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Sent: November 14, 2014 12:56 PM
To: BoardSec
Subject: CDN - Case File # EB-2014-0060

Cambridge North Dumfries (CDN) – Application for Ratepayer hydro increase – not meeting OEB guidelines

CDN - Case File # EB-2014-0060

Disposition of Deferral and Variance accounts, representing a net refund to customers in the amount in the \$430,513;

The recovery of incremental OM&A costs in the amount of \$497,314 related to a significant ice storm in December of 2013, presented in this application as a Z-factor claim;

In the event that the Board is unable to provide a 1 Decision and Order in this Application for implementation by the Applicant as of May 1, 2015, CDN requests that the Board issue an Interim Rate Order declaring the current Distribution Rates and Specific Service charges as interim until such time as the 2015 rates are approved

CDN should not have the right to issue an interim rate order.

Z-factor Claim

CND is applying for recovery of \$497,314 (including carrying charges of \$9,520) with respect to incremental operations, maintenance and administrative (“OM&A”) costs incurred to restore electricity services to approximately 30,000 customers in the City of Cambridge and the Township of North Dumfries after a severe ice storm hit Southern and Eastern Ontario on December 21 and 22, 2013. CND had approximately 5,500 customers without power at the height of the ice storm on December 21st and 22nd. CND had to clear approximately 700 km of power lines. 5,500 customers, is approximately ten percent (10%) of CND’s customer base.

Why is CDN stating the cost incurred to restore electricity services to approximately 30,000 customers? Then they state 5,500 customers which is 10% of all CDN customers where affected by the ice storm.

CND’s materiality threshold, defined by the OEB as 0.5% of distribution revenue, is approximately \$125,000 as computed on CND’s distribution revenue requirement of approximately \$25,000,000 based on its 2010 Rate Application.

As the Z-Factor Claim occurred in 2013, prior to the May 1, 2014 effective date of CND’s 2014 Cost of Service Application, CND submits that the 2010 distribution revenue requirement is the appropriate basis for the computation.

This results in a net amount of \$487,794, excluding carrying costs. CND’s 20 audited financial statements for the year ending December 31, 2013 included the balance of \$478,810 in account 1572. CND proposes to recover the balance in account 1572 by way of a Fixed Rate Rider in the amount of \$0.79 per month, which has been computed based on customer numbers, over a twelve month period commencing May 1, 2015 and ending April 30, 2016. CND recognizes that there are generally two approaches that could be used to allocate.

The Z-Factor claim by Customer Class:

OR - Based on distribution revenue;

OR - Based on customer numbers

CDN is using the Z-factor to impact the consumer and does not meet the guidelines set out by OEB.

CND proposes that, based on the circumstances and the facts in this case, the most equitable method of recovering the Z-factor costs are based on customer numbers.

This is not the fault of the customer, what makes CDN approach to blame the storm on the customer base this is just a tactic when in fact CDN has proven to have an abundance of profit to purchase Brant County Hydro. By using customer numbers as the basis of allocation, approximately 89% of the costs are allocated to residential customers. CND submits that this allocation approach is more representative of the customers that were impacted by the December Ice Storm. But there was only 10% of CDN customers affected.

Using the distribution revenue methodology would result in an allocation of less than 50% to the residential class.

This should have been submit as an insurance claim or requested funds from the Provincial Government to support the City why should the residential customer be responsible for this bill.

CND does not have property insurance coverage with respect to damages to its distribution system plant that would be available to offset the costs of repairs and restoration.

CND would not have incurred any of the identified incremental costs if this ice storm had not occurred. We live in Canada and CND must be proactive, proper insurance and savings in case of emergency. CND should not put this cost on to the residential consumer.

CND included a reasonable estimate of storm related costs based on prior years experience in its 2010 Cost of Service application, a storm of this magnitude and the resulting costs of restoration were not included. It seems that CND has not recorded the proper estimates in their accounting projections which is quite clearly stated in their application.

If you review their Budget numbers they are not factoring increase in weather and actual cost impact each year. From the (4) years if we average the budget cost, CDN should have used an average of \$91,076 not \$74,778 in year 2013.

The costs incurred of \$487,794 are well above the normalized costs this should be allocated to an insurance claim, not the responsibility of the residential consumers.

The materiality threshold applicable for a utility the size of CND, with a revenue requirement greater than \$10 million and less than or equal to \$200 million, is 0.5% of its distribution revenue requirement.

Even if CND is entitled to recover it would be fair less then what they are submitting in this application. The materiality threshold established for CND's last cost of service application was \$125,000 based on 0.5% of the revenue requirement of approximately \$25,000,000. As the Z-Factor Claim occurred in 2013, prior to the May 1, 2014 effective date of CND's 2014 Cost of Service Application,

Where does CND meet the required distribution revenue requirement?

The cost claim of \$487,314, exceeds this threshold amount.

CND comment on the costs must have been prudently incurred. The costs incurred must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

Why would CND believe this is prudent for ratepayers? It is over course the lease initial cost approach that should be calculated and CDN must meet the OEB guidelines. CND should have the proper procedure and emergency plan, in place at all times and the proper insurance to meet the interests of safety, and based on the number of customers

Cambridge North Dumfries Hydro ("CND") is requesting approval to dispose Disposition of Deferral and Variance accounts, representing a net refund to customers in the amount in the \$430,513;

While CND acknowledges that the credit balance in the D&V accounts of \$430,513 does not meet the threshold for disposition, due to distributor by a third party under contract. CDN failed to forecast between forecasted revenue losses and actual revenue losses CND expects to exceed the mandatory energy consumption targets, Presently,CND lagging on its demand targets.

CND is using an assumption that lost revenues were lost evenly and consistently throughout the year 2013. There is no clarification of this statement.

As a ratepayer in the City of Cambridge, I do not agree with CND analysis to an increase in hydro cost to the ratepayers. It must be noted that CDN does not meet the guidelines set out by OEB.

I also believe this notice sent out to the local newspaper on November 6, 2014 does not give ratepayers enough time to review the CDN application which is complex to read.

The ratepayer's of Cambridge should have at least (1) public meeting prior to this decision being approved.

OEB should also note that CDN has placed a second notice in the newspaper holding a public meeting that is dated November 18, 2014, which is 13 days after the notice of increase hydro rates posted in the local newspaper. Why would CDN not hold a meeting prior to the 10 day written complaint notice? This clearly is not being transparent and enough time for the ratepayer's to have their say.

THIS APPLICATION DOES NOT MEET OEB GUIDELINES AND SHOULD NOT BE APPROVED

Sandra Hill

