

**Ontario Energy
Board**
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

August 11, 2014

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

Dear Ms. Walli:

**Re: Halton Hills Hydro Inc. ("Halton Hills Hydro")
2015 Z-factor Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2014-0211**

In accordance with the Notice of Application and Hearing, please find attached Board Staff interrogatories in the above proceeding. The attached document has been forwarded to Halton Hills Hydro Inc. and to all other registered parties to this proceeding.

Halton Hills Hydro's responses to interrogatories are due by September 2, 2014.

Yours truly,

Original Signed By

Martha McOuat

Encl.

**Halton Hills Hydro Inc. (“Halton Hills Hydro”)
2015 Z-factor Electricity Distribution Rates
EB-2014-0211
Board Staff Interrogatories**

1. Certification of Evidence

**Ref: Filing Requirements for Electricity Distribution Rate Applications,
Chapter 1, Page 2**

Board staff notes that Halton Hills Hydro has not provided a Certification of Evidence with its application. The Board’s Filing Requirements state that:

Applications filed with the Board must be certified by a senior officer of the applicant that the evidence filed is accurate, consistent and complete to the best of his/her knowledge.

- a. Please provide a Certification of Evidence consistent with the Filing Requirements.

2. Audited Costs

Board staff was unable to establish whether Halton Hills Hydro’s costs comprising the Z-factor claim have been audited.

- a. Please indicate whether the costs contained within the application have been audited.
- b. If not, please indicate when audited costs will be available.

3. Accounting Standard

Ref: Board’s letter¹ dated July 17, 2012

Halton Hills Hydro has not specified the accounting standard (CGAAP, modified IFRS, etc.) under which its Z-factor application has been filed.

- a. Please provide the accounting standard under which Halton Hills Hydro’s Z-factor application has been filed.

1

<http://www.ontarioenergyboard.ca/oeb/ Documents/Regulatory/Board Ltr Accounting Changes Under CGAAP 2012-2013.pdf>

- b. Please confirm whether or not Halton Hills Hydro's Z-factor application is reflective of the capitalization policy changes as per the Board's letter "Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013" dated July 17, 2012.

4. Capital Costs

Ref: Appendix C, Damage to Our System

Ref: Application, Section 4

Board staff notes that Halton Hills Hydro has not included any capital or material costs for recovery in its Z-factor application, although Appendix C provides a list of system assets damaged by the storm, which includes poles, transformers, etc.

- a. Please explain how Halton Hills Hydro proposes to recover any capital or material costs incurred as a result of the ice storm.
- b. Please explain the extent of the damage of the assets with respect to the usability, remaining useful life and salvage value of the assets.
- c. Please indicate Halton Hills Hydro's accounting treatment for these damaged assets (e.g. impairment loss).
- d. Please quantify any loss recorded on the assets.

5. Insurance

Ref: Introduction, s. 1.5

Halton Hills Hydro states that there is "no insurance coverage available on commercially reasonable terms" to offset the costs of restoration.

- a. Did Halton Hills Hydro investigate the possibility of reimbursement through its current property insurance? Was any reimbursement for damage available through current coverage?
- b. Please provide a copy of any communication received from Halton Hills Hydro's insurance provider regarding potential reimbursement for ice storm damage.

6. Applicable Time Frame and Effective Date

Ref: Introduction, s. 1.2

Ref: Introduction, s. 1.3

Ref: Prudence, s. 3.15

Ref: Summary of Costs, s. 4.4

Ref: Appendix C, Operations Impact

Board staff notes that Halton Hills Hydro's application is based on costs which appear to have been incurred up to December 31, 2013, with carrying charges applied to October 31, 2014. The proposed effective date for cost recovery is November 1, 2014 to October 1, 2016. Board staff further notes that the last crew release date in s.3.15, Table 2 is January 2, 2014, and that Appendix C indicates that 2014 capital work continued to be on hold for further cleanup.

- a. Please provide the total time period to which the requested cost recovery applies.
- b. Please indicate if the ice storm cleanup referenced in Appendix C is included in this application.
- c. If ice storm cleanup has been included in the application, please provide details of these costs.
- d. Please provide Halton Hills Hydro's rationale for an effective date of November 1, 2014, rather than an effective date of May 1, 2015, consistent with its next change to customers' rates.

7. Scope of System Damage

Ref: Introduction: s. 1.1, 3.15

Halton Hills Hydro states that it distributes electricity to 21,522 metered customers. The summary of restoration numbers provided at s. 3.15 indicates that as of December 21, 11:00 p.m., 100% of its customers were without power, up from over 50% in the prior hour. As of December 22, power had been restored to 12,022 customers, or 56%.

- a. What parts of the system were repaired such that power could be restored to 56% of customers the following day? For instance, was any of the outage as at December 21, 2013 a result of transmission failure, or did the damage occur to Halton Hills Hydro's distribution system only?

- b. If transmission system restoration was required, how many of Halton Hills Hydro's customers had their power restored as a result of transmission repairs only?
- c. If service interruption to any customer was due to damage to equipment maintained by another regulated entity, please indicate the peak number of customers without power due to damage to Halton Hills' distribution system alone.

8. Incremental Internal Labour Costs

Ref: Manager's Summary: s. 4.1, 4.2, 4.3

Halton Hills Hydro states that it is applying for recovery of internal staff overtime pay and meal allowances in accordance with its Collective Agreement.

- a. Please provide a breakdown of all Halton Hills Hydro's internal labour costs applicable to the affected period using the following format:

| Department | Number of Eligible Employees | Regular Hours Worked | Total Regular Time Payments | Overtime Hours Worked | Total Overtime Payments |
|---|------------------------------|----------------------|-----------------------------|-----------------------|-------------------------|
| Management | | | | | |
| Other Non-Union Employees | | | | | |
| Subtotal Non-Union | | | | | |
| Union Employees: | | | | | |
| Operations | | | | | |
| Other | | | | | |
| Subtotal Union | | | | | |
| Total Internal Labour for Affected Period | | | | | |
| Total Z-factor Labour Costs | | | | | |

- b. Please provide a copy of Halton Hills Hydro's policy for payment of overtime for non-union employees to support the amounts shown above, if applicable.
- c. Please identify any deviations from Halton Hills Hydro's normal approach to overtime payment during the affected period.
- d. Please provide the average shift length for internal crews involved in storm cleanup during the affected period and explain how this differs from Halton Hills Hydro's normal scheduling practice.
- e. Please provide a copy of the applicable collective agreement(s) for internal staff deployed during the affected period.

9. Call Centre Staffing

Ref: Appendix C, Call Centre

Board staff notes that the hours of operation shown for the Call Centre during the affected period show a start time of 8:30 and end times which vary between 1:00 p.m. and 10:00 p.m. Board staff further notes that the information provided in the

Appendix does not begin until December 23, two days after power outages began.

- a. Please explain the variation in operating hours as shown in the table referenced above in Appendix C.
- b. Please provide a list of Halton Hills Hydro's normal hours of operation that would be applicable for the period from December 21 to December 31.
- c. Please provide normal staffing levels that would be applicable for the Call Centre for the period from December 21 to December 31.
- d. Please provide Call Centre staffing detail from December 21 to December 31, 2013, using the table below:

| Date | Number Deployed | Regular Hours | Overtime Hours |
|-------------------|-----------------|---------------|----------------|
| December 21, 2013 | | | |
| December 22, 2013 | | | |
| Etc. | | | |
| | | | |

10. External Contractors

Ref: Prudence, s. 3.14

Board staff notes that Halton Hills Hydro relied partially on support from external contractors in the restoration effort, and that this approach was consistent with its Emergency Preparedness Plan.

- a. Please provide a copy of Halton Hills Hydro's Emergency Preparedness Plan.
- b. Please provide information supporting the choices made with respect to the procurement of external contractors shown in Table 2.
- c. Were external contractors retained in a manner consistent with Halton Hills Hydro's procurement policies? If not, please provide the rationale supporting procurement.
- d. For each external contractor, please provide a breakdown of invoiced costs in the format shown below:

| Contractor | Total Labour Charges | Accommodation Charges | Meal Charges | Fuel Charges | Truck Charges | Other Charges ² | Total Invoice |
|----------------------|----------------------|-----------------------|--------------|--------------|---------------|----------------------------|---------------|
| Contractor #1 (name) | | | | | | | |
| Contractor #2 (name) | | | | | | | |
| ... etc. | | | | | | | |
| Total | | | | | | | |

- e. Please clarify if the invoiced costs from the external contractors are based on regular labour rates or premium rates, given the timing of the engagement, its urgency, or the amount of notice provided to suppliers.

11. Local LDCs

Ref: Prudence, s. 3.14

Board staff notes that Halton Hills Hydro relied partially on support from nearby LDCs in the restoration effort, and that this approach was consistent with its Emergency Preparedness Plan.

- a. Does Halton Hills Hydro have a group of utilities with which it regularly cooperates? If so, which utilities are included in this group?
- b. Does Halton Hills Hydro have an agreement with neighbouring utilities regarding the provision of services in emergencies? If so, please provide a copy of the agreement. If a copy of the agreement is not available, please describe any standard arrangements in place with local LDCs regarding payment for service in emergencies.
- c. For each participating LDC, please provide a breakdown of invoiced costs in the format shown below:

² Please describe any other applicable charges

| LDC Name | Total Labour Charges | Accommodation Charges | Meal Charges | Fuel Charges | Truck Charges | Other Charges ³ | Total Invoice |
|---------------|----------------------|-----------------------|--------------|--------------|---------------|----------------------------|---------------|
| LDC #1 (name) | | | | | | | |
| LDC #2 (name) | | | | | | | |
| ... etc. | | | | | | | |
| Total | | | | | | | |

- c. Please clarify if the invoiced costs from the LDCs are based on regular labour rates or premium rates, given the timing of the engagement, its urgency, or the amount of notice provided to suppliers.

12. Cost Recovery Options

Ref: Appendix C, Cost Recovery Options

Halton Hills Hydro's application is supported by photographs, media articles, a letter from Environment Canada and a presentation by the President and CEO. Board staff notes that the presentation outlines two alternatives considered for cost recovery: partnering with the town for Ontario Disaster Relief Funding and applying to the Board for Z-factor funding. The presentation indicates that the recommended option was to apply for Z-factor funding.

- a. Please provide the date of the presentation and its audience.
- b. Was this Z-factor application approved by Halton Hills Hydro's Board of Directors?
- c. If the audience for the presentation included Halton Hills' Board of Directors, please indicate if the decision to apply for Z-factor funding was based on the material provided in the presentation. If not, please provide a copy of any further briefing material provided to the Board of Directors to support this decision.
- d. Were there any other cost recovery options available to Halton Hills Hydro? If so, what were they?

³ Please describe any other applicable charges

- e. Please explain why the presentation does not contain any discussion of the option to obtain Ontario Disaster Relief Funding, or any other cost recovery options.
- f. Please describe the process to obtain Ontario Disaster Relief Funding and the potential funding available.
- g. Please describe the steps taken by Halton Hills Hydro to partner with the town and to investigate this cost recovery option.
- h. Did the Town pursue the option of Ontario Disaster Relief Funding on its own?
- i. Please explain why Halton Hills Hydro recommended Z-factor funding, rather than any other option considered.

13. Cost Recovery Options

Ref: EB-2011-0271, Exhibit 4, Tab 2, Schedule 1, page 2

The above referenced exhibit describes the departmental and corporate OM&A activities normally undertaken by Halton Hills Hydro and included within Halton Hills Hydro's OM&A budget for the 2012 test year, which underpins Halton Hills Hydro's rates for the test year and ensuing IRM period. One of these activities is Emergency Maintenance, described in the evidence as follows:

Emergency Maintenance includes unexpected system repairs to the electrical system that must be addressed immediately. The costs include those related to repairs caused by storm damage, emergency tree trimming and labour.

- a. Please provide the amount included in Halton Hills Hydro's 2012 OM&A expense that relates to Emergency Maintenance.
- b. Please provide Halton Hills Hydro's actual Emergency Maintenance expenditures for the period from 2008 to 2012 and calculate a 5 year average.
- c. Please provide 2013 actual Emergency Maintenance expense, excluding the ice storm damage claimed in this application.
- d. Please indicate what, if any, of the Emergency Maintenance budget was applied to the ice storm recovery costs.

14. Rate of Return

Ref: Board Letter of March 2, 2012: Cost of Capital Parameter Updates for 2012 Cost of Service Applications

Ref: Board Letter of March 7, 2008: Cost of Capital Parameter Updates for 2008 Cost of Service Applications

Board staff notes that Halton Hills Hydro has reported achieved regulatory ROE as follows:

| | Board-Approved ROE | Achieved ROE (reported) |
|------|--------------------|-------------------------|
| 2011 | 8.57% ⁴ | 13.00% |
| 2012 | 9.12% ⁵ | 9.54% |
| 2013 | 9.12% | 14.05% |

- a. Please confirm that Halton Hills Hydro's reported achieved regulatory ROE for 2011, 2012 and 2013 was higher than the Board-approved ROE in each of those years.
- b. If so, please explain Halton Hills Hydro's reasons for seeking the recovery of the entire Z-factor claim through this application, and whether any amount could and should be borne by Halton Hills Hydro, given the level of its reported achieved return on equity in 2011, 2012 and 2013.

15. Shareholder Contributions

Ref: EB-2011-0271, Exhibit 1, Tab 1, Schedule 13

Board staff notes that Halton Hills Hydro provided the following description of its corporate entities relationship in its last cost of service application as follows:

HHHI is 100% owned by its holding company Halton Hills Community Energy Corporation ("HHCEC"). HHCEC is 100% owned by The Corporation of the Town of Halton Hills.

- a. Is Halton Hills Hydro's shareholder making any contribution to the restoration cost?
 - i. If not, why not?
 - ii. If so, please provide details.

⁴ EB-2007-0696

⁵ EB-2011-0271

16. Allocation of Recovery Costs

Ref: Z-Factor Rate Rider, s. 5.1

Ref: EB-2007-0514/0595/0571/0551 Decision

Ref: EB-2011-0186 Decision and Order

Board staff notes that Halton Hills Hydro proposes to recover the ice storm Z-factor costs by way of a fixed rate rider across all customer classes based on its approved 2012 base revenue requirement allocations. Board staff further notes that in the Board's Decision on The Combined Proceeding on Storm Damage Cost Claims (EB-2007-0514/0595/0571/0551)⁶ and the Board's Decision on Niagara-on-the-Lake Hydro Inc.'s wind storm damage Z-factor claim (EB-2011-0186)⁷, the Board ruled that approved costs shall be allocated to the classes on the basis of distribution revenue and using the last Board-approved fixed-variable split.

- a. Please provide Halton Hills Hydro's rationale for proposing to recover the ice storm Z-factor costs by way of a fixed rate rider, rather than through fixed and variable rate riders.
- b. Please provide Halton Hills Hydro's views on the merits of allocating approved costs to all customer classes on the basis of distribution revenue regardless of the variance in costs incurred to restore service.
- c. Please calculate fixed and variable rate riders as described by allocating Halton Hills Hydro's proposed recovery amount of \$1,561,372 to all customer classes, using approved distribution revenue allocations and the last Board approved fixed-variable split for the following collection periods:
 - i. 2 years;
 - ii. 18 months; and
 - iii. 1 year.

6

http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/11274/view/Dec_Combined%20Proceeding_Storm%20Damage_20070731.pdf.PDF

7

http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/331998/view/dec_order_NOTL_20120322.PDF