

MANAGER'S SUMMARY

Burlington Hydro Inc. (the “Applicant” or “Burlington Hydro”) is a licensed electricity distributor (ED-2003-0004) that owns and operates electricity distribution systems that provide service to the City of Burlington. Burlington Hydro charges its customers distribution rates and other charges as authorized by the Ontario Energy Board (the “OEB” or “the Board”). In this application, Burlington Hydro is applying for rates and other charges effective May 1, 2013. Burlington Hydro completed a full cost of service rebasing application for May 1, 2010 rates (EB-2009-0259). This is Burlington Hydro’s third application under the Board’s 3rd Generation Incentive Regulation Mechanism (“IRM3”).

In accordance with the June 13, 2011 “Addendum to Report of the Board, Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment (EB-2008-0408)” and the July 17, 2012 Board letter “Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013”, Burlington Hydro has maintained its records consistent with CGAAP and will follow these directions at its next (i.e. 2014) cost of service application.

Burlington Hydro has adhered to the Board’s directions in completing the Board-approved IRM3 rate models and incorporated the necessary adjustments. This Manager’s Summary will address the following items:

- Price Cap Adjustment
- Shared Tax Savings Rate Rider
- Revenue-to-Cost Ratio Adjustment
- Deferral and Variance Account Rate Rider
- Smart Meter Funding Adder/Rate Rider
- Retail Transmission Service Rates
- LRAM Rate Rider
- Input Data for Work Forms
- Outstanding Board Directives
- Conclusion

- Appendix A: Current and Proposed Tariff Sheets
- Appendix B: Customer Bill Impacts
- Appendix C: Reference Documents
 1. (Updated) Draft Rate Order, EB-2009-0259, March 23, 2010
 2. Decision and Order, EB-2011-0155, March 22, 2012
 3. Decision and Order, EB-2012-0081, June 21, 2012

Price Cap Adjustment

The price cap adjustment under the Board's 3rd Generation IRM plan is determined as the annual percentage change in the Price Escalator (GDP-IPI) less the X-Factor. For 2013 IRM3, the X-Factor is a Productivity Factor plus a Stretch Factor. In this application, Burlington Hydro's electricity distribution rates for 2013 have been calculated based on the following figures:

- Price escalator (GDP-IPI): 2.00%;
- Productivity factor : 0.72%; and
- Stretch factor: 0.4%.
- Resulting Price Cap Index: 0.88%

Burlington Hydro understands that upon publication of the 2012 GDP-IPI by Statistics Canada by the end of February 2013, the Board will update the rate application to reflect any required changes. In addition, should the Board re-establish the groupings of distributor-specific stretch factors, the Board will update that data accordingly.

The above data is included in the 2013 IRM3 Rate Generator which is presented in the evidence at Tab 2.

Shared Tax Savings Rate Rider

As part of the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors (EB-2007-0673), September 17, 2008, the Board determined

that there would be a 50/50 sharing of the impact of currently known legislated tax changes. As part of this application, Burlington Hydro has included the appropriate tax rate reduction.

Burlington Hydro has completed the 2013 IRM3 Shared Tax Savings Work Form and has determined the tax sharing amounts. This model is included at Tab 3. These rate riders have been imputed on “Sheet 11: Proposed Rates” of the Rate Generator. Burlington Hydro requests approval of these tax-sharing rate riders.

Revenue-to-Cost Ratio Adjustment

In its 2011 IRM application, Burlington Hydro implemented the final phase of the directive from the Board’s Decision on Burlington Hydro’s 2010 cost of service application in regards to revenue-to-cost ratios. Consequently, in this 2013 IRM3 application, no further adjustment to the revenue-to-cost ratios is made or sought.

Deferral and Variance Account Rate Rider

In Decision and Order, EB-2011-0155, March 22, 2012 (filed in this application as Appendix C, Attachment 2), Burlington Hydro received Board approval to dispose of its Special Purpose Charge variance account and its Deferred PILs variance account. Therefore, in this 2013 IRM application, Burlington Hydro will only include Group 1 Deferral/Variance accounts. In preparing this application, Burlington Hydro has adhered strictly to the Report of the Board on Electricity Distributor’s Deferral and Variance Account Review Report (the “EDDVAR Report”).

The EDDVAR Report detailed that during the IRM plan term, the Group 1 audited account balances will be reviewed and disposed of if the preset disposition threshold of \$0.001/kWh (debit or credit) is achieved. Burlington Hydro’s cost of service rebasing application included disposition of the majority of these accounts. Burlington Hydro has not included Account 1595 in this analysis as it is currently being disposed of through approval in the 2010 cost of service application and the 2012 IRM3 application; the account is being cleared through approved rate riders and any residual will be brought forward in a future year.

A summary of Burlington Hydro's Group 1 accounts is shown in Table 1 below. While Burlington Hydro has historically recorded interest in a single account, to be consistent with this application the interest amounts have been moved to the specific accounts shown in Table 1 and in the Rate Generator.

Table 1: Summary of Group 1 Accounts (\$)

Account Description	Account Number	Closing Principal Balance as at December 31, 2011	Interest Amounts to April 30, 2013	Total Claim Amount
LV Variance Account	1550	0	1,243	1,243
RSVA – Wholesale Market Service Charge	1580	(1,683,807)	(21,751)	(1,705,558)
RSVA – Retail Transmission Network Charge	1584	290,131	16,465	306,596
RSVA – Retail Transmission Connection Charge	1586	68,179	12,286	80,465
RSVA – Power (excluding Global Adjustment)	1588	(1,145,377)	128,515	(1,016,863)
RSVA – Power – Sub-Account – Global Adjustment	1588	1,395,573	(10,355)	1,385,218
TOTAL		(1,075,302)	126,403	(948,899)

The Threshold Test, based on the above total claim amount and Burlington Hydro's 2010 approved cost of service volume of 1,703,251,515 kWh, determined an amount of (\$0.0006) per kWh; i.e. below the threshold rate of \$0.001 per kWh established by the Board. Since it is therefore unable to recover this Deferral/Variance amount in this current application, Burlington Hydro requests that it be permitted to continue to record these deferral and variance amounts until its next cost of service application currently scheduled for 2014.

In its 2010 Cost of Service Decision and Order, Burlington Hydro received approval for a Global Adjustment Sub-Account Disposition rate rider and a Deferral/Variance Account Disposition rate rider; both rate riders to be effective until April 30, 2014. In its 2012 IRM Decision and Order, Burlington Hydro received approval for a second Global Adjustment Sub-Account Disposition rate rider and a second Deferral/Variance Account Disposition rate rider; again, both rate riders to be effective until April 30, 2014. All four rate riders are shown in the current tariff

sheet; this is filed as part of Appendix A in this application. Burlington Hydro requests the continuance of these four rate riders until the previously-approved termination date.

Smart Meter Funding Adder/Rate Rider

Burlington Hydro's Smart Meter Funding Adder terminated on the April 30, 2012 sunset date established by the Board.

On February 29, 2012 Burlington Hydro filed an application with the Board (EB-2012-0081) seeking the disposition and recovery of the costs related to Smart Meter deployment less the offset provided by the Smart Meter Funding Adder. In its June 21, 2012 Decision and Order, EB-2012-0081, (filed in this application as Appendix C, Attachment 3) the Board approved the requested disposition and recovery which was reflected in the July 12, 2012 Final Rate Order as two rate riders:

- "Rate Rider for the Disposition of Residual Historical Smart Meter Costs – effective until April 30, 2013", and
- "Rate Rider for Smart Meter Incremental Revenue Requirement – in effect until the effective date of the next cost of service-based rate order".

Burlington Hydro requests the continuance of the latter rate rider as previously approved by the Board.

Retail Transmission Service Rates

The Board revised its Guideline G-2008-0001: "Electricity Distribution Retail Transmission Service Rates" ("RTSR"s) on June 28, 2012. Based on the most recent Uniform Transmission Rates (UTR) approved by the Board (EB-2011-0268), issued on December 20, 2011 and effective January 1, 2012, the current UTRs are:

- Network Service Rate: \$3.57 per kW per month;
- Line Connection Service Rate: \$0.80 per kW per month; and
- Transformation Connection Service Rate: \$1.86 per kW per month.

The filing guidelines state that once any January 1, 2013 UTR adjustments have been determined by the Board, Board staff will adjust each distributor's 2013 rate application model to incorporate any changes. This current application incorporates RTSRs based on a comparison of historical transmission costs adjusted for new UTR levels and revenues generated from existing RTSRs.

The 2013 RTSR Work Form as provided by the Board and completed by Burlington Hydro is included in this application at Tab 4. The results from "Sheet 13: Final 2013 RTS Rates" of this model are included in the 2013 IRM3 Rate Generator at Sheet 11: Proposed Rates". Burlington Hydro requests approval of these RTSR amounts.

LRAM Rate Rider

On page 10 of its March 22, 2012 Decision and Order (EB-2011-0155) relating to Burlington Hydro's 2012 IRM3 application, the Board stated:

"The Board notes that ...there are no references made in either Burlington's 2010 COS decision (EB-2009-0259) or in the 2011 IRM decision (EB-2010-0067) that would substantiate the explicit exclusion of CDM effects from Burlington's load forecast.

As such, Burlington is not entitled to an LRAM recovery as the lost revenues it has requested should have been factored into its 2010 load forecast as outlined in the CDM Guidelines."

Burlington Hydro notes that the referenced load forecast in this current 2013 IRM3 application is the above-noted 2010 forecast. Though it has lost further revenue due to its strenuous CDM activities, there is no change in circumstance that would warrant incurring the additional cost in providing LRAM support documentation as part of this application. Consequently, Burlington Hydro is not making an LRAM claim as part of this application.

Input Data for Work Forms

RTSR Work Form

The rate classes entered in “Sheet 3: Rate Classes” are taken from the most recent Board-approved Tariff of Rates and Charges, i.e. Final Rate Order, July 12, 2012 resulting from Decision and Order, EB-2012-0081, June 21, 2012. (Filed in this application in Appendix A.) Since GS 50-4,999 kW and GS 50-4,999 kW Interval Metered have different RTSR rates, these have been inputted as separate sub-classes in Sheet 3.

“Sheet 4: RRR Data” requires the most recently reported RRR billing determinants; i.e. year 2011 actual data. The immediately-available RRR data from the Board’s website does not differentiate between the GS 50-4,999 kW and GS 50-4,999 kW Interval Metered sub-classes and, moreover, the RRR data available are for “Billed kWh and Billed kW” whereas the data that are to be entered on Sheet 4 are to be “non-loss adjusted”. The available RRR data are shown below in Table 2: Available RRR Data.

Table 2: Available RRR Data

Rate Class	Billed kWh	Billed kW
Residential	572,972,972	
General Service<50kW	181,158,375	
General Service>50 kW-4,999kW	943,075,065	2,414,369
Unmetered Scattered Load	3,429,661	
Street Lighting	10,207,739	27,304

While no adjustment is needed for the kW-determinant classes since their values in the model are not affected by losses, the data in Table 2 above needs to have the loss factor backed out so the resulting “Loss-Adjusted Billed kWh” shown on the second-last column of Sheet 4 corresponds with the above data.

The Board’s finding on the appropriate loss factor in the 2012 IRM3 Decision and Order (EB-2011-0155), March 22, 2012, page 5, was that Burlington Hydro should use the last approved

loss factor. Therefore, consistent with that finding, from the Tariff of Rates and Charges, Final Rate Order, July 12, 2012 resulting from Decision and Order, EB-2012-0081, June 21, 2012, the value 1.0405 is used in this application.

In order to split the load into GS 50-4,999 kW and GS 50-4,999 kW Interval Metered sub-classes, the data for the year 2011 shown in Table 3 below were extracted from Burlington Hydro's billing records.

Table 3: GS>50-4,999 kW Non-Interval Metered and Interval Metered Usage – Year 2011

Non-Interval Metered	740,043 kW
Interval Metered	1,674,326 kW
Total	2,414,369 kW

Using the sub-class split derived from Table 3 above (i.e. approximately 30.65% and 69.35%), Sheet 4 was populated for the GS 50-4,999 kW and GS 50-4,999 kW Interval Metered sub-classes.

To populate “Sheet 6: Historical Wholesale”, Burlington Hydro's billing details for the three wholesale transmission components for the same reporting period as “Sheet 4: RRR Data” (i.e. year 2011) were obtained. The primary source for the required data is the Utilsmart Invoice Verification Reports for each of the 12 months of 2011; these data are the “Amount” values shown in Sheet 6 for each of the three components. In order to obtain the kW values shown in Sheet 6, the billed amounts were divided by the appropriate Uniform Transmission Rates (UTR) as shown.

“Sheet 13: Final 2013 RTS Rates” contains the RTSR rates that were inputted into the Rate Generator, “Sheet 11: Proposed Rates”.

Tax Savings Work Form

The input kWh/kW data for “Sheet 3: Re-Based Bill Det & Rates” are from the last Cost of Service rebasing which, for Burlington Hydro, was the year 2010. The Customers/Connections,

Billed kWh and Billed kW data were obtained from the (updated) Draft Rate Order, EB-2009-0259, March 23, 2010, page 3. (Filed in this application as Appendix C, Attachment 1) The rate re-balanced data (Base Service Charge, Distribution Volumetric Rate kWh and Distribution Volumetric Rate kW) were obtained from Final Rate Order, EB-2012-0081, July 12, 2012.

The input data for “Sheet 5: Z-Factor Tax Changes” were obtained from the (updated) Draft Rate Order, EB-2009-0259, March 23, 2010, Appendix A – Revenue Requirement Workform, pages 2 and 5; and Appendix B – Revenue Requirement Supporting Material, page 9.

“Sheet 6: Calc Tax RRider Var” contains the resulting tax savings rate riders that were inputted into the 2012 Rate Generator, “Sheet 11: Proposed Rates”.

2012 Rate Generator

The data input to “Sheet 3: Rate Class Selection” and “Sheet 4: Current Tariff Schedule” were from the latest Board-approved tariff of rates and charges; i.e. Final Rate Order, EB-2012-0081, July 12, 2012. As per the instructions on Sheet 4, the “*best matches*” were chosen from the options available. This resulted in the selection of the “Rate Rider for Recovery of Residual Historical Smart Meter Costs” with a termination date of March 31, 2013 for the metered classes whereas the tariff sheet date is April 30, 2013. (This error has no effect on the requested rates. However, Board staff can override the date in this protected cell if required.)

The data input to “Sheet 5: Continuity Schedule” were extracted from Burlington Hydro’s accounting records; a summary of these data was presented earlier in the Manager’s Summary as Table 1. Since “Account 1562: Deferred Payments in Lieu of Taxes” and “Account 1521: Special Purpose Charge Assessment Variance Account” were disposed of in the 2012 IRM application, no values are entered for these accounts on Sheet 5 and no disposition approval for these accounts is requested.

In “Sheet 6: Billing Det. For Def-Var” the most recently-approved volumetric forecast is inputted from the 2010 Cost of Service; i.e. (updated) Draft Rate Order, EB-2009-0259, March 23, 2010, page 3.

The RTSR rate riders inputted into “Sheets 11: Proposed Rates” are those previously calculated in the RTSR Workform, “Sheet 13: Final 2013 RTS Rates”.

In “Sheet 9: Rev2Cost GDPIPI”, no change in the Revenue-to-Cost Ratios had been approved or requested; hence no adjustment has been made.

Outstanding Board Directives

Burlington Hydro has no outstanding Board Directive applicable to this IRM application.

Conclusion

A copy of the current and proposed tariff sheets are included as Appendix A of this Schedule; the customer bill impacts are provided in Appendix B of this Schedule. In summary, the bill impact for a Burlington Hydro Residential customer, with a monthly electricity consumption of 800 kWh, will be an increase of 0.41% or \$0.48 per month after HST and the Ontario Clean Energy Benefit; the increase is primarily due to the increase of \$0.36 per month in the Smart Meter Riders. The bill impact for a General Service Less Than 50 kW customer with a monthly electricity consumption of 2,000 kWh will be a net reduction of 3.0% or \$8.64 per month; this reduction is primarily due to the reduction of \$8.51 per month in the Smart Meter riders.