



September 2, 2014

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

Dear Ms. Walli:

**Re: Z-Factor Application for Recovery of December 2013 Ice Storm Related Restoration
Costs – Responses to Energy Probe Interrogatories
Halton Hills Hydro Inc.,
OEB Proceeding: EB-2014-0211**

Halton Hills Hydro Inc. ("HHHI") hereby submitted its response to Energy Probe Interrogatories in relation to HHHI's Z-Factor Application to the Ontario Energy Board ("the Board") for recovery of restoration costs related to the December 2013 Ice Storm.

A copy of the response has also been electronically mailed to the Board Secretary.

In the event of any additional information, questions or concerns, please contact David Smelsky, Chief Financial Officer, at dsmelsky@haltonhillshydro.com or (519) 853-3700 extension 208, or Tracy Rehberg-Rawlingson, Regulatory Affairs Officer, at tracyr@haltonhillshydro.com or (519) 853-3700 extension 257.

Sincerely,

(Original Signed)

Arthur A. Skidmore, CPA, CMA
President & CEO

Cc: David J. Smelsky, CPA, CMA, CFO, HHHI
Interested Parties in proceeding EB-2014-0211
Richard King, Counsel, HHHI

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Halton Hills Hydro Inc. (“HHHI”)
2014 Z-Factor Application
EB-2014-0211
Response to Energy Probe Interrogatories

Energy Probe - 1

Ref: Paragraph 3.6

Please provide a copy of HHHI's Emergency Preparedness Plan.

Response:

Please see Appendix IRR-C in HHHI's Interrogatory Response to Board Staff.

Energy Probe - 2

Ref: Paragraph 3.8

- a) Did HHHI experience any other events that would have qualified for Z-factor status in 2013 but were less than the materiality threshold? If yes, please provide an estimate of the cost of these other events in 2013.
- b) Please provide the level of costs incurred in 2013 for emergency restorations excluding the costs associated with this application.

Response:

- a) Yes, HHHI experienced two (2) additional significant events in 2013. The estimated costs for the additional significant events were \$74,809 for the April 2013 ice storm and \$21,923 for the July 2013 wind storm.
- b) Please see Interrogatory Response to Board Staff – Cost Recovery Options part b.

Energy Probe - 3

Ref: Paragraph 3.8

The evidence states that the costs incurred as a result of this event were clearly outside of the base upon which HHHI's rates were derived based on the OEB approved 2012 cost of service proceeding.

- a) What level of costs was included in the approved 2012 cost of service OM&A related to emergency maintenance/restorations?
- b) What was the actual level of emergency maintenance/restoration costs incurred by HHHI in each of 2008 through 2012?

Response:

- a) Please refer to HHHI's response to Energy Probe – 2 part b).
- b) Please refer to HHHI's response to Energy Probe – 2 part b).

Energy Probe - 4

Ref: Paragraphs 4.1-4.4

- a) Were there any material costs incurred related to the ice storm? If yes, are these costs included in or in addition to the costs shown in Table 3?
- b) If there were material costs incurred, is HHHI proposing to recover those costs in the Z factor application? Please explain.
- c) Are any of the costs shown in Table 3 eligible to be capitalized?

Response:

- a) Please refer to HHHI's response to VECC interrogatory #1 part g).
- b) Please refer to HHHI's response to Board Staff interrogatory – Capital Costs part a.
- c) Please refer to HHHI's response to Board Staff interrogatory – Capital Costs part a.

Energy Probe - 5

Ref: Paragraph 1.5 & Appendix C

- a) Please define what HHHI means by "commercially reasonable terms".
- b) Has HHHI attempted to obtain funding to offset the costs claimed from other sources, including but not limited to the Ontario Disaster Relief Assistance Program? If not, why not?

Response:

- a) Insurance for distribution plant and equipment is cost prohibitive. In common with LDCs in Ontario, HHHI does not insure its distribution plant.
- b) Please see Interrogatory Responses to Board Staff – Cost Recovery Options.

Energy Probe - 6

Ref: Paragraphs 5.1-5.3 & Table 5

HHHI is proposing to use the customer count/connections as of the end of 2013 to calculate the rate rider.

- a) How many customers/connections does HHHI forecast that it will have at the end of October, 2014?
- b) How many metered customers does HHHI forecast that it will have at the end of October, 2016?
- c) Based on the most recent month available on an actual basis, how many customers/connections does HHHI have?
- d) If the rate rider is calculated based on the December 31, 2013 number of customers, does HHHI agree that it is likely to recover in excess of the amount through the rate rider because the number of customers/connections will be higher than the number used to calculate the rate rider?
- e) Will any over collection resulting from the increase in the number of metered customers be held in the Z-factor account and refunded to ratepayers after the rate rider expires at the end of October, 2016? If not, why not?
- f) Would HHHI agree to track the revenues received from the rate rider and to refund any over collection to ratepayers following a review in a subsequent proceeding? If not, why not?

Response:

- a) Please see Table IRR10 for HHHI's forecasted customer/connection numbers at the end of October, 2014.

Table IRR10 – Actual and Forecasted Customer/Connections

Customer Class	Customer Count/Connections		
	Actual	Forecasted	Forecasted
	As at June 30, 2014	As at October 31, 2014	As at October 31, 2016
Residential	19,547	19,742	20,335
General Service less than 50 kW	1,680	1,680	1,680
General Service 50 to 999 kW	192	192	192
General Service 1,000 to 4,999 kW	13	13	13
Un-metered Scattered Load	148	148	148
Sentinel Lighting	166	166	166
Street Lighting	4,477	4,477	4,477

- b) Please refer to Table IRR10.
- c) Please refer to Table IRR10, June 30, 2014.
- d) Yes.
- e) Any over collection resulting from the increase in the number of metered customers and held in the Z-factor account will be refunded to ratepayers after the rate rider expires at the end of October, 2016 in accordance with the Board Secretary letter issued July 25, 2014, Update to the Electricity Distributor's Deferral and Variance Account Review.
- f) HHHI would agree to track the revenues received from the rate rider and to refund any over collection to ratepayers following a review in a subsequent proceeding.

Energy Probe - 7

Ref: Table 5

- a) Please explain why HHHI is allocating costs among the rate classes in the 2012 service revenue requirement rather than by kWh figures for 2012.
- b) If the storm costs had been allocated on the same basis as tree trimming costs, how would these costs be allocated to the rate classes? Please base the response on the cost allocation methodology used and approved by the Board in the last cost of service application.
- c) If the storm costs had been allocated on the same basis as maintenance of poles, towers and fixtures or maintenance of overhead conductors and devices, how would these costs be allocated to the rate classes? Please base the response on the cost allocation methodology used and approved by the Board in the last cost of service application.
- d) Please provide a version of Table 5 that shows the allocation of the amount requested to be recovered to each rate class based on HHHI's proposal and each of the possible alternatives from parts (a), (b) and (c) above.

Response:

- a) The revenue requirement inherently assumes cost allocators that have been previously approved in the Ontario Energy Board cost allocation model. The costs associated with the restoration of power were not dependent on customer's energy consumption or demand. Therefore, while recovery should be allocated appropriately, it should not be dependent on kWhs.
- b) Tree trimming is considered OM&A and therefore allocated based on the same basis as the revenue requirement that was derived from the cost allocation model and hence, identical to what HHHI already provided.
- c) See part b) above.
- d) Please see Table IRR11 – Revised Table 5 allocated by kWhs

Table IRR11 – Revised Table 5 Allocated by kWhs

Customer Class	2012 Cost of Service Approved kWh Forecast	2012 Cost of Service Approved kWh Forecast %	Proposed Z Factor Amount for Recovery per Customer Class	Customer / Connection Count @ Dec 31, 2013	Recovery Amount per Customer / Connection	Recovery Amount per Month based on kWh allocation requested by Energy Probe		
	(kWhs)	(%)	(\$)		(\$)	24 months	18 months	12 months
Residential	210,212,474	42.55%	664,377	19,511	34.05	1.42	1.89	2.84
General Service less than 50 kW	54,285,767	10.99%	171,570	1,768	97.04	4.04	5.39	8.09
General Service 50 to 999 kW	117,338,024	23.75%	370,847	207	1,791.53	74.65	99.53	149.29
General Service 1,000 to 4,999 kW	108,192,394	21.90%	341,942	13	26,303.26	1,095.97	1,461.29	2,191.94
Sentinel Lighting	380,342	0.08%	1,202	177	6.79	0.28	0.38	0.57
Street Lighting	2,778,881	0.56%	8,783	4,477	1.96	0.08	0.11	0.16
Un-metered Scattered Load	838,540	0.17%	2,650	146	18.15	0.76	1.01	1.51
TOTAL	494,026,422	100%	1,561,372	26,299				

Energy Probe - 8

Ref: Section 2

- a) Please provide a copy of HHHI's tree trimming policy.
- b) When was this tree trimming policy implemented and/or changed?
- c) What was the forecast of tree trimming costs for 2012 in EB-2011-0271?
- d) Please provide the actual tree trimming costs incurred in each of 2011, 2012 and 2013.

Response:

- a) HHHI's tree trimming practice is to trim HHHI's territory on a three (3) year rotating cycle.
- b) HHHI's tree trimming practice changed in 2011.
- c) The forecast for tree trimming costs for 2012 in EB-2011-0271 was \$230,000.
- d) Please see Table IRR12.

Table IRR12 – Actual Tree Trimming Costs

	2011	2012	2013
Actual Tree Trimming Costs	\$ 193,924	\$ 391,839	\$ 283,441