Burlington Hydro Inc.
2014 Cost of Service Rate Application
EB-2013-0115

1. Foundation

1.1 Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

1.1-Staff-1

Ref: Exhibit 2, Tab 5, Schedule 3, Pages 8, 16-17, 45
Ref: Exhibit 2, Tab 5, Schedule 3, System Performance Report, Page 12

Burlington Hydro states that it participated in a Regional Planning process with Hydro One, Oakville Hydro and Milton Hydro which resulted in Burlington Hydro and Milton Hydro contributing to the funding of the new Hydro One Tremaine transformer station. It states that the required Hydro One Capital Cost Recovery Agreements were developed and signed by the respective parties and that the transformer station became operational at the beginning of 2013. Burlington Hydro states that it has had to plan and construct new feeders and line extensions to make this new capacity available to its customers; some of the development has already been completed while some future leveraging of the new capacity is reflected in the 2014-2018 capital expenditure plan.

Reference (2) states that Burlington T.S. and Cumberland T.S. supply Burlington Hydro exclusively and the peak loading on Cumberland TS exceeds its 10 Day LTR and that capacity limitations on Cumberland, Palermo and Bronte TS's cause the Burlington TS's supply area to extend well beyond its optimum distance and may expose customers to less-than-optimum reliability.

(a) Please file a copy of the Capital Cost Recovery Agreement Burlington Hydro signed with Hydro One regarding the Tremaine transformer station.

(b) Please indicate the amount that Burlington Hydro has already contributed towards the new Hydro One Tremaine transformer station and associated facilities and the expected future year by year (2014-2018) expenditures for utilizing the station capacity.

(c) Please explain whether the new Tremaine transformer station solves the

peak loading problem on Cumberland TS and other capacity limitations mentioned in Reference (2). If not, what other measures are required by Hydro One and/or Burlington Hydro to address those issues?

1.1-Staff-2

In late December 2013, many parts of southern Ontario experienced a significant ice storm.

a) Please identify any impacts that Burlington Hydro estimates that the December 2013 ice storm has had or will have on the test year capital and OM&A budget levels (e.g., in terms of infrastructure replacement or maintenance and vegetation management).

b) Will the Applicant be updating its Application in light of this event? If so, by when does it intend to file any updated evidence?

1.1-Staff-3

Ref: Exhibit 2, Tab 5, Schedule 3, Pages 23-30
Ref: Exhibit 2, Tab 5, Schedule 3, Attachment 1, Pages 4-10

Page 23 of Reference (1) states as follows:

> BHI's investments in SCADA technology, distribution automation and other related systems have been made in an effort to provide a high level of reliability in a cost effective way. Close attention is paid to system reliability indices and, through the annual System Performance Report, consideration is given to the performance of specific feeders and recommendations for maintenance or capital investments.

The first table on page 4 of Reference (2) provides the number of feeders on the BHI system at each of the three voltage levels and following tables provide information on auto-reclosures and lock-outs.

a) Please describe the business case assessment used by BHI to make replacement vs. ongoing maintenance decisions, including the criteria used, with examples.

b) Please describe the methods and criteria used by BHI to determine the adequacy of its existing feeders with respect to load carrying capability, e.g. at which load levels or other criteria is additional feeder capacity considered to be required for each of the three voltage levels?

c) Please provide the rationale for the methods and criteria described in (b) above.

d) Please explain if and how distribution rate impacts are considered in decisions to improve reliability or to add additional capacity.

1.1-Staff-4

Ref: Exhibit 2, Tab 5, Schedule 3, Pages 34-40

The Reference indicates that Burlington Hydro's distribution system includes:

- 15,714 poles , with an average age of about 37 years;
- 658 km. of underground circuits with an average age of about 21 years;
- 4825 transformers (including padmount and submersible transformers) with an average age of about 27 years.

a) Please indicate the average age of poles BHI considers appropriate or normal.
b) Please describe what factors, other than age, and the process and criteria used by Burlington Hydro in deciding when and whether to replace poles.
c) Please indicate what average age of underground circuits BHI considers appropriate or normal.
d) Please describe what factors, other than age, and the process and criteria used by Burlington Hydro in deciding when and whether to replace underground circuits.
e) Please indicate what average age of transformers Burlington Hydro considers appropriate or normal.
f) Please describe what factors, other than age, and the process and criteria used by Burlington Hydro in deciding when and whether to replace transformers.
g) For b), d) and f) describe how this work is prioritized relative to other plans.

1.2 Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?

1.2-Staff-5

Ref: Exhibit 1, Tab 2, Schedule 1

Chapter 2 of the Filing Requirements states, "The RRFE Report contemplates **enhanced** engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations."

a) Please describe the differences between customer engagement conducted in preparation for the current application and previous customer engagement. Please explain how customer engagement has been enhanced.

1.2-Staff-6

Ref: Exhibit 1, Tab 2, Schedule 1

Chapter 2 of the Filing Requirements states, “Distributors should specifically discuss in the application how their customers were engaged in order to determine their needs. This **could** include references to any communications sent to customers about the application such as bill inserts, town hall meetings held, or other forms of outreach undertaken to engage customers and explain to them how the application serves their needs and expectations and the feedback heard from customers through these engagement activities.”

Burlington Hydro has provided a list of the corporate and community outreach activities undertaken by the company.

a) Please indicate which of the listed activities are undertaken primarily to elicit feedback from customers, rather than to provide information to customers.
b) Please provide specific examples of projects undertaken in this application to address feedback received from customers.

2. Performance Measures

2.1 Does the applicant’s performance in the areas of: (1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance; (3) service quality, and (4) efficiency benchmarking, support the application?

2.1-Staff-7

Ref: Exhibit 2, Tab 5, Schedule 3, Pages 23-30

Page 23 of Reference (1) states as follows:

> BHI’s investments in SCADA technology, distribution automation and other related systems have been made in an effort to provide a high level of reliability in a cost effective way. Close attention is paid to system reliability indices and, through the annual System Performance Report, consideration is given to the performance of specific feeders and recommendations for maintenance or capital investments.

Pages 26-28 provide graphs which show historical system performance in terms of SAIFI, SAIDI and CAIDI.

a) What measures were undertaken by Burlington Hydro in 2012- 2013 and planned for 2014 to maintain the existing system reliability performance or its trend towards improvement?
b) How does BHI consider impact on rates when making decisions to improve reliability?

2.1-Staff-8

Ref: Exhibit 4, Tab 4, Schedule 1, Page 2

Burlington Hydro states that a compensation review is undertaken every three years to ensure that it remains competitive in its compensation package for non-union staff. The last review was undertaken by Hay Group in November 2011.

a) Please provide the comparator group utilized in the Hay Group review.
b) Please indicate if the review is utilized to establish total compensation (including incentive pay), or base salary only. If it is base salary only, please describe the criteria used to establish the level of incentive pay.
c) Please provide the target percentile from the Hay group survey used to establish the proposed merit increases.
d) Please indicate when the next Hay Group review is scheduled to be conducted.

3. Customer Focus

3.1 Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

3.1-Staff-9

Ref: Exhibit 2, Tab 5, Schedule 3, Pages 51-54

Burlington Hydro states on page 51 that distribution automation on BHI's 27.6 kV and 13.8 kV feeders has been a strategic commitment that has been supported annually by Burlington Hydro's capital investment plans.

On page 54 in Section 3.2.1.11 it states that "Mechanisms used in reviewing proposed budget increases include determining the reliability and quality of service improvements to customers, changes in revenue requirement from one year to the next, which is a proxy for the expected change in distribution rates, and impacts on BHI's resources (e.g., work force, capital)."

a) Please indicate the expected expenditures for distribution automation in the period 2014 to 2018, whether it is included in the table on page 44 of the Distribution System Plan and in which category it is included.

b) Please explain the process by which BHI valuates improvements in reliability and quality of service to determine whether proposed capital expenses warrant the resultant changes in distribution rates.
c) Please describe and quantify where possible the benefits that BHI's customers will realize from this investment.
d) Please describe the alternatives to capital investment that were assessed and rejected in favour of the proposed capital investment.
e) Please explain how the project reflects customer preferences identified through customer engagement.

3.1-Staff-10

Ref: Exhibit 2, Tab 5, Schedule 3, Pages 221-222

Chapter 5 of the Filing Requirements states, "A DS Plan filing must demonstrate that distribution services are provided in a manner that responds to identified customer preferences."

Burlington Hydro plans to spend $262,800 on its Motorized ABS/Recloser Program. Burlington Hydro states that:

> …this level of sophistication is also consistent with the provincial government's Smart Grid vision and matches the response expectations of customers.

a) Please describe the customer engagement activity and measurement methodology that Burlington Hydro has employed to determine the response expectations of its customers.

3.1-Staff-11

Ref: Exhibit 4, Tab 1, Schedule 2, Page 1

Burlington Hydro states that its OM&A cost increase from 2010 to 2014 (excluding the impact of accounting changes) is 26.8%, "or an average annual increase of only 6.12%". Board staff notes that this appears to be significantly higher than the price escalators assigned by the Board for IRM applications in the 2011-2014 period, which are as follows:

2011: 1.3%
2012: 2.0%
2013: 1.6%
2014: 1.7%

The average of these price escalators over the 4 year period is 1.65%.

a) Please outline the outcomes and higher level of services that customers will receive for the relatively higher rates they are paying.

b) Please identify any customer engagement that supports the further increases proposed in this application.
c) How has the applicant communicated these benefits to its customers, and how did customers respond? Please provide some examples, including any customer feedback. If no communications took place, explain why not.

4. Operational Effectiveness

4.1 Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the level of associated revenue requirement requested by the applicant?

4.1-Staff-12

Ref: Appendix 2-L

Board staff notes that Burlington Hydro shows significant increases from 2010 Board approved levels in both its OM&A cost per customer (approximately 26%) and its OM&A cost per FTE (approximately 31%).

a) Please explain BHI's plans for productivity improvements in OM&A per customer and per employee in light of the negative trend in these measures shown from 2010 to 2014.
b) Please identify any initiatives considered and/or undertaken by the applicant, including any analysis conducted, to optimize plans and activities from a cost perspective i.e., balancing cost levels of OM&A versus capital.

4.2 Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?

4.2-Staff-13

Ref: Exhibit 4, Tab 1, Schedule 3, Page 7

Burlington Hydro's billing activity is described at the above reference.

a) Please identify the billing frequency that Burlington Hydro is planning on using for the test period and beyond.
b) If Burlington Hydro is planning to implement monthly billing, please refer to parts c) through g) below. If not, please explain why not.
c) Please identify any impacts that the implementation of monthly billing has had on billing and collection expenses or any other OM&A category.

d) Please identify the percentage of customers on e-billing as of December 31, 2013.
e) Please describe Burlington Hydro's efforts to promote e-billing to its customers.
f) Please describe other initiatives that Burlington Hydro has undertaken, or intends to undertake, to manage the costs of monthly billing for all customers.
g) As part of the decision making process, has Burlington Hydro determined the impact of the change to monthly billing on its working capital? If so, how is the working capital impacted by this change? If not, why not?

4.2-Staff-14

Ref: Exhibit 4, Tab 1, Schedule 3, Page 7

Burlington Hydro has proposed material 9% increases in headcount and 15% in employee compensation for the Test Year relative to the 2012 actual levels.

a) What objectives has Burlington Hydro established for its operations?
b) Please provide specific information on why the proposed cost increases are necessary for the applicant to achieve the objectives that Burlington Hydro has targeted in the capital and operating expenditure sections of its application, and the alternative methods for achieving these objectives that were considered and rejected in favour of the proposed headcount and compensation increases.

4.2-Staff-15

Ref: Exhibit 4, Tab 4, Schedule 1

The above reference describes Burlington Hydro's compensation strategy.

a) Please explain how this strategy has resulted in a 32% increase in management and 22% increase in non-management compensation for the 2014 test year over 2010 actual.

4.2-Staff-16

Ref: Exhibit 4, Tab 1, Schedule 2, Page 2

Burlington Hydro states that it has various programs in place geared to increasing effectiveness and long term success, which contribute to increased OM&A expenses. These programs include succession planning, process reviews and Burlington Hydro's new Information Services Strategy, which have not been identified or described in the application as cost drivers.

a) Please describe these programs and provide the cost impacts.

b) Please explain how these programs, considering their current and future costs, will result in future savings for customers in a way that has a sustainable and overall value, with reference to Burlington Hydro's past performance on similar endeavours as appropriate.

4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rates for customers, or is any additional rate mitigation required?

4.3-Staff-17

Ref: Exhibit 2, Tab 5, Schedule 2, Page 1, Appendix 2-AA
Ref: EB-2009-0259, Draft Rate Order, Appendix B, Page 12

The applicant's capital expenditures for the test year total $7.7M, which is a reduction from the 2010 COS year actual level of $9.6M. The Board approved level for 2010 was $8.2M. With the exception of 2012, which shows capital expenditures of $15.1M, Burlington Hydro's actual capital spending has been consistently below its 2010 spending level throughout the IRM period.

a) Please explain why the applicant believes its historical capital spending has been adequate to meet the needs of its customers.
b) Please explain why the applicant's historical capital spending will not result in deterioration in service reliability standards and service quality (if applicable) over time.

4.3-Staff-18

Ref: EB-2009-0259 Draft Rate Order, RRWF, Sheet 2
Ref: EB-2013-0115, RRWF, Sheet 5
Ref: Exhibit 1, Tab 3, Schedule 1, Attachments 1, 2, 3

Board staff notes that Utility Net Income as approved in Burlington Hydro's 2010 Cost of Service application was $4,146,050, and that utility net income as proposed in this application is $4,738,640. Board staff also notes that net income as reported in Burlington Hydro's 2010, 2011 and 2012 Financial Statements is $4,711,595, $5,217,330 and $6,410,383, respectively.

a) Please comment on how these actual financial results were considered and factored into Burlington Hydro's plans, priorities and strategies for the test year and ensuing IRM years of the planning horizon.
b) Does this actual net income include results for any unregulated activities? If so, please explain.

4.3-Staff-19

Ref: Exhibit 2, Tab 5, Schedule 3, Page 59

The Table in the reference above provides historical and forecast year by year expenditures over the period 2009 to 2018 based on the categories of System Access, System Renewal, System Service and General Plant.
The Table shows:

- an expenditure of $1,349,241 in 2014 for the category of System Renewal- more than twice the expenditure in 2013;
- an expenditure of $807,700 in 2014 for the category of General Plant- about 33% higher than the expenditure in 2013;

a) Please explain the significant increase (over 100%) in System Renewal expenditures in 2014 compared to the 2013 expenditures.
b) Please explain the significant increase (over 30%) in General Plant expenditures in 2014 compared to the 2013 expenditures

5. Public Policy Responsiveness

5.1 Do the applicant's proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

5.1-Staff-20

Ref: Exhibit 2, Tab 5, Schedule 3, Asset Management Strategy

Page 8 of the reference states as follows:

> BHI introduced its GridSmartCity™ initiative to transform its electricity distribution system into a true Smart Grid. New opportunities to apply "Smart Grid" technologies to enhance service reliability are researched and evaluated as pilot projects to improve the performance of individual feeders. An example of applying new metering technology to feeder and transformer monitoring is capitalizing on the data from Smart Meters to detect and minimize losses.
>
> BHI expects to make continued investments in these "Smart Grid" technologies, building on the knowledge and experience gained from its pilot projects. This innovation will be reflected in future capital budget expenditures.

a) Please provide a brief description of any smart grid initiatives or pilots BHI plans to undertake, including expected year by year expenditures in the period 2014-2018
b) Did BHI communicate with other distributors in Ontario regarding any pilot projects in progress that may be similar to what it plans to launch, so duplications can be averted? If so, please provide description of such projects.
c) If BHI did not communicate with other distributors in Ontario, please indicate what steps BHI would take to address potential duplication of pilot projects.

5.1-Staff-21

Ref: Exhibit 2, Tab 4, Schedule 1, Page 4
Ref: EB-2012-0081 Smart Meter Recovery Application, Pages 3-7
Ref: EB-2012-0081 Smart Meter Model

Burlington Hydro states that Rex 1 smart meters were first installed in 2006 as part of Burlington Hydro's approved Smart Meter Pilot program. Following the completion of the pilot program, Burlington Hydro continued to install Rex 1 Smart Meters for new services and meter seal expiries until it became authorized to procure and deploy smart meters in the summer of 2008. Burlington Hydro states that it considered this to be a prudent strategy due to the success of its pilot program and the known provincial policy direction. Burlington Hydro states that the total stranded meters for which it seeks recovery includes 4,738 Rex 1 smart meters, which were deemed to be non-compliant "when the MDM/R rules were changed".

In its Smart Meter Cost recovery application (EB-2012-0081), Board staff notes that Burlington Hydro stated that it had purchased 500 Rex 1 meters in 2006 for its approved pilot program. Burlington Hydro stated that it had participated in the London Hydro RFP in 2007 to solicit pricing and features for a comprehensive Advanced Metering Infrastructure ("AMI"). Burlington Hydro's smart meter model from that proceeding indicates that the number of smart meters installed per year were as follows:

2006	2007	2008	2009	2010	2011	2012
0	242	645	29,850	33,724	9	0

a) Please confirm that the total number of Rex 1 meters that were installed subsequent to the pilot program and are now considered stranded assets is 4,238. If this is not correct, please provide a corrected number.
b) Please provide the Gross Asset Value and Accumulated Amortization applicable to the Rex 1 meters that were not included as part of the approved pilot program.
c) Please provide a table showing the total number of smart meters installed each year, distinguishing between those installed as part of the pilot project, those

installed subsequent to the pilot project but prior to authorization to proceed, and those installed once Burlington Hydro became authorized by O.Reg. 427/06, as shown in the following sample table:

	2006	2007	2008	2009	2010	2011	Total
Pilot Project Installations							
Other Rex 1 Meters							
Smart Meter Program Installations							
Total Smart Meters							

d) Please confirm that Burlington Hydro appears to have continued to install Rex 1 meters into 2009, even though Rex 2 meters had been selected and Burlington Hydro had become authorized to proceed with smart meter activity in 2008.
e) Please explain the statement that the Rex 1 meters became non-compliant "when the MDM/R rules were changed for the entire Province", and indicate when that change took place.
f) As a participant in the London Hydro consortium, please indicate when Burlington Hydro became aware of the changes in infrastructure that would render the Rex 1 meters to be non-compliant.
g) Please explain how technology changes were considered in Burlington Hydro's evaluation of the prudence of the decision to continue installing smart meters subsequent to its pilot program, but prior to authorization to proceed with smart metering activity.

5.1-Staff-22

Ref: Exhibit 9, Tab 2, Schedule 3, Page 2, Table 9-9

In the Board's Decision on Burlington Hydro's Motion and Order (EB-2013-0186), the Board directed Burlington Hydro to "calculate the amount of SME revenue received, based on the variances shown in the above table multiplied by Burlington Hydro's actual monthly customer numbers in each of the affected rate classes for the period of May 1, 2012 to April 30, 2013." Burlington Hydro has provided its calculation at Table 9-9.

a) Please explain how the "Costs per class" were calculated.
b) Please explain how the rate in the "Rate" column corresponds to the "Variance" column in the table from the Board's Decision on Burlington Hydro's Motion and

Order as directed by the Board to be used in Burlington Hydro's calculation of SME revenue received.

c) Please provide corrections to the calculations in accordance with the Board's direction if required.

6. Financial Performance

6.1 Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?

6.2 Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?

6.2-Staff-23

Ref: Exhibit 4, Tab 1, Schedule 1, Pages 4-5

Burlington Hydro states that it seeks to minimize its customers' rates while maintaining the reliability of supply required by the Distribution System Code. Specific activities to achieve this goal are listed on pages 4 and 5 of this exhibit and include:

- Challenges to line managers by the Board of Directors to find operational efficiencies;
- Sharing best practices with other utilities to identify productivity improvements; and
- Working with other utilities to identify scope-enhancing opportunities, collaborative working arrangements, collective purchasing arrangements, etc.

a) Please provide specific examples of tasks undertaken as a result of each of these activities, identifying the cost savings achieved, since the last cost of service application.

b) Please provide specific examples of future tasks identified as a result of these corporate activities, to be undertaken in 2014 and beyond, as well as expected cost savings.

7. Revenue Requirement

7.1 Is the proposed Test year rate base including the working capital allowance reasonable?

7.2 Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board`s accounting policies?

7.2-Staff-24

Ref: Exhibit 4, Tab 7, Schedule 1, Page 1
Ref: Exhibit 2, Tab 1, Schedule 1, Appendix 1, Kinetrics Report
Ref: Chapter 2 Appendices, Appendix 2-BB

In Exhibit 4, Burlington Hydro stated it "completed an internal analysis which supported the revised average useful lives of various asset categories based on historical evidence and is within the typical useful life bands outlined in the Kinetrics Report "Asset Depreciation Study for the Ontario Energy Board". Board staff notes that the following proposed useful lives as shown in Appendix 2-BB appear not to be within the typical useful life bands outlined in the Boards Kinetric's Report:

	Per Board's Kinetric Report Asset Details		Useful Life				USoA Account Number	Current		Proposed	
Parent*	Category| Component | Type		MIN UL	TUL	MAX UL			Years	Rate	Years	Rate
OH TS & MS	Fully Dressed Concrete Poles	Overall	50	60	80		1830	25	4%	40	3%
	Station DC System	Battery Bank	10	15	15		1820	30	3%	20	5%
UG	Primary Ethylene-Propylene Rubber (EPR) Cables		20	25	25		1845	25	4%	40	3%
	Primary Non-Tree Retardant (TR) Cross Linked Polyethylene (XLPE) Cables Direct Buried Primary Non-Tree Retardant (TR) Cross Linked Polyethylene (XLPE) Cables Direct Buried		20	25	30		1845	25	4%	40	3%
	Primary Non-TR XLPE Cables in Duct		20	25	30		1845	25	4%	40	3%
	Primary TR XLPE Cables Direct Buried		25	30	35		1845	25	4%	40	3%
	Secondary Cables Direct Buried		25	35	40		1855	25	4%	60	2%

Asset Details		Useful Life Range		USoA Account Number	Current		Proposed	
Category| Component | Type					Years	Rate	Years	Rate
Vehicles	Vans	5-10		1930	5	20%	12	8%
Communication	Towers	60-70		1955	10	10%	10	10%
Residential Energy Meters		25-35		1860	25	4%	15	7%
Industrial/Commercial Energy Meters		25-35		1860			20	5%
Repeaters - Smart Metering		10-15		1915	5	20%	5	20%
Data Collectors - Smart Metering		15-20		1915	5	20%	5	20%

a) Please explain how Burlington Hydro's proposed useful lives for the assets listed above are within the typical useful life range as per the Board's Kinetrics Report.
b) Please confirm that Burlington Hydro's proposed useful lives are from the Kinetrics Report *Enersource Corporation, Burlington Hydro, Oakville Hydro, Halton Hills Hydro & Milton Hydro Useful Life of Assets,* that was prepared with specific consideration for Burlington Hydro's assets.

7.3 Are the proposed levels of taxes appropriate?

7.4 Is the proposed allocation of shared services and corporate costs appropriate?

7.4-Staff-25

Ref: Exhibit 4, Tab 5, Schedule 1, Page 1-2

The above reference discusses the shared services between Burlington Hydro and its affiliates.

a) Please provide the Shared Services Agreement referenced at line 18 on page 1 of the exhibit.
b) Please provide the year over year variances of Shared Services referenced at line 27 of page 2 of the exhibit.

7.4-Staff-26

Ref: EB-2009-0259 Decision and Order
Ref: Exhibit 4, Tab 5, Schedule 1, Page 1-2

In its Decision and Order in Burlington's 2010 Cost of Service application, the Board directed Burlington Hydro to provide information regarding pole related services to the City, as follows:

Burlington is directed to address this issue more fully at its next rebasing; specifically, the Board expects Burlington to lead evidence regarding the value of services received from and provided to the City in relation to the use of poles, and to provide documentation of the terms of the arrangement between Burlington and the City.

a) Please provide the documentation requested regarding the shared service arrangements for poles, as directed.
b) Please provide the amount of revenue that has been included for this service in Burlington Hydro's revenue requirement.

7.5 Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?

7.6 Is the proposed forecast of other revenues including those from specific service charges appropriate?

7.7 Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

7.7-Staff-27

Updated RRWF

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

7.7-Staff-28

Updated Appendix 2-W, Bill Impacts

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.).

7.7-Staff-29

Ref: Exhibit 4, Tab 2, Schedule 4

Burlington Hydro's proposal with respect to regulatory costs reflects a 4 year period, consistent with 3rd generation IRM. The *Report of the Board – Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*, issued on October 18, 2012, states, "[t]he Board has determined that the term for 4th Generation IR will be five years (rebasing plus 4 years)."

a) Has Burlington Hydro considered the impact of this change to a five year term and how it will affect the proposal in the current application? If yes, please explain. If not, please confirm whether or not regulatory costs or other one-time expenses should be amortized over five years.

7.7-Staff-30

Ref: Exhibit 4, Tab 2, Schedule 4, Attachment 1 (Chapter 2 Appendix 2-M)

Board staff notes certain discrepancies between the total one-time costs and the costs assigned to the 2014 test year. Specifically, Lines 7 and 8 in the Schedule are inconsistent with the corresponding lines in the table of one-time costs.

a) Please explain what is included in the "other resources" shown at line 7 of the table.
b) Please confirm the total amount for each of the one-time costs, as well as the amount to be amortized over the IRM period. Please provide a corrected Appendix 2-M.

8. Load Forecast, Cost Allocation and Rate Design

8.1 Is the proposed load forecast, including billing determinants, an appropriate reflection of the energy and demand requirements of the applicant?

8.2 Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?

8.2-Staff-31

Ref: Exhibit 7, Tab 1, Schedule 1 Page 7

Board staff notes that Burlington Hydro proposes to adjust the status quo ratio calculated by the cost allocation model for the GS >50kW from 81.84% to 100.00%. The previously approved revenue to cost ratio for this rate class was 85.00%.

a) Please provide the rationale for the adjustment to the GS >50kW revenue to cost ratio to 100%.
b) Please explain Burlington Hydro's efforts to gauge customer preferences and the ability to manage the resultant rate increase.
c) Did Burlington Hydro consider any mitigation measures, such as phasing in the adjustment over time or a smaller revenue to cost ratio? If so, why were mitigation measures rejected? If not, please explain why mitigation was not considered.

8.3 Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?

8.3-Staff-32

Ref: Exhibit 7, Tab 1, Schedule 1, Page 8

Burlington Hydro proposes to increase the proportion of revenue recovered through fixed charges for all rate classes.

a) Please provide the rationale for the increase in fixed/variable ratios for all rate classes.
b) Please explain how customer expectations and preferences were considered in determining these fixed/variable ratios.

8.4 Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?

8.4-Staff-33

Ref: Exhibit 8, Tab 3, Schedule 3, Page 3, Appendix 2-R

Board staff notes that Burlington Hydro has calculated a 5 year loss factor based on the 2008-2012 period, which shows some fluctuation over the period and results in a slight increase in its proposed loss factor to 1.0374 from 1.0373. Burlington Hydro states that it is committed to continuing its effort to minimize its distribution system losses.

a) Please provide a calculation of a five year average loss factor for the period from 2009 to 2013, if the information is available.
b) Please describe Burlington Hydro's efforts to minimize the loss factor over the last five years.
c) Please describe Burlington Hydro's proposed efforts to minimize its loss factor in the test year and through the 5 year period covered by the distribution system plan.

8.5 Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?

8.5-Staff-34

Ref: Exhibit 8, Tab 3, Schedule 1
Ref: RTSR Model

Burlington Hydro has completed its RTSR model on the basis of the 2013 Uniform Transmission Rates ("UTRs") Transmission Rates in effect at the time the application was prepared. On January 9, 2014 the Board issued its Rate Order for Hydro One Transmission (EB-2012-0031) which adjusted the UTRs effective January 1, 2014, as shown in the following table:

2014 Uniform Transmission Rates

Network Service Rate	$3.82 per kW
Connection Service Rates	
Line Connection Service Rate	$0.82 per kW
Transformation Connection Service Rate	$1.98 per kW

The Board also approved new rates for Hydro One Sub-Transmission class RTSRs effective January 1, 2014 on December 19, 2013 (EB-2013-0141), as shown in the following table.

2014 Sub-Transmission RTSRs

Network Service Rate	$3.23 per kW
Connection Service Rates	
Line Connection Service Rate	$0.65 per kW
Transformation Connection Service Rate	$1.62 per kW

a) Please provide an updated RTSR model, incorporating the approved 2014 UTRs and Sub-Transmission rates.

8.5-Staff-35

Ref: Exhibit 1, Tab 5, Schedule 12

Burlington Hydro states that it is updating its Conditions of Service, and that the expected effective date of the revisions is January 1, 2014.

a) Please provide a status update on the revised Conditions of Service.
b) Please provide a summary of changes in the updated version.
c) Please explain the efforts undertaken to reflect customer feedback and preferences in revising the Conditions of Service.
d) Please identify any rates and charges that are included in the Applicant's Conditions of Service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered through these rates and charges.
e) Please provide a schedule outlining the revenues recovered from these rates and charges from 2009 to 2012 inclusive, and the revenue forecasted for the 2013 bridge and 2014 test years.
f) Please explain whether, in the Applicant's view, these rates and charges should be included on the Applicant's tariff sheet of approved rates and charges.

8.6 Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?

9. Accounting

9.1 Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?

9.1-Staff-36

Ref: Exhibit 9, Tab 1, Schedule 2, Page 1 of 1

Burlington has requested to dispose of its LRAMVA balance of $260,744 (including $7,950 in carrying charges) as a debit to customers from Account 1568.

Burlington notes that IndEco assisted in preparing its LRAMVA claim and that it filed IndEco's report in conjunction with the application. Burlington Hydro has filed the IndEco LRAMVA calculations as a separate spreadsheet, but does not appear to have filed the full IndEco report.

a) Please provide a copy of the IndEco report that discusses and details Burlington's LRAMVA claim.
b) If the OPA's 2012 Final Evaluation Results were not used, please update the LRAMVA amounts accordingly, including updates to the subsequent rate riders.
c) Please confirm that Burlington's LRAMVA claim is made up from CDM savings from 2011 and 2012 CDM programs. Please discuss the nature of the savings that go into the LRAMVA claim (i.e. new 2011 savings from 2011 programs, persisting savings from 2011 programs in 2012, new 2012 savings from 2012 programs, etc.).
d) Please confirm that Burlington's last approved load forecast was not adjusted to account for any of the CDM savings claimed in the LRAMVA amount.
e) Please provide a table that lists all the appropriate OPA CDM Initiatives that produced net CDM savings which were used in the LRAMVA calculations. For each rate class, please list all relevant CDM initiatives in the applicable year and provide the subsequent net CDM savings for each. An example is provided below:

	2012	
Residential	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
GS<50	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
GS>50	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		

9.1-Staff-37

Ref: Exhibit 1, Tab 1, Schedule 12, Page 1, 4
Ref: Exhibit 1, Tab 5, Schedule 3, Page 2
Ref: Exhibit 9, Tab 1, Schedule 1, Pages 1-8
Ref: Exhibit 9, Tab 2, Schedule 1, Page 1

The following inconsistencies were noted in Burlington Hydro's evidence regarding deferral variance account ("DVA") balances requested for disposition:

a) Regarding forecasted interest on DVA balances, in Exhibit 1, Tab 1, Schedule 12, Page 1 and Exhibit 1, Tab 5, Schedule 3, Page 2, Burlington Hydro indicated that interest is forecasted to December 31, 2013. However, in Exhibit 9, Tab 1, Schedule 1, Page 1, Burlington Hydro indicated that interest is forecasted to April 30, 2014. In Exhibit 9, Tab 1, Schedule 1, Pages 3-8, Burlington Hydro indicated interest is forecasted to April 30, 2014 for Accounts 1580, 1584, 1586, 1588, 1589 and interest is forecasted to December 31, 2013 for Accounts 1518 and 1548.
    i. Please clarify when interest is forecasted to, and for which accounts.
    ii. If interest is not forecasted to April 30, 2014 for all DVAs, please forecast all interest to April 30, 2014 and revise the evidence as necessary.
b) Regarding the DVA balances requested for disposition, in Exhibit 9, Tab 2, Schedule 1, Page 1, the sum of the Group 1 and Group 2 Accounts listed in Table 9-5 excluding Account 1589 is calculated to be ($4,946,116). However, in Table 9-5, Burlington Hydro shows the total of Group 1 and Group 2 Accounts excluding Account 1589 to be ($4,827,497). In Exhibit 1, Tab 1, Schedule 12, Page 1, Burlington Hydro indicated the total balances recorded in Group 1 DVAs is a credit of ($4,827,497) and the total balance recorded in Group 2 DVAs is a debit of $1,144,599. For the accuracy of the calculation of rate riders, please clarify the balances of
    i. Group 1 DVAs
    ii. Group 2 DVAs
    iii. Group 1 and Group 2 DVAs excluding Account 1589
    iv. Account 1589

9.1-Staff-38

Ref: Exhibit 9, Tab 1, Schedule 1, Page 8
Ref: EDDVAR Deferral and Variance Account Continuity Schedule

The Filing Requirements for Electricity Distribution Rate Applications section 2.12.6 Retail Service Charges state the following:

If the distributor has zero balances in Account 1518 RCVA Retail or Account 1548 RCVA STR, the distributor must state whether or not it has followed Article 490, Retail Services and Settlement Variances of the Accounting Procedures Handbook for these accounts. The distributor must provide an explanation and quantify the variance if Article 490 has not been followed.

In Burlington Hydro's deferral and variance account continuity schedule, Burlington Hydro showed $0 in the Board Approved disposition during 2010 column for both Account 1518 and Account 1548. In Burlington Hydro's 2010 cost of service Decision, the Board approved the disposition of ($50,608) and ($7,342) for Account 1518 and Account 1548 respectively.

a) In Exhibit 9, Tab 1, Schedule 1, Page 8, Burlington Hydro has requested the disposition of a debit balance of $403 for Account 1548. The balance is close to a zero balance; therefore, please confirm that Burlington Hydro has followed Article 490, as described above.
b) In the deferral and variance account continuity schedule, please explain why $0 was included as the disposition amount during 2010 for Account 1518 and Account 1548 on the continuity schedule.
c) Please update the continuity schedule and evidence as necessary.

9.1-Staff-39

Ref: EDDVAR Deferral and Variance Account Continuity Schedule

In Burlington Hydro's deferral and variance account continuity schedule, Burlington Hydro showed a variance of $1,121,626 and ($1,121,629) in the variance between RRR and the 2012 balance column of the continuity schedule for Account 1588 and Account 1589 respectively.

a) Please explain the variances in Account 1588 and Account 1589.

9.1-Staff-40

Ref: EDDVAR Deferral and Variance Account Continuity Schedule

In Burlington Hydro's deferral and variance account continuity schedule, there is a discrepancy between the principal and interest amounts Burlington Hydro included as the Board approved disposition during 2012 in the continuity schedule and the actual amounts approved for disposition in Burlington Hydro's 2012 IRM Decision, as shown below:

	2012 IRM Decision		2014 Continuity Schedule		Difference	
Account	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
1550	- 257,968	- 5,004	- 255,857	- 7,115	- 2,111	2,111
1580	- 2,174,130	- 42,357	- 2,165,508	- 50,979	- 8,622	8,622
1584	335,480	6,448	329,658	12,270	5,822	- 5,822
1586	- 377,496	- 7,381	- 377,340	- 7,537	- 156	156
1588	- 1,856,189	- 37,947	- 1,940,085	45,949	83,896	- 83,896
1589	1,544,100	30,332	1,550,768	23,664	- 6,668	6,668
Total	- 2,786,203	- 55,909	- 2,858,364	16,252	72,161	- 72,161

a) Please explain why Burlington Hydro is departing from the Board approved amounts shown in the table below.
b) Please update the evidence as necessary.

9.1-Staff-41

Ref: Exhibit 9, Tab 2, Schedule 1, Page 2

In Table 9-6, Burlington Hydro showed $159,420,771 for Account 4705, Power Purchased. This is the same amount as the total figures for total energy sales. However, this is also the same amount as total cost of power expenses that is shown in the same table. If Account 4705, Power Purchased is $159,420,771, then the sum of total energy sales including WMS, NW and CN cannot be the same amount.

a) Please confirm the balance of Account 4705 and the total cost of power.
b) Please confirm that Burlington Hydro is not making any profit or loss from the sale of energy. If yes, please explain why.

9.2 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?

9.2-Staff-42

Ref: Exhibit 2, Tab 5, Schedule 6, Page 2

Burlington Hydro indicated that "Under the guidance of KPMG, the corporation's IFRS consultant, Burlington Hydro divided the expenses into directly attributable and not directly attributable".

a) Has KPMG reviewed and agreed with Burlington Hydro's split of directly and not directly attributable expenses?
b) If no, please explain what issues KPMG noted and explain whether Burlington Hydro has made any changes to its capitalization policy as a result of any issues raised by KPMG.

9.2-Staff-43

Ref: Exhibit 2, Tab 5, Schedule 6, Pages 2 and 4

On page 2, Burlington Hydro stated that "The Material Handling Burden Rate for Capital Work Orders were removed under New CGAAP". Subsequently, on page 4 Burlington Hydro includes a listing of "Expenses included in Material Handling Burden".

a) Please clarify if Burlington Hydro is still including the Material Handling Burden Rate in its asset capitalization, and if so, why?

9.2-Staff-44

Ref: Exhibit 2, Tab 5, Schedule 7, Page 1, 2
Ref: Exhibit 1, Tab 3, Schedule 1, Attachment 3, 2012 Financial Statements

In Exhibit 2, Tab 5, Schedule 7, Page 1, Burlington Hydro indicated that "Prior to 2013 Burlington Hydro recorded an Asset Retirement Obligation under Canadian GAAP for the removal of PCBs from transformers". On the next page, Burlington Hydro stated "Burlington Hydro has not transitioned to IFRS and consequently has not identified or quantified any Asset Retirement Obligation".

a) Please clarify whether Burlington Hydro has or has not recorded any asset retirement obligations.
b) If yes, please indicate where the asset retirement obligation is recorded in Burlington Hydro's 2012 financial statements.
c) If yes, please indicate the amount and nature of the asset retirement obligation.