20, 2018
OEB Staff Clarification Questions – Response #16

Preamble:

Ottawa River Power is proposing to dispose a credit balance of $125,053 for Account 1508, Sub-account Pole Attachment Revenue Variance. In the DVA Continuity Schedule, there are transactions in 2019 and 2020 in this sub-account.

On page 7, Ottawa River Power indicated that it has forecasted 2021 and 2022 transactions in order to finalize disposition of some Group 2 accounts. Page 26 indicates that this includes the sub-account for Pole Attachment Revenue Variance.

Question(s)

a) In the OEB's July 20, 2018 letter referenced above, the 1508 sub-account would start recording revenues variances starting in September 2018. Please explain why there are no transactions in 2018 in the DVA Continuity Schedule for this sub-account. Please revise the evidence as needed.

b) Please confirm that only 2021 transactions have been forecasted in this sub-account and not 2022 transactions.

c) Please provide the calculation of the balance in the 1508 sub-account.

d) In response to OEB staff's Clarification Questions, Ottawa River Power indicated that it is not proposing to discontinue any existing accounts. Please confirm that this applies to the Pole Attachment Revenue Variance sub-account.

9-Staff-64
Account 1592, Sub-account CCA Changes
Ref: Exhibit 9, pages 10-11
OEB's Letter Regarding Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019
Exhibit 4, Appendix B – 2020 Tax Return
Chapter 2 Appendix 2-BA

Preamble:

Ottawa River Power is proposing to dispose a credit balance of $87,652 in Account 1592, Sub-account CCA Changes. Per the OEB's July 25, 2019 letter referenced above, utilities are to record the full revenue requirement impact of any changes in CCA rules that are not reflected in base rates in the 1592 sub-account.

Question(s):

a) Table 3 provides the calculation for the 1592 sub-account. The calculation does not appear to be grossed-up by the effective tax rate. Please confirm.

    i. If confirmed, please revise the 1592 sub-account balance to include the gross-up. Please revise the DVA Continuity Schedule accordingly.

b) It states that the 2020 amount in the 1592 sub-account includes the Almonte MS#4 being capitalized for financial statement and tax return purposes. This resulted in additions of $2,555,375 in the CCA Class 47, which can also be seen in Schedule 8 of Ottawa River Power's tax return. In Appendix 2-BA, the ICM related additions in 2020 is $2,059,753. Please explain the difference between the two.