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Michael Janigan
Counsel for VECC

August 20, 2014

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Milton Hydro Distribution Inc. EB-2013-0014
Final Submissions of VECC

Please find enclosed the submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

A handwritten signature in black ink, appearing to be 'Michael Janigan', written over a horizontal line.

Michael Janigan
Counsel for VECC
Encl.

cc: Milton Hydro Distribution Inc.

ONTARIO ENERGY BOARD**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 Milton Hydro Distribution
Inc. to the Ontario Energy Board for an Order or Orders approving the
recovery of amounts related to the restoration of electricity service in the
Town of Milton due to the December 2013
Southern and Eastern Ontario Ice Storm.

Submissions of Vulnerable Energy Consumers Coalition (VECC)**Z-Factor Costs**

- Milton Hydro is applying for recovery of \$935,507 plus carrying costs in the amount of \$11,460 for a total Z-Factor claim of \$946,967.
- Milton Hydro indicates the costs reflect incremental operations, maintenance and administration (OM&A) costs incurred to restore electricity service to approximately 15,000 customers (50% of its customer base) after a severe storm December 21 and 22, 2013. The costs contained within the application have been audited as part of Milton Hydro's 2013 year end financial statements. Milton Hydro has not included capital costs of \$48,871 related to the replacement of poles, transformers and reclosers in its Z-Factor Application.
- Milton Hydro indicates there is no insurance coverage available to offset the restoration costs.
- Milton Hydro confirmed its response to the ice storm complied with the emergency response strategy contained within Milton Hydro's Emergency Preparedness Plan. There were no deviations from the Emergency Preparedness Plan.¹
- The Board determined that in order for amounts to be considered for recovery by way of a Z-factor, the amounts must satisfy all three of the following eligibility criteria: causation, materiality, and prudence.²

¹ Board Staff IR#10

² Chapter 3 Filing Requirements July 17, 2013, Section 3.2.2

- **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.
- Milton Hydro confirmed the amounts are directly related to the Z-Factor event and if the ice storm event had not occurred, Milton Hydro would not have incurred any of the costs.³
- Milton Hydro indicates the total restoration amount of \$935,507 is clearly outside of the base upon which Milton Hydro's rates were derived in its 2011 cost of service application. As discussed below, VECC believes Milton Hydro's base rates include an allowance for storm costs that must be accounted for.
- Milton Hydro provided its budget and actual costs for emergency distribution system problems, which includes storm related problems, for 2013 and preceding 5 years. The 2013 actuals do not include the December 2013 ice storm.⁴

Emergency Distribution Systems Problems	2008	2009	2010	2011	2012	2013
Budget	200,900	195,775	269,120	269,120	88,290	87,600
Actual	251,158	325,283	245,371	186,963	96,525	134,805

- The above table shows the budget for emergency problems was \$269,120 in 2011, which includes storms. This amount is included in base rates. Therefore VECC submits the amount eligible for a Z-Factor must be adjusted to account for the amount in base rates less the amount spent in 2013. On this basis VECC submits the amount eligible for Z-Factor recovery should be reduced by \$134,315⁵ to \$812,652 (\$946,967-\$134,315-\$812,652).
- **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.
- Milton Hydro's materiality threshold is \$65,025 based on 0.5% of Milton Hydro's 2011 distribution revenue of \$13,005,180. VECC submits the materiality criterion is satisfied as Milton Hydro's Z-Factor amount clearly exceeds the materiality threshold.
- **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.
- In addition to its own crews, Milton Hydro received assistance from eight other electricity distributors and five power line contractor companies providing over 70 additional line staff

³ Board Staff IR#9

⁴ Board Staff IR#11 (d)

⁵ \$269,120-\$134,805 = \$134,315

and 30 line trucks. Milton Hydro provided a detailed breakdown of the invoiced costs for each LDC and contractor that provided assistance.⁶

- Milton Hydro's \$935,507 in costs include:
 - overtime hours for Milton Hydro staff
 - overtime vehicle costs
 - material for restoration repairs
 - invoiced costs from electricity distributors & power line contractors
 - hotels & meals to house and feed supporting crews
 - fuel, materials & miscellaneous costs
- Milton Hydro confirms that the Z-factor claim does not include the payroll costs of regular staff and associated truck hours which is appropriate.⁷
- In considering the above, VECC submits the Z-Factor amounts were prudently incurred. However, as discussed above, VECC submits the amount eligible for recovery should be adjusted to \$812,652.

Z-Factor Rate Rider

- Milton Hydro proposes to recover the costs (USoA 1572 Extraordinary Event Costs – Ice Storm Z-Factor) by way of a Fixed Rate Rider over an 18 month period commencing November 1, 2014, ending April 30, 2016.
- Milton Hydro has based the proposed Rate Rider on its December 31, 2013 customer count applicable to all metered customers only. As a result, Milton Hydro proposes that all metered customers pay the same amount and the Street Lighting Class, Sentinel Light class and Unmetered/Scattered Load class will not pay any of the costs associated with the Z-Factor. On this basis Milton Hydro has calculated a Rate Rider of \$1.54 per month over 18 months.
- Firstly, VECC does not support Milton Hydro's approach with respect to which rate classes pay. VECC submits the ice storm costs should be recovered from all rate classes on the grounds of fairness.
- Secondly, VECC does not agree customer count should be used as the cost allocator. VECC submits rate riders calculated on the basis of percentage of distribution revenue by class as per Milton Hydro's 2011 Cost of Service Application is a more appropriate allocator.⁸
- Board Staff notes that in the Board's Decision on The Combined Proceeding on Storm Damage Cost Claims (EB-2007-0514/0595/0571/0551) and the Board's Decision on

⁶ VECC IR#7

⁷ VECC IR#1

⁸ Board Staff IR#7(e)

Niagara-on-the-Lake Hydro Inc.'s wind storm damage Z-factor claim (EB-2011-0186), 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.

- Board staff also notes that in the Settlement Agreement approved by the Board with respect to West Coast Huron Energy Inc.'s tornado damage claim embedded within its 2013 cost of service rate application (EB-2012-0175), approved costs were allocated to the classes on the basis of dollar weighted allocators, i.e. distribution revenue.⁹
- To be consistent with the above Z-Factor applications, VECC submits Milton Hydro's costs should be allocated to the classes on the basis of distribution revenue. VECC further submits that the use of a Fixed Rate Rider is more appropriate than Fixed and Variable Rate Riders as the costs are fixed and not driven by consumption.
- In its submissions (Page 5), Energy Probe recommends that instead of using the number of metered customers at the end of 2013, as proposed by Milton Hydro, an expected average number of customers/connections in each rate class over the duration of the term should be used to avoid over recovery. Even though any over collection would be tracked and refunded to customers in the future as agreed to by Milton Hydro¹⁰, VECC agrees it would be a better approach to calculate the Rate Rider on expected average customer forecast over the term to limit any variance.

Recovery of Reasonably Incurred Costs

VECC submits that its participation in this proceeding has been focused and responsible.

Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 20th of August 2014.

⁹ Board Staff IR#7

¹⁰ Energy Probe IR#8