

Ottawa River Power Corporation 2022 Cost of Service Application
OEB Staff Clarification Question Responses

1-Staff-65**Ref: 1-Staff-2**

Question(s):

- a) Ottawa River Power mentioned a cloud-based VOIP system implemented in 2019, cloud-based platforms to reduce paper costs and fax lines feeds, and a cloud-based underground locate management system implemented in 2021. Please specify costs associated with each of these systems.

The 2022 cost of the VOIP system is currently \$718.29 per month whereas the 2022 locate management system is currently \$450.00 per month.

- b) Were costs associated with these systems expensed or capitalized?

The initial cost of \$3,000 for the locate management system was capitalized to software whereas ongoing maintenance costs are expensed. The costs for the VOIP system were expensed.

1-Staff-66**Ref: 2-Staff-12**

Question(s):

- a) Please reconcile the total estimated budget of \$1,785,850 as shown on page 18 of the 2019 IRM Application (EB-2018-0063, September 25, 2018) and \$2,695,000 as shown in responses to 2-Staff-12 in the Excel appendices.

The total of \$2,695,000 stated in 2-Staff-12 is misstated due to a formulaic error. The correct formula would state \$1,623,500. To reconcile to the \$1,785,850, a 10% contingency needs to be added to the revised total.

- b) Please explain how Ottawa River Power implemented the OEB's decision of the ICM funding of \$1,603,409 as compared to the proposed funding of \$1,785,850.

Ottawa River Power Corporation sought multiple quotes for each service or material to ensure minimal costs were incurred while ensuring to maintain quality.

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2-Staff-67**Ref: 2-Staff-15**

Question(s):

- a) Did Ottawa River Power prepare capital expenditure forecast for the period of 2023 to 2026 on a more granular level (i.e., similar to capital projects presented for 2022 in Appendix 2-AA) in the DSP? If so, please provide capital expenditure forecast for each year over 2023-2026 at the project level. If not, please explain why Ottawa River Power did not prepare capital expenditure forecast at the project level for 2023-2026 in the DSP.

ORPC did not prepare the capital expenditure forecast for the period of 2023 to 2026 on a more granular level in the DSP due to the minimal amount of unique material projects. The majority of costs represent simply the continuation of regular replacement programs. ORPC does note that the 2026 Fleet replacement program includes a material vehicle purchase which is outlined in the DSP.

2-Staff-68**Ref: 2-Staff-16**

Question(s):

- a) When asked to provide the historical and forecast asset replacement data by main asset classes, Ottawa River Power stated that “it is unable to provide the requested data as replacement data is not tracked at a granular level and is not budgeted based on number of replacements” Please explain how the asset condition assessment results were utilized in the DSP and the forecast capital expenditures given that Ottawa River Power is unable to provide the forecast number of asset replacements.

As explained in section 3 (page 61 to 69) of the DSP, the asset condition assessment is used as a data source into ORPC's Asset Management Process and Capital Planning Process. These processes are used in developing ORPC's capital plan.

- b) Please explain how capital budgets for projects in System Renewal were derived given it is not budgeted based on number of replacements.

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As explained in our answer to A), OPRC has a comprehensive process when developing its capital budgets, included its budgets for projects in System Renewal. These processes are described in section 3 (page 61-69) and section 4.2.

2-Staff-69**Ref: 2-Staff-21**

Regarding disposals, Ottawa River Power indicated that it removed the cost of the asset but not accumulated depreciation in Chapter 2 Appendix 2-BA because the depreciation on the disposed transformer was not tracked at an individual asset level and is therefore, unknown.

Question(s):

- a) Please explain how depreciation is calculated for these pooled assets (e.g., the service life is adjusted annually, depreciation is calculated on the gross or net book value).

Depreciation on pole top and padmount transformers is calculated based on the net of additions and disposals in any given year.

- b) Please confirm that there is no over/understatement of rate base by only removing the cost and not accumulated depreciation in Appendix 2-BA. If not confirmed, please explain.

ORPC confirms that there is no overstatement. ORPC confirms that there is understatement as a result of removing the full cost of disposed transformers and no accumulated depreciation. This only relates to overhead and padmount transformers. ORPC notes that it does remove accumulated depreciation when the asset information is available.

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2-Staff-70**Ref: 2-Staff-24d**

Ottawa River Power summarized its proposal for the ICM true-up and indicated it would provide a revised ICM true-up calculation. Ottawa River Power proposed that rather than claim a full year of depreciation expense in 2020, a more appropriate approach would be to true-up the ICM rate rider revenues by reducing the revenues by one and a half years.

Question(s):

- a) Please provide the proposed calculation and the resulting true-up amount.

ORPC has provided an updated ICM/ACM model to calculate the full year incremental revenue requirement impact in 2020. Its proposal is to recover 50% of the incremental revenue in 2020 and 100% of the amount in 2021. In running the model, ORPC ignored in the effect of accelerated CCA as the impact of accelerated CCA has already been captured in account 1592 for the year 2020. ORPC also updated the inflation factor for 2020 which adjusted the applicable materiality threshold for the calculation. Based on the models, the amounts would be adjusted as follows:

Rate Year	Actual and Projected Incremental Revenue Requirement per Approved ICM	Projected Incremental Revenue Requirement per Proposal and Revised ICM provided	Repayment (Recovery) to/from Customers
2019	\$127,145		\$127,145
2020	\$129,017	\$80,173	\$48,844
2021	\$132,836	\$160,345	\$(27,509)
Total			\$148,480

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- b) If different than proposed by Ottawa River Power as provided in response to part a above, please provide a calculation for the period from actual ICM asset in-service date to rebasing, comparing:
- i. the actual revenue requirement reduced by the maximum eligible threshold, reflecting full year depreciation
 - ii. the actual rate riders collected

ORPC confirms the above.

- c) Regarding the reference in the preamble to “reducing revenues by one and half year”, please confirm that this is to mean reducing the total approved revenue requirement for a three-year period by one and half years. If not confirmed, please clarify.

Per Part A), ORPC has used the full year instead of half year for 2020. Accordingly, ORPC is now reducing the total approved incremental revenue requirement by one year.

4-Staff-71**Ref: 4-Staff-40**

Question(s):

- a) Ottawa River Power stated that information in Tab 1 of the LRAMVA work form needs to be corrected. Please refile the LRAMVA work form with the corrections provided in the interrogatory response.

ORPC has provided an updated LRAMVA model in response to clarification question VECC-40.

4-Staff-72**Ref: 4-Staff-43**

Regarding the change in burden rate, Ottawa River Power indicated that the total in the test year is \$603,970 per the Table 17 of Exhibit 4, page 37.

Question(s):

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- a) Please confirm that the burden rate change Ottawa River Power referred to does not refer to capitalized burden, but total burden. If not confirmed, please explain and provide the amount of total benefits capitalized and included as OM&A for each year from 2016 to 2022.

ORPC confirms that the amount refers to total burden. The breakdown of amounts capitalized and included in OM&A were provided in the Excel Appendices interrogatory response to 4-VECC-23.

4-Staff-73**Ref: 4-Staff-46d****IRR PILS Model**

Ottawa River Power revised its test year CCA in Schedule 8 of the IRR PILs model. Ottawa River Power indicated the \$265,492 UCC reduction in column 5 of the test year Schedule 8 represents the impact of accelerated CCA changes from previous years. However, the model has been revised.

Question(s):

- a) In the test year Schedule 8 of the IRR PILs Model, column 5 still shows a total of \$265,492 reduction to UCC. Please remove this amount. If not removed, please explain why.

ORPC has provided a revised PILs model filed with the Settlement Proposal.

9-Staff-74**Ref: 9-Staff-60****IRR DVA Continuity Schedule**

The IRR DVA Continuity Schedule has been revised to include the 1508 sub-account balance as at December 31, 2020.

Question(s):

- a) Ottawa River Power confirmed that it will discontinue Account 1508, Sub-account Retail Service Charge Incremental Revenue account effective May 1, 2022 should the OEB approve the disposition of the projected principal balance up to April 30, 2022. Please confirm that Ottawa River Power is proposing to dispose of the forecasted April 30, 2022 balance. If so, please update the DVA Continuity

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Schedule to include the 2021 and 2022 transactions in the “Principal Adjustments during 2020”

Please see the revised DVA continuity schedule filed with the Settlement Proposal.

- b) Tab 2b of the IRR DVA Continuity Schedule presents the Group 2 balances. There are no interest amounts for 2019 and 2020 included for most of the Group 2 accounts. Please update the DVA Continuity Schedule for 2019 and 2020 interest.

Please see the revised DVA continuity schedule filed with the Settlement Proposal.

9-Staff-75**Ref: 9-Staff-61****IRR DVA Continuity Schedule**

Ottawa River Power revised the IRR DVA Continuity Schedule to separate out the residual stranded smart meter amounts included in Account 1595 (2016) to Account 1555. Ottawa River Power further indicated that the majority of the stranded meter balance pertained to a billing error in the residual class. In the IRR DVA Continuity Schedule, tab 5 shows the allocation of the Account 1555 balance to all customer classes based on kWh.

Question(s):

- a) Please provide Ottawa River Power’s views on allocating the Account 1555 balance in accordance with the residual variance created by each applicable customer class, instead of allocating the Account 1555 balance to all customer classes by kWh.

ORPC confirms that it would be more appropriate to allocate the balance according to the variance created by each applicable customer class. In this case, the majority should be attributed to the residential class.

To clarify, the error arose not from a billing error by ORPC, but a misstated rate order for 2016 rates that stated the rate was \$0.07 instead of \$0.66.