



PUBLIC INTEREST ADVOCACY CENTRE
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Michael Janigan
Counsel for VECC

November 14, 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)
Burlington Hydro Inc. EB-2014-0252
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: Burlington 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 Burlington Hydro Inc.
to the Ontario Energy Board for an Order or Orders approving the
recovery of amounts related to the restoration of electricity service
due to the December 2013 Ice Storm,
to be effective November 1, 2014.

Submissions of Vulnerable Energy Consumers Coalition (VECC)

Z-Factor Costs

- Z-Factor claims allow distributors to recover costs associated with unforeseen events that are outside the control of a distributor's ability to manage, such as damage that is the result of a storm, provided the cost is material and the causation is clear.
- Burlington Hydro Inc. (Burlington Hydro) is applying for recovery of \$573,047 plus carrying costs in the amount of \$6,318, for a total Z-Factor claim of \$579,047.
- Burlington Hydro's restoration costs reflect incremental operations, maintenance and administration (OM&A) costs incurred to restore electricity service to approximately 7,500 customers (11%) after a severe ice storm on December 21 and 22, 2013. Burlington Hydro distributes electricity to approximately 66,000 customers.
- The majority of the costs were recorded in 2013 and audited during the 2013 financial audit, except for \$4,087 in costs recorded in 2014 that will be audited during the 2014 financial audit.
- Burlington Hydro incurred capital costs in the amount of \$129,055 and \$126,270 in allocable costs related to benefits and burdens that are being recovered through current rates and have been excluded from the Z-Factor application.
- The City of Burlington made a contribution in kind by providing tree trimming crews, trucks and tools.¹

¹ Board Staff IR#9

- 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
- **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.*
- Burlington Hydro indicates that the proposed Z-Factor amount is clearly outside of the base upon which Burlington Hydro's rates were derived. In interrogatory responses, Burlington Hydro confirms that the incurred costs are directly related to the 2013 ice storm and had the December 2013 ice storm not occurred it would not have incurred any of the costs.³
- VECC agrees Burlington Hydro's Z-Factor claim meets 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.*
- Burlington Hydro calculated a materiality threshold of \$146,270 based on 0.5% of its 2010 revenue requirement of \$29,253,965 approved in EB-2009-0259, and \$144,178 based on 0.5% of its 2014 revenue requirement of \$28,835,532 approved in EB-2013-0115.⁴
- VECC submits the materiality criterion is satisfied as the 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.*
- Burlington Hydro's response to storms falls under Emergency Work. Burlington Hydro confirmed its response to the ice storm followed its Emergency Plan and it did not deviate from the plan.⁵
- Burlington Hydro's costs include labour, materials, trucks, communications, costs to produce maps and diagrams and miscellaneous costs.
- In addition to its own staff, Burlington Hydro received assistance from three additional electricity distributors: Cambridge and North Dumfries Hydro, Oakville Hydro Electric Distribution Inc. and Waterloo North Hydro. Burlington Hydro capitalized Waterloo North's

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

³ Board Staff IR#10

⁴ Burlington Hydro November 4, 2014 letter Attachment

⁵ Board Staff IR#11

costs.

- Three contractors also provided services: Davie Tree provided tree trimming, K-Line provided power line services and J&N Traffic Control provided traffic control services. Burlington Hydro confirms that the external contractors were procured pursuant to its procurement policy.⁶
- Burlington Hydro provided cost information to restore power as follows:
 - Internal Labour Costs (Overtime): \$219,753
 - Materials: \$ 9,679
 - Contractor: \$304,720
 - Other: \$ 38,895
 - Total** **\$573,047**
- Burlington Hydro provided further details on its contractor costs.⁷
- VECC has some concerns with Burlington Hydro's proposed costs for recovery as discussed below.

Overtime Costs

- Board Staff requested⁸ that Burlington Hydro provide the labour hours that correspond to its internal labour costs of \$219,753.⁹ VECC notes that the response reflects 1,826 in labour hours for overtime. Burlington Hydro also indicates regular time hours have not been included which is appropriate.¹⁰ VECC also notes that the \$219,753 labour costs include \$34,204 for non-union overtime for time worked by Burlington Hydro's management staff (15.5% of labour costs) but the corresponding number of overtime hours for non-union overtime has not been included in the interrogatory response.
- VECC asks that Burlington Hydro confirm in its reply submission the number of overtime hours that correspond to the \$34,204 in non-union overtime costs as well as the employee group that the non-union overtime applies to.
- VECC notes that Burlington Hydro's Overtime Policy¹¹ indicates that Trades Supervisors are primarily eligible for non-union overtime and all other salaried employees who perform professional/management/supervisor/leadership functions primarily are exempt from overtime. Burlington Hydro indicates that overtime has been treated as per its policy for

⁶ Board Staff IR#5

⁷ VECC IR#4

⁸ Board Staff IR#4

⁹ Exhibit 1, Page 6

¹⁰ Board Staff IR#4

¹¹ VECC IR#3

the past three years.

- On this basis, VECC submits only overtime costs for Trade Supervisors should be eligible for recovery in the Z-Factor claim. Burlington Hydro does not pay out management overtime that takes place during the normal course business for other employee groups. Thus, any overtime hours being claimed by employee groups that are exempt from the overtime policy should be excluded from the Z-Factor claim.

Fleet Costs

- Burlington Hydro's Z-Factor costs includes internal truck costs of \$22,480 included in Other Costs. Burlington Hydro indicates fleet charges and fuel costs were computed using normal cost rates.¹²
- VECC is unclear based on the evidence if fleet costs associated with regular payroll costs have been included for recovery in the Z-Factor. VECC asks that Burlington Hydro confirm in its reply submissions if these cost have been included and if so the amount included.
- VECC submits fleet costs associated with regular payroll costs are not incremental costs and are not eligible for recovery and should be excluded from the Z-Factor.

Vegetation Management

- In response to Energy Probe IR#6, Burlington Hydro provided its actual tree trimming costs for the years 2011, 2012 and 2013. VECC notes that the actual spending of \$247,139 in 2013 is approximately 35% lower than the average of 2011 and 2012. VECC has reviewed Energy Probe's draft submission wherein Energy Probe noted that actual vegetation management expenditures in 2013 are significantly below 2013 projections of \$449,513 in the original 2014 cost of service application (EB-2013-0115) and below the subsequent evidence update to \$345,000. VECC supports Energy Probe's submissions that Burlington Hydro has not provided any evidence on the reasons for the close to \$100,000 reduction in vegetation management costs in 2013 and VECC supports Energy Probe's request that Burlington Hydro provide reasons for this in its reply argument. Further, VECC supports Energy Probe's position that if adequate rationale is not provided by Burlington Hydro that the Z-Factor claim be reduced by the 2013 underspending amount.

Z-Factor Rate Rider

- Burlington Hydro proposes to recover the Z-Factor amount of \$579,365 through a fixed charge rate rider for 18 months for all customers with an effective date of November 1,

¹² VECC IR#5

2014 and ending April 30, 2016.

- VECC submits that the recovery of the Z-Factor amount using a monthly fixed rate rider is appropriate. VECC supports Burlington Hydro's rationale that the costs associated with the restoration of power are customer count driven and are not consumption driven.
- Burlington Hydro has calculated the proposed Rate Rider on the basis of 2013 distribution revenues and 2013 customer count/connections.
- VECC submits it is more appropriate to allocate recovery of the costs to all customer classes based on the basis of Burlington Hydro's most recently approved distribution revenue from Burlington Hydro's 2014 cost-of-service rate application (EB-2013-0115) as per Board Staff IR#8(a).
- Burlington Hydro intends to dispose of any residual balance, favourable or unfavourable, to its customers. At the conclusion of the proposed 18 month disposition period and upon completion of the audit, Burlington Hydro would seek disposition of the residual balance through the Board's review of deferral and variance account balances in the next available rates application.¹³
- With respect to customer count/connections, VECC supports the use of Q3 2014 customer counts as per Board Staff IR#8(b) over 2013 as it is a better reflection of customer count.

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 14th of November 2014.

¹³ Board Staff IR#15