



BY EMAIL and RESS

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2300 Yonge Street
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October 29, 2020
Our File: EB20200008

Attn: Christine Long, Registrar & Board Secretary

Dear Ms. Long:

Re: EB-2020-0008 – Canadian Niagara Power Inc. – Z-Factor Submissions

We are counsel to the School Energy Coalition (“SEC”). Pursuant to Procedural Order No. 1, these are SEC’s comments on the application by Canadian Niagara Power Inc. (“CNPI”) for a Z-Factor.

CNPI has sought approval for a Z-Factor claim in the amount of \$261,587 for certain storm restoration costs related to a significant windstorm in its service territory on October 31st and November 1st, 2019.¹ The Z-Factor amount relates only to incremental OM&A costs that it incurred related to over-time costs for internal staff and third-party assistance that it was required to call upon, including from neighboring distributors through existing mutual aid agreements. CNPI is not seeking a Z-Factor for the incremental capital costs.²

SEC has reviewed the pre-filed evidence and interrogatory responses and does not oppose CNPI’s request for a Z-Factor. The evidence demonstrates that CNPI has met the Board’s requirements.³ The amounts related to a Z-Factor event are outside of and incremental to the amounts from which base rates were derived (causation), exceed the Board-defined materiality threshold, are likely to have a significant influence on the operations of the distributor⁴ (materiality), and have been prudently incurred (prudence).

SEC does note that CNPI has underspent its planned vegetation management budget in each of the

¹ Pre-filed Evidence, p.18-19

² Pre-filed Evidence, p.20

³ [Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors](#) (July 14, 2008), Appendix, p.v; [Filing Requirements For Electricity Distribution Rate Applications - Chapter 3 - Incentive Rate-Setting Applications](#), p.22

⁴ CNPI has not directly addressed this aspect of the materiality requirement, but based in its response to Interrogatory Staff-7, a disallowance of the Z-Factor claim would result in its 2019 actual and 2020 forecast ROE being below the 300 basis point off-ramp. CNPI should confirm in its reply submissions that these numbers are calculated consistently with its response to Interrogatory SEC-2 (i.e. Z-Factor claim costs is excluded for the operating expenses its ROE calculation).



four years (2015-2018) leading up to the 2019 windstorm by, on average, approximately 8.27%.⁵ Not completing as much vegetation management in the proceeding years is likely to have resulted in additional damage from the windstorm, compared to what would otherwise have been the case if that annual work had been completed. There is insufficient evidence on the record to determine what amount of the Z-Factor claim could have been avoided by undertaking all of its budgeted vegetation management work in the preceding four years, but it is reasonable to assume that it is not zero. SEC puts CNPI on notice that it will expect the distributor to provide evidence regarding this issue in its 2022 cost of service application when it seeks to add the approximately \$516,896⁶ of the windstorm related capital costs to its rate base,.

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

cc: Wayne McNally, SEC (by email)
Applicant and intervenors (by email)

⁵ Interrogatory Response VECC-1(c)

⁶ Pre-filed Evidence, p.20