



Friday, November 23, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: **Oakville Hydro Electricity Distribution Inc.
2019 IRM Distribution Rate Adjustment Application, EB-2018-0059
Reply to Ontario Energy Board Staff Submission**

Please find accompanying this letter, Oakville Hydro Electricity Distribution Inc.'s reply to OEB staff submission, delivered in accordance with Procedural Order No. 1.

Sincerely,

Original signed by

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Oakville Hydro

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Oakville Hydro Electricity Distribution Inc.
2019 Distribution Rate Adjustment Application (EB-2018-0059)
Effective January 1, 2019

**IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to
the Energy Competition Act, 1998, S.O. 1998, c.15;**

**AND IN THE MATTER OF an Application by Oakville Hydro Electricity
Distribution Inc. to the Ontario Energy Board for an Order or Orders approving
or fixing just and reasonable rates and other service charges for the
distribution of electricity as of January 1, 2019.**

Reply Submission

Filed: November 23, 2018

1 1. INTRODUCTION

2 Oakville Hydro Electricity Distribution Inc. (“Oakville Hydro”) filed an application with the Ontario Energy
3 Board (the “OEB”) on August 13, 2018 under section 78 of the *Ontario Energy Board Act, 1998*, seeking
4 approval for changes to its rates effective January 1, 2019 (the “Application”). The Application was filed
5 in accordance with the Chapter 3 of the Filing Requirements for Electricity Distribution Rates – 2018
6 Edition for 2019 Rate Applications (the “Filing Requirements”) dated July 12, 2018.

7 The OEB issued Procedural Order Number 1 on October 9, 2018. In the Procedural Order, the OEB
8 requested that OEB staff request any information and material from Oakville Hydro that is in addition to
9 Oakville Hydro’s evidence by October 9, 2018. In its interrogatory responses, Oakville Hydro updated its
10 evidence with respect to its Group 1 Account balances, Lost Revenue Adjustment Mechanism and Z-Factor
11 claim.

12 The Procedural Order also directed OEB staff to file written submissions by November 16, 2018.

13 2. OEB STAFF SUBMISSIONS

14 OEB staff made detailed submissions on the disposition of Group 1 Accounts and Z-factor costs. Oakville
15 Hydro’s reply to OEB staff’s submissions is set out in the paragraphs that follow.

16 2.1 GROUP 1 ACCOUNTS

17 OEB staff supports the disposition of the Group 1 Account balances, including Account 1595 (2015).¹
18 Oakville Hydro notes that although the balance of the total Group 1 Account balances is below the
19 disposition threshold, there are material balances in Account 1588 - Power and 1589 – Global Adjustment.
20 Since the disposition of these accounts affects two distinct sets of customers, Oakville Hydro also submits
21 that it is appropriate to dispose of the balances of the Group 1 audited account balances.

22 2.2 Z-FACTOR CRITERIA

23 Z-Factor claims are intended to provide for unforeseen events outside of a distributor’s management
24 control. The eligibility criteria are, as set out in the *Board’s Report on 3rd Generation Incentive Regulation*
25 *for Ontario’s Electricity Distributors – July 14, 2008* are provided below.

¹ OEB Staff submission, page 4.

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Z-Factor Criteria

Criteria	Description
Causation	Amounts should be directly related to the Z-factor event. The amount must be clearly outside of the base upon which rates were derived.
Materiality	The amounts must exceed the Board-defined materiality threshold and have a significant influence on the operation of the distributor; otherwise they should be expensed in the normal course and addressed through organizational productivity improvements.
Prudence	The amount must have been prudently incurred. This means that the distributor's decision to incur the amount must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

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2.2.1 CAUSATION

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On May 4, 2018, a powerful windstorm struck Southern and Central Ontario knocking down power lines, leaving approximately 35% of Oakville Hydro's customers without power.

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In its Application, Oakville Hydro submitted that the incremental costs incurred to restore power to its customers were directly related to the windstorm and clearly outside of the base upon which Oakville Hydro's rates were derived.

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In response to OEB interrogatories, Oakville Hydro provided additional evidence to support its claim and, in its submission, OEB staff found that Oakville Hydro had demonstrated that the amounts sought for recovery are directly related to the windstorm and outside of the base upon which its rates were set.²

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2.2.2 MATERIALITY

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Oakville Hydro's materiality level is 0.5% of its distribution revenue requirement. Therefore, Oakville Hydro's materiality level is \$177,933 or 0.5% of its distribution revenue requirement of \$35,586,668. In its submission, OEB staff submitted that Oakville Hydro's Z-factor Claim met the materiality test.³

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2.2.3 PRUDENCE

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OEB staff submitted that, "Oakville Hydro acted prudently in promptly securing assistance to restore power and did so in a cost-effective way, given the circumstances".⁴ In its submission, OEB staff noted that Oakville Hydro had determined that it was appropriate and prudent to offer paid overtime to non-union and management employees that did not have overtime clauses in their employment agreements.

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² OEB staff submission, page 7.

³ OEB staff submission, page 8.

⁴ OEB staff submission, page 8.

1 In response to OEB staff interrogatories, Oakville Hydro provided a breakdown of the amount of overtime
2 payments to union employees and non-union supervisory employees.⁵ Oakville Hydro notes that the
3 majority of Oakville Hydro's non-union and management employees did not receive additional
4 compensation for the overtime hours that they devoted to restoring power after the windstorm.

5 3. LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT (LRAMVA)

6 In its Application, Oakville Hydro requested approval for the balance of its LRAMVA for the period 2013
7 to 2015. Subsequent to the filing of its Application, Oakville Hydro received the 2017 Final CDM Report
8 and, in response to OEB staff interrogatories, it updated the LRAMVA Work Form to request approval for
9 the disposition of 2013 to 2016 lost revenues. A copy of the updated LRAMVA Work Form and the Final
10 Verified Annual LDC CDM Program Results Report were filed in Excel format along with Oakville Hydro's
11 responses to OEB staff interrogatories⁶. An updated 2019 IRM Rate Generator will be filed in Excel format
12 along with Oakville Hydro's reply submission.

13 OEB staff made no detailed submissions on Oakville Hydro's request to dispose of the balance of the Lost
14 Revenue Adjustment Mechanism Variance Account.

15 4. CONCLUSION

16 For the foregoing reasons, Oakville Hydro respectfully requests that the OEB approve:

- 17 • A price cap adjustment;
- 18 • disposition of the balances of the Group 1 deferral accounts as at December 31, 2017;
- 19 • disposition of the cumulative 2013 to 2016 balance of \$724,309 recorded in the Lost Revenue
20 Adjustment Mechanism Variance Account;
- 21 • recovery of incremental costs of \$195,198 related to Oakville Hydro's Z-Factor claim;
- 22 • adjustments to the current Retail Transmission Service Rates;
- 23 • continuation of approved low voltage service charges, specific service charges and loss factors;
- 24 • continuation of the approved rate riders for the stranded meters assets until April 30, 2019;
- 25 • a tax-sharing amount of \$14,603.

All of which is respectfully submitted this 23rd day of November 2018.

Original signed by

Maryanne Wilson
Director, Regulatory and Compliance

⁵ Response to OEB staff interrogatories, question 12, page 25.

⁶ Response to OEB staff interrogatories, question 15, page 27.