



EB-2011-0173

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ONTARIO ENERGY BD

June 30th, 2011

Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: IRM 2012 Z-Factor cost recovery – Service reliability Transformer station
44KV/12.4 transformer

Dear Ms Walli

This letter is to advise the Board that Hydro Hawkesbury Inc. ("HHI") intends to apply for a Z-factor costs recovery in its 2012 IRM application in accordance with The Ontario Energy Board *Chapter 3 of Filing requirements for Transmission and Distribution Applications*, Section 2.3 and in particular Section 2.3.3 Z-factor Filing Guidelines dated June 22, 2011, and *the Board's Report on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* date July 14, 2008.

The Z-Factor claim amount will be for the costs of purchasing a 2nd transformer for the 44 KV substations. This expense is to be incurred by HHI in 2011 and is necessary to insure reliability and continuity of power delivery to the utility's customers.

Background

HHI currently receives its electricity supply at two delivery points. A substation at 110KV with two distribution transformers at the West end of town and a 44KV station at the East end of Hawkesbury.

HHI performs on an annual basis, oil sample testing of its two existing substations. In April 2010, following the utility's regular oil sampling exercise, HHI was informed that the test results showed a high percentage of gas in the transformer at the 44 kV station. The recommendation was that the transformer be monitored for internal "Dissolved Combustible Gas" on a more frequent basis.

Tests were done as recommended and monitored accordingly. In February 2011, the results showed a major progression in "Dissolved Combustible Gas" or "TDCG" ppm.. The results showed an increase of 10% over the test results from December 2010.

Major maintenance of one of the transformers consists of the physical removal of the transformer and transport to a maintenance shop for further inspection. If this occurs, HHI cannot satisfy the demand with its remaining transformer as HHI requires both transformers to provide electricity its service area. In addition, HHI does not have backup or redundancy to satisfy our customer demand.

HHI inquired with Hydro One on its mobile transformers in case of a major failure and or major maintenance that could not be performed in the field.

Hydro One advised Hawkesbury Hydro that it expects all customers to maintain their own spare units to cover in-service failures in accordance with the Distribution System Code, Clause 4.5.6. As such, Hydro One's policy states that Hydro One shall respond under a wide-spread emergency situation (and when MUS facilities are available) to provide mutual assistance. Wide-spread emergency situation was defined by Hydro One as "an emergency that impacts a large geographic area and affects a large number of jurisdictions simultaneously. Hydro

One advised that if faced with a situation where a transformer has failed, they may not provide an MUS facility even if one was available.

On May 17th 2011, HHI held a Board meeting to discuss the situation. Upon review of the oil test results from previous sampling, Hydro One's reply to the HHI's question on Mobile transformation and the Distribution system code [section 3,4,5,6], HHI's board of directors passed a motion to purchase a 2nd transformer for the 44 KV substations. This decision was deemed necessary in order to assure electricity supply to our customers in case of failure and to provide redundancy. HHI's Board of directors is deeply concern with the reliability of the transformer in question and the utility's ability to fulfill its mandate to provide power to the city of Hawkesbury. The utility feels that it is prudent to obtain a second transformer in order to supply continuously our customer base in case of failure.

Please contact Michel Poulin at 613-632-6689 for further information.

A handwritten signature in black ink, appearing to read 'Michel Poulin', is written over a horizontal line. The signature is stylized with a large loop at the end.

Michel Poulin Manager
Hydro Hawkesbury Inc.