



**PUBLIC INTEREST ADVOCACY CENTRE**  
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Michael Janigan  
Counsel for VECC

September 23, 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)**  
**Halton Hills Hydro Inc. EB-2014-0211**  
**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,

Michael Janigan  
Counsel for VECC  
Encl.

cc: Halton Hills Hydro 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 Halton Hills Hydro 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 Halton Hills due to the December 2013  
Southern and Eastern Ontario Ice Storm,  
to be effective November 1, 2014 for 24 months.

**Submissions of Vulnerable Energy Consumers Coalition (VECC)**

**Z-Factor Costs**

- Halton Hills Hydro Inc. (Halton Hills) is applying for recovery of \$1,542,229 plus carrying costs in the amount of \$19,143 for a total Z-Factor claim of \$1,561,372.
- Halton Hills indicates the restoration costs reflect incremental operations, maintenance and administration (OM&A) costs incurred to restore electricity service to all customers (100%)<sup>1</sup> after a severe ice storm on December 21 and 22, 2013. Halton Hills distributes electricity to 21,522 metered customers.<sup>2</sup>
- The costs incurred plus estimated accruals to December 31, 2013 contained within the application have been audited as part of Halton Hills' 2013 year-end.
- Halton Hills indicates it incurred minimal capital infrastructure damage and any capital costs were capitalized in the normal course of business.<sup>3</sup>
- There is no insurance coverage available to offset the restoration costs. Insurance for distribution plant is cost prohibitive and like other LDCs in Ontario Halton Hills does not insure distribution plant.<sup>4</sup>
- 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,

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<sup>1</sup> Application Page 4

<sup>2</sup> Application Paragraph 1.1

<sup>3</sup> Board Staff IR#4

<sup>4</sup> Energy Probe IR#5 (a)

materiality, and prudence.<sup>5</sup>

- Halton Hills submits that the province wide ice storm and extensive damage to Halton Hills' distribution system meets the Z-Factor eligibility criteria noted above.<sup>6</sup>
- *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.*
- Halton Hills expects and plans for a certain level of weather-related damage. The amount included in Halton Hills' base rates as part of its 2012 OM&A expense related to Emergency Maintenance is \$123,766 which includes storms. The 2013 actual Emergency Maintenance expense is \$168,911.<sup>7</sup>
- Halton Hills states that the costs incurred as a result of this event are clearly outside of the base upon which its rates were derived based on the OEB approved 2012 cost of service rates<sup>8</sup> in proceeding EB-2011-0271. VECC agrees the restoration amount of \$1,542,229 is clearly outside of the base upon which Halton Hills' rates were derived in its 2012 cost of service application and agrees the amounts claimed are directly related to the Z-Factor event. On this basis, VECC submits Halton Hills has met the causation criterion.
- *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.*
- Halton Hills' materiality threshold is \$50,000 based on Halton Hills' 2012 revenue requirement of \$8,821,486 approved in EB-2011-0271 which is applicable to applicants with a distribution revenue requirement less than \$10M.<sup>9</sup>
- VECC submits the materiality criterion is satisfied as 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 line crews and field staff, Halton Hills received assistance from 11 additional electricity distributors, three power line contractor companies and five tree clearing contractors. At the height of the restoration, Halton Hills had 148 staff and

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<sup>5</sup> Chapter 3 Filing Requirements July 17, 2013, Section 3.2.2

<sup>6</sup> Application Paragraph 1.8

<sup>7</sup> Board Staff IR Page 19

<sup>8</sup> Application Paragraph 3.8

<sup>9</sup> Application Paragraph 1.9

external crews working compared to Halton Hills' 50 full-time equivalents.<sup>10</sup>

- Halton Hills indicates the incremental restoration costs include invoiced costs from the assisting external crews and contractors, the costs of hotel and meals to house and feed these crews, and incremental overtime hours for Halton Hills staff.<sup>11</sup> Halton Hills submits all costs are verifiable in the form of invoices from external parties and the payroll register of Halton Hills.<sup>12</sup> Meal allowances were also paid to Halton Hills unionized employees.<sup>13</sup>
- In response to interrogatories, Halton Hydro provided detailed invoiced costs on the following:
  - Internal Labour Costs (Overtime): \$245,341<sup>14</sup>
  - External Contractor Detailed Costs: \$497,102<sup>15</sup>
  - Assisting LDCs (11) Detailed Costs: \$521,736<sup>16</sup>
  - Total<sup>17</sup> \$1,264,179
- On page 10 of the application (Table 3) Halton Hills provides a summary of incremental ice storm costs totalling \$1,542,228.94. This amount includes the same amount for Halton Hydro overtime costs as above, \$868,936.53 in tree trimming and contractor costs, \$378,269.03 in utility costs and other external costs totalling \$49,682.18.
- On the slide "Cost of the Storm"<sup>18</sup> Halton Hills shows the costs as \$337,000 for Halton Hills, \$623,000 for Contractors and \$540,000 for Other LDCs.
- It is not clear to VECC how these cost details match up. VECC asks that in its reply submission, Halton Hills reconcile the detailed information categories provided in the invoices above to the summary of costs in Table 3 and the slide in Appendix C to correspond to its total Z-Factor claim of \$1,542,229 (excluding carrying costs).
- Halton Hydro's Z-Factor application does not include regular payroll costs and the associated truck/vehicle costs which is appropriate.<sup>19</sup>
- Halton Hydro's Z-Factor application includes the costs of overtime hours worked for union employees (\$174,368) as well as management employees (\$70,973).<sup>20</sup> No vehicle time

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<sup>10</sup> Application Paragraph 2.5

<sup>11</sup> Application Paragraph 2.7

<sup>12</sup> Application Paragraph 1.10

<sup>13</sup> Application Paragraph 4.1

<sup>14</sup> Board Staff IR Page 10

<sup>15</sup> Board Staff IR Page 14- includes hotel, meals, fuel & truck charges & other charges

<sup>16</sup> Board Staff IR Page 16- includes hotel, meals, fuel & truck charges & other charges

<sup>17</sup> Calculated by VECC

<sup>18</sup> Appendix C

<sup>19</sup> VECC IR#1 (a)

<sup>20</sup> Board Staff IR Page 10

was included in the application.<sup>21</sup>

- Halton Hydro does not have a written policy for payment of overtime for non-union employees in support of the amounts claimed. The decision to pay overtime to non-union employees, in this case management employees was made by the President and Chief Executive Officer and the Board of Directors.<sup>22</sup>
- VECC submits that the claim of \$70,973 for overtime hours worked by management should be disallowed on the basis that without a written policy on the payment of overtime to non-union employees, ratepayers should not be expected to pay for management overtime when Halton Hills does not pay out management overtime that takes place during the normal course business.

### **Z-Factor Rate Rider**

- Halton Hills is requesting a 24 month fixed rate rider for all customers with an effective date of November 1, 2014 and ending October 31, 2016.
- VECC submits that the recovery of the Z-Factor amount using a monthly fixed rate rider is appropriate. VECC supports Halton Hills' rationale that the costs associated with the restoration of power were not dependent on customer's energy consumption or demand and therefore recovery of costs should also not be dependent on consumption or demand.<sup>23</sup>
- Halton Hills rationale for the November 1, 2014 effective date is to align with the November 1, 2014 Regulated Price Plan Change (RPP) rate change. Halton Hills sees no reason to further delay costs and states that costs should be recovered when the costs are incurred.
- VECC supports a November 1, 2014 effective date and agrees that costs should be recovered when the costs are incurred. VECC submits pushing cost recovery out later to May 1, 2015 will increase the carrying costs on the account (6 months of additional carrying costs) which results in increased costs to customers.<sup>24</sup> VECC does not support an approach that unnecessarily increases costs to customers.

### **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.

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<sup>21</sup> VECC IR#1 (j)

<sup>22</sup> Board Staff IR Page 10

<sup>23</sup> Board Staff IR Page 25

<sup>24</sup> Energy Probe submission September 23, 2014 Page 5

All of which is respectfully submitted this 23<sup>rd</sup> of September 2013.