

Burlington Hydro 2014 Rates Application EB-2013-0115

Burlington Hydro has discovered a data entry-related error in its 2014 revenue requirement. While preparing a draft settlement proposal, we discovered that we inadvertently omitted our 2014 property tax expense from the 2014 revenue requirement. Burlington Hydro proposes to correct its error by adding \$273,559 to its settled 2014 revenue requirement. As set out below, the \$273,559 amount represents Burlington Hydro's preliminary forecast of its 2014 property tax expense and is on the record in this proceeding. Burlington Hydro currently forecasts its 2014 property tax expense to be \$304,000; however, because this amount is not on the record, Burlington Hydro believes it is appropriate that its lower preliminary 2014 property tax expense of \$273,559 be used for the purpose of correcting its 2014 revenue requirement.

Discussion

Burlington Hydro remits property tax to the City of Burlington. Per the City's policies, this amount is levied based on the posted mil rate applied to the land and buildings that Burlington Hydro owns. This amount is eligible for recovery through rates; in Burlington Hydro's last rate rebasing application (EB-2009-0259) property taxes in the amount of \$229,000 were authorized for recovery. The amounts incurred since that rebasing application are provided in the table below.

	Property Taxes
2010	\$284,285
2011	\$274,392
2012	\$292,430
2013	\$275,037

Burlington Hydro's most recent projection of its 2014 property tax expense is \$304,000. While this value is shown on the data input sheets of the rate making model that supports Burlington Hydro's 2014 rate rebasing application, for the purposes of the public filing, this data input sheet, as well as the RRR trend worksheet that also displays this value, were hidden. The programming of the rate making model does not naturally incorporate this amount in the derivation of the proposed revenue requirement or of the computed deficiency/sufficiency.

Burlington Hydro notes that its filed cost allocation model ("CAM") displays the preliminary estimate of the 2014 property tax expense of \$273,559. The CAM displays the value of \$273,559 at cell D466 of worksheet I3. Burlington Hydro acknowledges that this is a data entry error; property tax expense is supposed to be entered at cell D465 of worksheet I3. Because the value was inadvertently entered at cell D466 the preprogrammed formula in cell E466 operated and an offsetting negative value was computed. The purpose of this preprogrammed formula is to support the appropriate inclusion of directly allocated PILs expense in column G and of the total PILs expense, net of directly allocated amounts, to be displayed in column H.

The values in columns G and H are used to satisfy the consistency checks and verifications preprogrammed into the Board's CAM. Had the property tax expense been correctly entered in cell D465 the revenue requirement computed by the CAM would have differed from the value hard coded in cell F14 on worksheet I3 and the CAM would have displayed "Out of Balance" error messages.

Because the rate making model did not incorporate the property tax expense in the derivation of the revenue requirement and because the property tax expense was entered in the CAM on worksheet I3 at cell D466, rather than at cell D465, this error was not identified.

Burlington Hydro provided a reconciliation of its RRR data to its audited financial statements at Exhibit 1, Tab 3, Schedule 2. This exhibit displays the historic property tax expense and incorrectly labels them as "Capital Tax". Because Capital Tax ceased to be charged in 2011, no further investigation was undertaken. Burlington Hydro's 2014 evidence also makes reference to incurring property tax at Exhibit 2, Tab 5, Schedule 5, page 5, line 5. Finally, the line item for property tax shown at Exhibit 6, Tab 1, Schedule 1, page 4, Table 6-2 was incorrectly left unpopulated.

Burlington Hydro discovered this data entry error when recalculating rates following the proposed settlement agreement.

Because this error materially affects Burlington Hydro's 2014 revenue requirement, we would like to correct this data entry error while maintaining the settlement. Burlington Hydro acknowledges that this amount is approximately 10% lower than the most recent forecast 2014 cost of \$304,000 and will assume financial responsibility for the difference.

We apologize for this oversight and for any inconvenience it causes.