



December 5, 2011

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

Dear Ms. Walli:

Re: West Coast Huron Energy Inc.
Tornado Relief Funding Adder Application
Final Submissions of AMPCO
Board File No. EB-2011-0335

Pursuant to Procedural Order No. 2 dated November 18, 2011, attached please find AMPCO's final submissions in the above proceeding.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely yours,

(ORIGINAL SIGNED BY)

Adam White

Copy to: West Coast Huron Energy Inc.
Attention: Mr. Wall Curry

Association of Major Power Consumers in Ontario

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1. WCH seeks approval of distribution rates to recover costs caused by a tornado that occurred on August 21, 2011 in the Town of Goderich. Specifically, WCH requests approval of a funding adder for each rate class effective October 1, 2011 that will remain in effect for a period of 63 months to December 31, 2016. In addition, WCH requests that its current Tariff of Rates and Charges implemented May 1, 2011 be declared interim effective October 1, 2011, pending the results of this application.
2. The tornado damage necessitated the replacement of a large part of WCH's infrastructure: 98 poles, 19 transformers, 2,726 m of secondary conductor, 1,610 m of 4160 conductor, 243 m of 27600 conductor, 101 smart meters, 7 switches and approximately 300 service drops.¹
3. The proposed amount sought for relief in the original application was \$2.4 M. As a result of the interrogatory process, this amount was updated to \$2,057,900 as shown in the table below. WCH anticipates that not all costs net of recoveries will be fully known and final by December 31, 2011.²

Costs	Original Application	Revised
Local Distribution & Outside Contractors		\$817,534
Materials		\$371,004
Other		\$180,057
Internal Labour – overtime + regular time		\$93,201
Internal truck time related to regular time & OT		\$15,690
Meals and Accommodations		\$12,184
Deduct regular time labour cost		(\$39,839)
Deduct internal truck time related to regular hours		(\$9,492)
Infrastructure Replacement Costs to Date	\$1,500,000	\$1,440,339 Rounded up to \$1,500,000
Interest Cost on Net Variance Balance	\$400,000	\$198,400
Net Book Value of Infrastructure Assets Destroyed		\$229,500
Loss in Revenue	\$500,000	\$130,000
Total Estimated loss recovery	\$2,400,000³	\$2,057,900⁴

¹ Board Staff Interrogatory # 3 (a)

² Exhibit 1, Tab 1, Schedule 5, page 3

³ AMPCO Interrogatory #1 (a)

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4. Of the estimated \$1,440,339 in infrastructure replacement costs, \$948,747 is capital and \$491,592 is OM&A.⁵
5. At the time of WCH's initial estimate, WCH was three weeks into the event and infrastructure replacement costs were estimated at \$1,500,000. WCH updated this amount to \$1,440,339 during the interrogatory process yet WCH still asks that \$1,500,000 in infrastructure replacement costs and this amount be used in the calculation of the funding adder.
6. AMPCO submits that \$1,500,000 overstates the replacement costs based on the estimates to date and in the event the Board approves WCH's application, the updated figure of \$1,440,339 should be used in the rate adder calculation.
7. In the updated estimate of loss recovery required, WCH has included the net book value of infrastructure assets destroyed in the amount of \$229,500. It is unclear to AMPCO why this amount has been included in the updated estimate and asks that WCH address this issue in reply submissions.

Insurance Coverage

8. WCH holds insurance policies for crime and casualty, property and automobiles and liability insurance but these policies do not cover damage to WCH's distribution plant, i.e. poles and lines.⁶
9. AMPCO's members carry business loss insurance for this type of event. From the evidence it is not clear to AMPCO why WCH does not have insurance for its distribution plant. AMPCO asks that WCH address this issue in reply submissions.
10. WCH is filing claims for office equipment and shop tools lost in the tornado and replacement of these assets is underway. WCH seeks only to recover uninsured losses⁷ so it appears these costs are not included in the restoration cost estimate.

⁴ AMPCO Interrogatory # 1 (a)

⁵ VECC # 3 (c) iii

⁶ Response to Board Staff Interrogatory # 1

⁷ Response to AMPCO Interrogatory # 4 (e)

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11. The application states that "West Coast Huron is and continues to explore all other options for recoveries, such as federal and provincial aid, insurance claims and other forms of assistance."⁸
12. On August 24, 2011, the Province announced a \$ 5 million fund under the Ontario Disaster Relief Assistance Program (ODRAP) for the Town of Goderich: \$2,500,000 public allocation and \$2,500,000 private allocation. WCH was advised by the Province that no further funds are currently allocated, other than under ODRAP, to assist with disaster recovery.⁹
13. On October 4, 2011, the Ministry of Municipal Affairs confirmed that WCH's infrastructure loss is not eligible for funding under the public portion of ODRAP. Upon review of the official program criteria, the hydro losses were not eligible for funding as the Hydro Corporation does not qualify as a local board.¹⁰
14. AMPCO accepts that WCH will not be receiving funding from ODRAP but from the explanation and without knowing the program criteria it is not fully clear to AMPCO why WCH was ineligible for the public allocation or the private allocation which WCH did not address.
15. WCH requested their local MPP to investigate any further Federal funding available outside of ODRAP that would provide assistance toward the costs of WCH's restoration. To date, WCH has not received further information with regard to this request.¹¹
16. In response to interrogatories, WCH indicates that it has not received any insurance payments related to any costs claimed¹² and it does not anticipate receiving any funding from other sources to assist with the costs incurred.¹³
17. AMPCO submits that WCH should not rely solely on its local MPP to research and pursue other sources of financial aid that may be available to fund the restoration costs. In the best interests of ratepayers, WCH should initiate investigations of possible alternative funding sources to assist with the restoration costs.

⁸ Exhibit 1, Tab 1, Schedule 5, Page 3

⁹ Response to Board Staff Interrogatory # 1

¹⁰ Response to Board Staff Interrogatory # 1

¹¹ Response to Board Staff Interrogatory # 1

¹² Response to VECC Interrogatory # 3 (c) ii

¹³ Response to VECC Interrogatory # 3(c) iii

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Financial Position

18. The evidence indicates that "While and after West Coast Huron is recovering from this disaster, it is readily apparent that the utilities financial position is in dire strait.....The purpose of this rate adder is to cushion cash flow until such time that the utility can determine its true financial position."¹⁴
19. AMPCO submits that WCH has not presented sufficient financial evidence to support its argument that it needs a cash flow cushion. The Board should only approve a rate adder knowing the distributor's true financial position.
20. WCH claims the use of the dire straits term was meant to refer to the financing constraints that the utility has related to the planned upgrades and the added cost of the tornado restoration.¹⁵
21. WCH indicates it has a significant financial commitment going forward (\$2,800,000) related to upgrades to the Goderich TS and planned capital work to upgrade the lines to handle the future increases in hydro demand. The capital work is expected to ramp up in the latter part of 2011 and be completed by late 2012.¹⁶
22. WCH further indicates that the actual costs to the utility are unknown but are potentially significant enough to use up the borrowing capacity of the utility¹⁷ as WCH's borrowing capacity is not sufficient to fund both tornado costs and this significant capital project.
23. To assist with cash flow during recovery, West Coast Huron's Board has instructed management to increase the current \$1 million line of credit to \$2 million.¹⁸
24. AMPCO submits that evidence on WCH's capital plan is not before the Board in this application. As such, AMPCO submits that the Board cannot assess if the increased load expected on the infrastructure is beyond the constraints of the current infrastructure as WCH claims. Nor can the Board assess if the proposed capital spending is appropriate such that WCH does not have the borrowing capacity to fund both tornado costs and the significant capital costs.

¹⁴ Exhibit 1, Tab 1, Schedule 5, Page 1

¹⁵ Response to SEC Interrogatory # 4

¹⁶ Response to SEC Interrogatory # 4

¹⁷ Response to SEC Interrogatory # 4

¹⁸ Response to VECC Interrogatory # 5 (a)

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25. West Coast Huron indicates that its shareholder, the Town of Goderich, is not in a position to provide a loan at this time. The Town is dealing with recovery from tornado damage to its municipal assets and can't commit funds to the utility.¹⁹
26. AMPCO submits that many of West Coast Huron's customers are also dealing with ongoing recovery from tornado damage.
27. In response to AMPCO Interrogatory # 2, WCH provide a Cash flow - forecast to April 2012 (Schedule A) and a Balance Sheet and Income Statement - 6 months ending June 30, 2011 (Schedule B).
28. AMPCO submits that the cash flow forecast is incomplete and the Balance Sheet information predates the Tornado.
29. For example, in the cash flow statement, depreciation is not added back for the months January to April 2012. In addition, the cash flow statement reflects the \$500,000 advance WCH received as a replacement cost for its operations centre from the building insurance policy. The evidence indicates that WCH leases the operation centre and as such will owe proceeds from the insurance to the lessor, the Town of Goderich. The cash flow statement does not reflect that the insurance cheque is owed to the shareholder. The line of credit interest is shown as less than \$4200 a month for January to April 2012 which does not support the need for additional cash flow to pay additional costs of a line of credit to pay for the recovery process. The bank balance at December 2011 is shown as (\$431,562).
30. AMPCO submits that a dire straits financial position is not evident from the financial statements WCH provided.
31. In response to AMPCO's request for any updates to this information to help explain WCH's current financial position, WCH responded that the utility does not have all of the financial information to prepare a meaningful financial statement.²⁰
32. AMPCO again submits that without complete financial information, WCH's application is premature and incomplete and the Board should not approve a funding adder for WCH.

¹⁹ Response to VECC Interrogatory # 5 (b)

²⁰ Response to AMPCO Interrogatory # 2 (b)

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AMPCO Position

33. The Board's Guidelines allow for special cost recovery applications for unforeseen Z-factor events, i.e. extraordinary events that are not within management's control.²¹
34. Z-factor applications involve cost recovery after all expenses have been recorded. In order for amounts to be considered for recovery, the amounts must satisfy three criteria: causation, materiality and prudence.²²
35. WCH's application is not a typical Z-factor application. WCH is proposing a new approach that has no precedent before the Board. WCH proposes the advance recovery of costs via a rate adder with a true-up once actual costs are known and the actual revenue lost impact is known.
36. WCH has received invoices or paid \$773,035 for the recovery costs. WCH estimates that there is \$716,635 in costs incurred but not yet invoiced. Estimates include \$361,678 for assistance provided by Hydro One and other LDC's based on correspondence from the utilities. Estimates also include \$100,000 for materials used. The remaining estimates incorporate anticipated costs for hazardous waste disposal not recovered by insurance, design work needed to create and update distribution mapping for the work performed as a result of the tornado and some additional consulting costs related to this application.²³
37. AMPCO acknowledges that WCH has incurred significant costs for infrastructure restoration caused by a tornado and the utility is entitled to recover these costs. However when and how the utility recovers these costs is for the Board to decide in this application.
38. AMPCO is aware that approval of a rate adder does not constitute regulatory approval of any costs actually incurred. The prudence of such costs is examined, and the costs are approved in whole or in part, at the time at which the distributor brings the matter forward for regulatory review.²⁴
39. The basis for WCH's request for a rate adder is to improve its revenue stream. AMPCO submits that WCH has not provided adequate financial information to support the need for additional cash flow

²¹ Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, July 14, 2008, Page 34

²² Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, July 14, 2008, Appendix, Filing Guidelines, Page IV

²³ Response to VECC Interrogatory # 3 (c) iii

²⁴ Chapter 3 Filing Guidelines, June 22, 2011, Appendix C, Page 27

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and in the absence of relevant and necessary financial information there are too many unanswered questions for the Board to approve a rate adder for WCH for advance recovery of the restoration costs.

40. Instead AMPCO submits that WCH should submit a Z-factor application as per the Board's Guidelines once its financial position is known to allow for a prudence review of restoration costs incurred to date.

Recovery of Reasonably Incurred Costs

41. AMPCO submits that its participation in this proceeding has been focused and responsible. Accordingly, AMPCO requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 5th day of December 2011.