Board Staff Interrogatories
2010 Electricity Distribution Rates
Burlington Hydro Inc. (“Burlington”)
EB-2009-0259

Manager’s Summary

1. Ref: Exhibit 1 / Tab 2/ Sch. 6/ Revenue Requirement Workform

Please submit the Microsoft Excel file containing the revenue requirement workform.

Capital Expenditures

2. Ref: Exhibit 2/ Tab 4/ Sch. 5/ Pg. 9 – Fairwood & Woodward MS Lead Cable Replacement

The evidence states that the 2007 budgeted amount for the above project is $8. Please confirm and/or update the 2007 budgeted amount.

3. Ref: Exhibit 2/ Tab 4/ Sch. 5/ Pg. 12 and Exhibit 2/ Tab 4/ Sch. 6/ Pg. 9 – Subdivisions Assumed

Project Name	2008 Budget Amount	2010 Budget Amount
Subdivision Assumed	$ 617,676	$ 2,000,000
variance		$ 1,382,324
		224%

Please provide an explanation for the above variance.

4. Ref: Exhibit 2/ Tab 4/ Sch. 7/ Pg. 3 – Burlington Performing Arts Centre

Please provide the in-service date for the above named project.

5. Ref: Exhibit 2/ Tab 3/ Sch. 1/ Pg. 4

Please provide the percentage of the completed expenditures as compared to total 2009 bridge year budget of $8,446,500 as of September 30, 2009 or the latest information that is available.

6. Ref: Exhibit 2/ Tab 4/ Sch. 1/ Pg. 4-5

Between 2006 and 2008, the total amount for capital expenditures per year has increased significantly. Board staff notes that from 2006 and 2007, capital expenditures increased 46% ($2,247,125) and from 2007 to 2008 capital expenditures increased 37.2% ($2,649,392).

Please comment on these increases to capital expenditures and complete the following table.

Project Name	Amount for 2006	Amount for 2007	Amount for 2008
Project 1			
Project 2			
Project 3			
Etc….			
Total			

Load Forecasting and Methodology

7. Ref: Exhibit 3 / Tab 2 / Sch. 1 / Page 4-9

On page 7 the applicant stated that the process of developing a model of energy usage involves estimating multifactor models using different input variables to predict total system purchased energy. Amongst others, Burlington also used the Ontario real GDP monthly index numbers which came from the Ontario Ministry of Finance's "Ontario Economic Outlook and Fiscal Review" (2003, 2008 and 2009 Outlook) and Number of Customers. On page 9 Burlington provided the equation resulting from the multifactor regression model.

(i) Explain why GDP is included in the multifactor regression model when the only output is the 2008 weather normalized load. Please re-estimate 2008 weather normalized load using only weather related variables.
(ii) Explain why a more localized GDP forecast was not used.

Other Revenues

8. Ref: Exhibit 3 / Tab 3 / Sch. 1 / Page 1 – Interest and Dividend Income

Please provide a breakdown of the interest income for 2007, 2008, 2009 and 2010 that is related to:

(i) Monthly interest earned in the bank account
(ii) Interest on Regulatory assets/ Liabilities

(iii) Interest earned on loans Burlington has made to its affiliate businesses
(iv) All other sources.

Operating Expenses

9. Ref: Exhibit 4/ Tab 2/ Sch. 2/ Page 1 – Appendix 2-L

Burlington is proposing to capitalize approximately 20% of its compensation costs for 2010. This is about 1% higher than its 2006 approach.

(i) Please explain the change in capitalization from 2006 to 2010.

(ii) Please confirm that Burlington has not made changes to the company's accounting policies in respect to capitalization of operation expenses and/or has not made any significant changes to accounting estimates used in allocation of costs between operations and capital expenses post fiscal year end 2004. If any accounting policy changes or any significant changes in accounting estimates have been made post 2004 fiscal year end, please provide all supporting documentation and a discussion highlighting the impact of the changes.

10. Ref: Exhibit 2 / Tab 6 / Page 8 and 9 – Tree Trimming

Please complete the following table for Tree Trimming expenditures.

	2007	2008	2009	2010
Annual Expenditure				
Miscellaneous Expenditure				
Total				
Year-to-Year Variance ($)				
Year-to-Year Variance (%)				

11. Ref: Exhibit 2 / Tab 4 / Sch. 1/ Page 1 and Exhibit 2 / Tab 6 / Page 8 and 9 – Bad Debt Expense

In Exhibit 2 / Tab 4 / Sch. 1/ Page 1 Burlington has provided data for bad debt expense for the years 2006 to 2010. Board staff has developed the following table:

	2006	2007	2008	2009	2010
Bad Debt Expense	77,364	156,380	405,047	400,000	400,000
Year-to-Year Variance ($)		79,016	248,667	-5,047	0

Year-to-Year Variance (%)			159%		

(i) In Exhibit 4 / Tab 2 / Sch. 4/ Page 1 Burlington provides a table outlining the key OM&A cost drivers. Burlington notes that the 2009 bad debt expense increased $13,484 from 2008. This seems to contradict the value provided in Exhibit 2 / Tab 4 / Sch. 1/ Page 1 for the 2009 bad debt expense which shows a decrease of $5,047. Please reconcile the amounts and provide an explanation for the inconsistency.

(ii) For 2009, please provide the actual bad debt expense amount up until September 30.

(iii) In Exhibit 4 / Tab 2 / Sch. 4/ Page 12 Burlington noted that the bad debt expense increase in 2008 was a result of four large commercial accounts that were recognized for write-offs due to bankruptcy. Please discuss why the variance of $248,667 from 2007 to 2008 should not be treated as a one-time expense.

12. Ref: Exhibit 4 / Tab 2 / Sch. 5/ Page 1 – Regulatory Costs

In the above schedule, Burlington has provided the following information regarding one-time costs associated with the preparation of its rate rebasing application.

Costs associated with preparation of CoS (amortized over 4 years)	**2010 Test Year Forecast**
OEB Hearing Assessments (applicant initiated)	$ 45,000
Legal costs for regulatory matters	$ 15,250
Consultants costs for regulatory matters	$ 10,000
Intervenor Costs	$ 35,000
Total	**$ 105,250**

Burlington has identified $105,250 of one-time costs (amortized over 4 years) associated with the completion of a full cost of service review.

In Exhibit 4 / Tab 2 / Sch. 4/ Page 14, Burlington identified $304,744 related to the preparation of the rate rebasing application. If amortized over 4 years, this would result in an amount of $76,186.

Please reconcile the amounts and indicate the correct amount for regulatory costs associated with the preparation of Burlington's rate rebasing application.

13. **Ref: Exhibit 4 / Tab 2 / Sch. 7/ Page 1 – One time Costs**

Please identify all one-time costs included in the 2010 test year OM&A forecast.

14. **Ref: Exhibit 4 / Tab 2 / Sch. 4 / Page 20 - LEAP**

In the above reference, Burlington stated that the amount of $39,000 is included in the 2010 Test Year for Low Income Energy Assistance Program. Please identify whether these amounts relate to existing or new program(s).

15. **Ref: Exhibit 4 / Tab 4 / Sch. 2 / Page 1 - Employee Costs Table**

Please provide an explanation for the following line item labeled "Total Compensation Charged to Billings.

16. **Ref: Exhibit 4 / Tab 4 / Sch. 2 / Page 1 / Employee Costs Table**

Board staff has prepared the following analysis regarding Burlington's non-union employees' average yearly base wage.

	2006	**2007**	**2008**	**2009**	**2010**
Non-Union	$ 38,372	$ 44,853	$ 47,190	$ 55,255	$ 66,026
Year-to-Year Variance		17%	5%	17%	19%
2010 vs 2008					40%
# of FTEs	**5**	**4**	**4**	**5**	**5**

(i) Please confirm the figures in the above table.

(ii) Please explain the 40% increase in average yearly base wage between 2008 and 2010.

17. **Ref: Exhibit 4 / Tab 2 / Sch. 4 / Page 1 – Bank Fees**

From 2009 to 2010, bank fees have increased to $73,005. On page 16 of the above schedule, Burlington noted that the increase was associated with a bank loan for smart meter funding.

Please identify the amount of the bank loan and explain why Burlington required a new credit facility for smart meter funding in light of the fact that a funding adder has been included in rates since 2006.

Purchase of Services

18. **Ref: Exhibit 4 / Tab 6/ Page 1-2**

In the above exhibit, Burlington has provided a listing of its purchase of services for purchases that are greater than $150,000.

(i) Using the same tables in Exhibit 4/ Tab 6, please provide a listing of all purchase of services and their totals from 2006 to 2010, including totals for each year.

(ii) In regards to the total amount for each year, please provide an explanation for all year-over-year variances.

Cost of Capital

19. Ref: Exhibit 5 / Tab 2/ Sch. 2 / Page 1 – Promissory Note

Burlington identified that it has a $47.8 M promissory note with the City of Burlington as of April 1, 2002. The interest rate since April 2002 has been 7.25% per annum.

Please identify the terms of the note including the conditions under which the rate could or will change. Please explain why Burlington has not negotiated a rate decrease since 2002.

20. Ref: Exhibit 5 / Tab 3/ Sch. 1 / Page 1 – Deemed Capital Structure

Appendix 2-O indicates that the return on short-term debt is $4,189,602 which is equal to the amount of short-term debt.

Please update appendix 2-O to include the correct amount for the return of short-term debt.

Cost Allocation

21. Ref: Exhibit 7 / Tab 1/ Sch. 1 / 2010 Cost Allocation Information Filing - Sheet I4 Break out worksheet

(i) Please confirm whether Burlington has changed any Break out (%) in Sheet I4 or not.
(ii) If the answer to (a) is affirmative, please provide the details of the changes and explanations.

22. Ref: Exhibit 7 / Tab 1/ Sch. 1 / 2010 Cost Allocation Information Filing - Sheet I7.1 Meter Capital Worksheet

Please confirm whether or not the number of meters includes smart meters.

Rate Design

23. Ref: Exhibit 8 / Tab 2/ Page 1 – Monthly Fixed Charges (MFC)

Please provide an explanation as to why Burlington is proposing to set all monthly fixed charges at the ceiling amount (excluding USL and street lighting).

24. Ref: Exhibit 8 / Tab 3/ Sch. 1/ Page 1 – Accounts 1584 and 1586

Please update the tables in the above schedule to include actual balances for June 2009 to October 2009.

Low Voltage

25. **Ref: Exhibit 8 / Tab 4/ Page 1 and Exhibit 9/ Tab 1/ Sch. 2/ Page 4-5**

On September 21, 2007, the Board approved an application filed by Hydro One Networks granting the sale of assets to Burlington. The assets purchased generally consisted of feeder lines off Hydro One Networks' Palerno Transformer Station. As a result of this approval, Burlington does not incur any LV charges going forward and will not be seeking an LV rate adder as part of this application.

In Exhibit 9/ Tab 1/ Sch. 2/ Page 4-5 a credit balance exists in account 1550. Please confirm that the transactions supporting this credit balance all occurred before September 21, 2007..

Deferral and Variance Accounts

26. Ref: Exhibit 9 / Tab 2 / Sch. 1 / Page 1 – Accounts 1588

On October 15, 2009, the Board's Regulatory Audit & Accounting group issued a bulletin related to Regulatory Accounting & Reporting of Account 1588 RSVAPower and Account 1588 RSVAPower Sub-account Global Adjustment. Please confirm whether or not Burlington plans on making any changes to its filing with respect to Account 1588.

27. Ref: Exhibit 9 / Tab 1 / Sch. 1 / Page 1 – Accounts requested for Disposition

Burlington has requested disposition of account 1590. The balance as of December 31, 2008 is:

Principal:	$(2,215,017)
Interest:	$ 1,630,603

(i) Please explain why the principal is a credit number, and the interest is a debit number, and why is there such a large variation.

(ii) Please provide the monthly breakdown to show the balance in both principal and interest from 2006 to 2008.

28. Ref: Exhibit 9 / Tab 1 / Sch. 1 / Page 1 – Accounts requested for Disposition – 1565 and 1566

On July 31, 2009, the Board issued its Report on Electricity Distributors' Deferral and Variance Account Review Initiative ("EDVAAR Report"). The EDVAAR Report identities accounts 1565 and 1566 as requiring further Board direction in order to proceed with disposition

Please comment as to why Burlington has requested disposition of these accounts in its application.

LRAM & SSM

29. Ref: Exhibit 8 / Tab 6 / Sch. 1 – IndEco Third Party Review, Pg. 10

In section 3.3, Proposed LRAM amounts; it states that "LRAM calculations are to be completed with the best information available at the time of the third party review. As such, the energy savings for programs in Burlington's CDM portfolio were recalculated with the most current list of measures and assumptions."

Please confirm that the list of measure and assumptions that Burlington has used when calculating its LRAM claim are the most recently published OPA assumptions and measures list, which were adopted by the Board on January 27 2009. If Burlington has not used the most recently published OPA assumptions and measures list in calculating its LRAM, please provide the rationale for not doing so.

30. Ref: Exhibit 8 / Tab 6 / Sch. 1 – IndEco Third Party Review, Pg. 11

Table 5 in the above schedule shows the energy savings of each program by rate class.

It appears that only the net kW and kWh savings data has been reported. In the Board's Guidelines for Electricity Distributor Conservation and Demand Management (the "Guidelines") issued on March 28, 2008, section 9.2 outlines the information that is required when filing an application for LRAM. Please explain why the following has not been included in the application:

(i) The gross kW or kWh impacts of each program and for each class.

(ii) Please provide the gross kW and kWh impacts on each program and for each class.

31. Ref: Exhibit 8 / Tab 6 / Sch. 1 – IndEco Third Party Review, Pg. 12

In Table 6 – Energy rates per rate class; it appears as though Regulatory Asset recovery has been included in the 2005 figures. In section 5.2 of the Guidelines, Calculation of LRAM, it states that "the [LRAM] calculation does not include any Regulatory Asset Recovery rate riders, as these funds are subject to their own independent true-up process.

Please provide the rationale for including Regulatory Assets Recovery in 2005.

32. Ref: Exhibit 8 / Tab 6 / Sch. 1 – IndEco Third Party Review, Pg. 9

Table 4 (Summary of net TRC benefits and requested SSM amounts in 2010) lists the different programs that Burlington has included in its calculation of its SSM. In section 6.1 of the Guidelines, [SSM] Eligible Programs, it states that "the SSM is not available for utility-side expenditures…."

(i) Please provide the rationale for including distribution system improvements in BHI's SSM claim.

(ii) Please provide an updated SSM summary table with the distribution system improvements program removed.

33. Ref: Exhibit 8 / Tab 7 / Sch. 1 – Proposed 2010 Rates Schedule

Burlington provided its proposed list of specific service charges for 2010 as part of its proposed rate schedule in the reference above.

Please identify any rates that are in Burlington's Condition of Service that have not been identified in the proposed list of specific service charges.