

Burlington Hydro Inc.

EB-2013-0115

Proposed Settlement Agreement

Attachment D.1

Burlington Hydro's proposed changes to 2014 Postage Expense and 2014 Tree Trimming Expense

Summary

Burlington Hydro proposes to increase its 2014 Proposed OM&A expenditures by \$297k, being a \$95k increase for Postage and a \$202k increase in Tree Trimming. The change in Postage reflects Canada Post's December 30, 2013 announcement that stamp prices would increase to \$1, retail, and \$0.85, for postage machines.

The change to the Tree Trimming expense reflects Burlington Hydro's best available information on the expected price increases of its contractors and has been mitigated by the substitution of third party inspection costs with Burlington Hydro's unionized work force. A consequential change to the Revenue Requirement as a result of these two increases in OM&A expense is the related increase of approximately \$3k in the proposed Working Capital Allowance.

Postage

Burlington Hydro relies on Canada Post to deliver paper bills. Burlington Hydro pays Canada Post \$0.63/item for low density walked routes (typically in residential neighbourhoods) and \$0.60/item for high density walked routes (typically in commercial and industrial areas); on a weighted average basis the cost of postage is \$0.602/item. On December 30, 2013 Canada Post announced its intention to increase retail postage rates from the existing \$0.63/item to \$0.85/item (for bulk purchases) or \$1.00 for individual stamps.

The estimated \$95k impact has been calculated assuming that Burlington Hydro will be eligible for the more favourable postage rate, being \$0.85/item. The difference between the previous weighted average cost of postage and the assumed \$0.85 rates is \$0.248/item. Burlington Hydro expects to mail bills to 54,000 of its residential customers bi-monthly and to 4,750 of its General Service <50 kW customers monthly. This is a \$95k incremental increase over the originally estimated 2014 postage expense.

Burlington Hydro observes that this proposed change is a flow through of a third party's price increase which is beyond the control of the LDC.

Tree Trimming

Burlington Hydro relies on 2 contractors for tree trimming services. One contractor provides routine tree trimming on a 3 year cycle consistent with good utility practice, consistent with the OEB's Distribution System Code and in fulfillment of the public safety requirements of O.Reg 22/04. The other provides tree trimming on an emergency basis. Historically, Burlington Hydro has also relied on another contractor for tree trimming inspection. In 2013 Burlington Hydro

paid a total of \$345k for routine tree trimming and inspection. Over a 3 year cycle, Burlington Hydro pays approximately \$800k for routine tree trimming services.

In 2013 Burlington Hydro adopted a different practice with respect to inspections and assigned one of its Linesmen to inspect tree trimming while conducting other assigned field inspections. The Burlington Hydro crew member identified that Burlington Hydro's standards were not being adhered to and Burlington Hydro took appropriate action. Subsequently, the routine tree trimming contractor advised Burlington Hydro that it intended to increase its price by 237%. Burlington Hydro conducted some due diligence of this proposed price increase by seeking a quote for these services from another qualified contractor; that quote was approximately 276% greater than the current contract.

Burlington Hydro recognizes that it will incur a cost increase versus prior years. In an effort to mitigate the price increase Burlington Hydro will cease to rely on contracted tree trimming inspection services and will task its unionized workforce to perform tree trimming inspection instead. The unionized workforce is responsible for field inspections of Burlington Hydro's Property, Plant and Equipment and will re-organize their field activities to incorporate this additional activity while minimizing incremental costs.

In 2014 Burlington Hydro projects that it will incur Tree Trimming costs of \$547k, which is a \$202k increase versus the 2013 expense. This increase has been computed as follows:

2013 expense	\$345k
Contract Tree Trimming inspection	\$114k
Tree Trimming Services	\$231k
Increase Tree Trimming Services of 237%	\$547k

Consistent with its purchasing policies, Burlington Hydro has relied on the lower of the 2 quotes to estimate the 2014 tree trimming expense.

Burlington Hydro expects to achieve several benefits as a result of enforcing its tree trimming standards, including:

- Improved safety for the public and for Burlington Hydro's crews;
- Fewer outages due to tree contacts that is expected to result in improved SAIFI statistics; and
- Reduced outage duration to restore service lost due to tree contact as the crews will require less time to clear the site and make it safe, and, will be able to more readily access the origin of the outage.

Over the longer term, Burlington Hydro will have better information available to it when deciding where to deploy system automation. By deploying system automation appropriately Burlington Hydro expects to observe reduced outage durations that will result in improved SAIDI statistics.

These amounts have been included in the 2014 OM&A that was filed with the OEB on February 27, 2014.