

Burlington Hydro Inc.

EB-2013-0115

Proposed Settlement Agreement

This settlement agreement proposal (the “Settlement Proposal”) is for the consideration of the Ontario Energy Board (the “OEB” or “Board”) in its determination of the rate application by Burlington Hydro Inc. (“Burlington Hydro”) for 2014 electricity distribution rates.

INTRODUCTION

Burlington Hydro filed an application with the Board on October 1, 2013 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B), seeking approval for changes to the rates that Burlington Hydro charges for electricity distribution, to be effective May 1, 2014 (the “Application”). The Board assigned the Application File Number EB-2013-0115.

Three parties requested and were granted intervenor status:

- Energy Probe Research Foundation (“Energy Probe” or “EP”);
- School Energy Coalition (“SEC”); and
- the Vulnerable Energy Consumers Coalition (“VECC”).

These parties are referred to collectively as the “Intervenors”.

In Procedural Order No. 1, issued on December 17, 2013, the Board approved the Intervenors in this proceeding, made its determination regarding the cost eligibility of the Intervenors, and invited comments from Burlington Hydro and the Intervenors on a Draft Issues List.

In Procedural Order No. 2, issued on January 21, 2014, the Board set dates for interrogatories (January 30, 2014 and February 6, 2014), interrogatory responses (February 27, 2014) and a Settlement Conference (March 19-21, 2014). The Board also issued an Approved Issues List with Procedural Order No. 2.

The Settlement Conference was duly convened in accordance with Procedural Order No. 2 with Mr. Andrew Diamond as facilitator and concluded on March 20, 2014. Burlington Hydro and the following Intervenors participated in the Settlement Conference (collectively the “Parties”):

- Energy Probe;
- SEC; and
- VECC.

The role adopted by Board Staff in the Settlement Conference is set out on page 5 of the Board’s Settlement Conference Guidelines (the “Guidelines”). Although Board Staff is not a

party to this Proposal, as noted in the Guidelines, the Board Staff who did participate in the Settlement Conference are bound by the same confidentiality standards that apply to the Parties to the proceeding.

These settlement proceedings are subject to the rules relating to confidentiality and privilege contained in the Guidelines. The Parties understand this to mean that the documents and other information provided, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the proposed settlement of each issue during the Settlement Conference are strictly confidential and without prejudice.

None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception: the need to resolve a subsequent dispute over the interpretation of any provision of this settlement proposal.

SETTLEMENT PROPOSAL

This Settlement Proposal represents a complete settlement of all issues. This document comprises the Settlement Proposal, and it is presented jointly to the Board by the Parties. This document is called a "Settlement Proposal" because it is a proposal by the Parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the Parties and the Board. However, as between the Parties, and subject only to the Board's approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth later in this Preamble, this agreement is subject to a condition subsequent, that if it is not accepted by the Board in its entirety, then unless amended by the Parties it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the Act, the Board has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

It is acknowledged and agreed that none of the Parties will withdraw from this Settlement Proposal under any circumstances, except as provided under Rule 32.05 of the Board's Rules of Practice and Procedure.

The Parties explicitly request that the Board consider and accept this Settlement Proposal as a package. None of the matters in respect of which a settlement has been reached is severable except as specifically noted; Board staff has notified the Parties that it may make submissions on the resolution of the Stranded Meter rate rider, and the Parties have agreed that that aspect of the Settlement Proposal is severable from the Settlement Proposal package.

Numerous compromises were made by the Parties with respect to various matters to arrive at this comprehensive Settlement Proposal. The distinct issues addressed in this proposal are intricately interrelated, and reductions or increases to the agreed-upon amounts may have financial consequences in other areas of this Settlement Proposal that may be unacceptable to

one or more of the Parties. If the Board does not accept the Settlement Proposal in its entirety, then there is no settlement unless the Parties agree that those portions of the Settlement Proposal that the Board does accept may continue as a valid settlement.

It is also agreed that this Settlement Proposal is without prejudice to any of the Parties re-examining these issues in any subsequent proceeding and taking positions inconsistent with the resolution of these issues in this Settlement Proposal. However, none of the Parties will in any subsequent proceeding take the position that the resolution therein of any issue settled in this Settlement Proposal, if contrary to the terms of this Settlement Proposal, should be applicable for all or any part of the 2014 Test Year.

References to the evidence supporting this Settlement Proposal on each issue are set out in each section of the proposal. The Appendices to the Settlement Proposal provide further evidentiary support. The Parties agree that this Settlement Proposal and the Appendices form part of the record in EB-2013-0115. The Appendices were prepared by the Applicant. The Intervenor is relying on the accuracy and completeness of the Appendices in entering into this proposal.

The revenue requirement and rate adjustments arising from this Settlement Proposal will allow Burlington Hydro to make the necessary investments to serve customers, maintain the integrity of the distribution system, maintain its quality of its service at appropriate levels and meet all compliance requirements during 2014.

Burlington Hydro filed budgets for the 2014 Test Year that are illustrative of how it would achieve these goals; however, the actual decisions as to how to allocate resources and in what areas to spend the agreed upon capital and OM&A are ones that must be made by the utility during the course of the year. This is typical of all forward test year cost of service applications, and such decisions are subject to the Board's normal review in subsequent proceedings.

Furthermore, Burlington Hydro submits that the reduced amounts of OM&A, that were agreed on through settlement, may not allow Burlington Hydro to sufficiently complete all projects/plans as they were originally contemplated in the October 1st, 2013 Application. As noted above, however, Burlington Hydro believes that it will be able to appropriately maintain the integrity of its distribution system and achieve appropriate levels of service quality.

Attachment A to this Settlement Proposal provides a Tariff of Rates and Charges that has been updated to reflect the proposal and has, to the extent possible, been prepared in the format appropriate to support the issuance of Burlington Hydro's Final Rate Order. The Parties understand that if the Board approves this proposal, a subsequent procedural step in this proceeding may be required to finalize Burlington Hydro's rate order.

ORGANIZATION AND SUMMARY OF THE SETTLEMENT PROPOSAL

The following Attachments accompany this Proposal:

- "A" - Draft Tariff Sheet
- "B" - Estimated Bill Impacts
- "C" – Board Approved Issue List
- "D" – Update of OM&A costs to include increased Postage and Tree Trimming Expenses, Correction of Omission of Property Tax Expense, Depreciation Expense to use when computing PILs, Updating Commodity Cost, Deployment of REX1 Meters
- "E" – Updated Chapter 2 Appendices (*from the Filing Requirements for Electricity Distribution Rate Applications*)

The following list identifies those Appendices that have been updated since the original October 1st, 2013 filing:

- 2-AB: Summary of Capital Expenditures by Category (2009-14)
 - 2-CN: 2013 Depreciation and Amortization Expense (Old CGAAP)
 - 2-CP: 2013 Depreciation and Amortization Expense (New CGAAP)
 - 2-CQ: 2014 Depreciation and Amortization Expense (New CGAAP)
 - 2-DB: Overhead
 - 2-ED: Account 1576 - Accounting Changes under CGAPP (2012 Changes)
 - 2-H: Other Operating Revenue
 - 2-I: CDM Forecast Calculation
 - 2-OA: Capital Structure and Cost of Capital
 - 2-OB: Debt Instruments
 - 2-P: Cost Allocation
 - 2-V: Revenue Reconciliation
 - 2-W: Bill Impacts
 - 2-Z: Tariff of Rates and Charges
- "F" – Schedule of Cost of Power
 - "G" – Tax Workform Model
 - "H" – RTSR Model
 - "I" – EDDVAR Continuity Schedules
 - "J" – Revenue Requirement Workform
 - "K" – Adjustment to Stranded Meter Deferral Account
 - "L" – Derivation of MDMR Balance
 - "M" – Cost Allocation Model
 - "N" – Derivation CDM Adjusted Load Forecast

The following electronic models will be filed with the OEB:

- A. Revenue Requirement Workform
- B. Tax Workform Model
- C. EDDVAR Continuity Schedules
- D. Cost Allocation Model
- E. RTSR Model

OVERVIEW OF THE SETTLEMENT PROPOSAL

The Parties have reached complete settlement on all issues.

In reaching settlement, the Parties have been guided by the Filing Requirements for 2014, the approved Issues List, and the *Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* dated October 18, 2012 ("RRFE"). The Parties recognize the Application is among the first to be filed under the RRFE. The Parties further recognize that this is a transition year. The Parties have taken these facts into consideration when developing this Settlement Proposal.

The agreement among the Parties reduces Burlington Hydro's applied-for service revenue requirement by \$831,522, from \$31,668,068 to \$30,836,546 and increases its applied for gross revenue sufficiency from \$717,401 to \$926,226. The table below provides the components of Burlington Hydro's revenue sufficiency for the 2014 Test Year, incorporating the changes as settled.

Revenue Requirement

Line No.	Particulars	Application		Interrogatory Responses		Per Board Decision	
1	OM&A Expenses	\$18,553,350		\$18,849,865		\$17,687,000	
2	Amortization/Depreciation	\$4,182,434		\$4,182,434		\$4,126,034	
3	Property Taxes	\$ -		\$ -		\$273,559	
5	Income Taxes (Grossed up)	\$137,696		\$149,985		\$211,146	
6	Other Expenses	\$ -					
7	Return						
	Deemed Interest Expense	\$3,182,488		\$3,580,767		\$3,603,142	
	Return on Deemed Equity	\$4,738,640		\$4,905,017		\$4,935,666	
8	Service Revenue Requirement (before Revenues)	\$30,794,608		\$31,668,068		\$30,836,546	
9	Revenue Offsets	\$1,938,014		\$1,938,014		\$2,001,014	
10	Base Revenue Requirement	\$28,856,594		\$29,730,054		\$28,835,532	
	(excluding Transformer Ownership Allowance credit adjustment)						
11	Distribution revenue	\$28,856,594		\$29,730,054		\$28,835,532	
12	Other revenue	\$1,938,014		\$1,938,014		\$2,001,014	
13	Total revenue	\$30,794,608		\$31,668,068		\$30,836,546	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	\$0	(1)	\$0	(1)	(\$0)	(1)

Particulars	Initial Application		Interrogatory Responses		Per Board Decision	
	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
Revenue Deficiency from Below Distribution Revenue	\$29,612,045	(\$717,401) \$29,573,995	\$29,718,690	\$49,545 \$29,680,509	\$29,792,663	(\$926,226) \$29,761,758
Other Operating Revenue Offsets - net	\$1,938,014	\$1,938,014	\$1,938,014	\$1,938,014	\$2,001,014	\$2,001,014
Total Revenue	<u>\$31,550,059</u>	<u>\$30,794,608</u>	<u>\$31,656,704</u>	<u>\$31,668,068</u>	<u>\$31,793,677</u>	<u>\$30,836,546</u>
Operating Expenses	\$22,735,784	\$22,735,784	\$23,032,299	\$23,032,299	\$22,086,593	\$22,086,593
Deemed Interest Expense	\$3,182,488	\$3,182,488	\$3,580,767	\$3,580,767	\$3,603,142	\$3,603,142
Total Cost and Expenses	<u>\$25,918,271</u>	<u>\$25,918,271</u>	<u>\$26,613,066</u>	<u>\$26,613,066</u>	<u>\$25,689,734</u>	<u>\$25,689,734</u>
Utility Income Before Income Taxes	\$5,631,787	\$4,876,337	\$5,043,638	\$5,055,002	\$6,103,943	\$5,146,812
Tax Adjustments to Accounting Income per 2013 PILs model	(\$4,083,678)	(\$4,083,678)	(\$4,215,029)	(\$4,215,029)	(\$4,094,249)	(\$4,094,249)
Taxable Income	<u>\$1,548,109</u>	<u>\$792,659</u>	<u>\$828,609</u>	<u>\$839,973</u>	<u>\$2,009,694</u>	<u>\$1,052,563</u>
Income Tax Rate	21.16%	21.16%	21.43%	21.43%	22.34%	22.34%
Income Tax on Taxable Income	\$327,521	\$167,696	\$177,550	\$179,985	\$448,973	\$235,146
Income Tax Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility Net Income	<u>\$5,304,266</u>	<u>\$4,738,640</u>	<u>\$4,866,088</u>	<u>\$4,905,017</u>	<u>\$5,654,970</u>	<u>\$4,935,666</u>

Utility Rate Base	\$131,922,050	\$131,922,050	\$131,010,066	\$131,010,066	\$131,828,683	\$131,828,683
Deemed Equity Portion of Rate Base	\$52,768,820	\$52,768,820	\$52,404,027	\$52,404,027	\$52,731,473	\$52,731,473
Income/(Equity Portion of Rate Base)	10.05%	8.98%	9.29%	9.36%	10.72%	9.36%
Target Return - Equity on Rate Base	8.98%	8.98%	9.36%	9.36%	9.36%	9.36%
Deficiency/Sufficiency in Return on Equity	1.07%	0.00%	-0.07%	0.00%	1.36%	0.00%
Indicated Rate of Return	6.43%	6.00%	6.45%	6.48%	7.02%	6.48%
Requested Rate of Return on Rate Base	6.00%	6.00%	6.48%	6.48%	6.48%	6.48%
Deficiency/Sufficiency in Rate of Return	0.43%	0.00%	-0.03%	0.00%	0.55%	0.00%
Target Return on Equity	\$4,738,640	\$4,738,640	\$4,905,017	\$4,905,017	\$4,935,666	\$4,935,666
Revenue Deficiency/(Sufficiency)	(\$565,626)	\$0	\$38,929	\$0	(\$719,304)	(\$0)
Gross Revenue Deficiency/(Sufficiency)	(\$717,401) (1)		\$49,545 (1)		(\$926,226) (1)	

The tables below provide bill impacts for a typical customer by rate class at existing rates and at proposed rates, including the Global Adjustment rate rider; please note that the “At Current Rates” scenario uses the OEB approved RPP values as of May 1, 2013 whereas the “At Proposed Rates” scenario uses the RPP values as of May 1, 2014. Table 3 provides total bill impacts, Table 4 provides distribution portion bill impacts and Table 5 provides delivery portion bill impacts.

Table 3: Summary of Estimated Bill Impacts, Global Adjustment included using Time of Use Rates

Customer Class	Residential	General Service <50kW	General Service >50kW	Unmetered Scattered Load	Street Lighting
At Current Rates	\$ 121.31	\$ 287.84	\$ 4,585.91	\$ 30.29	\$ 9.92
At Proposed Rates	\$ 125.68	\$ 304.85	\$ 4,903.88	\$ 29.93	\$ 10.63
Change	\$ 4.37	\$ 17.01	\$ 317.97	\$ (0.36)	\$ 0.71
Percent Change	3.60%	5.91%	6.93%	-1.19%	7.16%

Summary of Estimated Bill Impacts Global Adjustment included using RPP Rates

Customer Class	Residential	General Service <50kW	General Service >50kW	Unmetered Scattered Load	Street Lighting
At Current Rates	\$ 116.70	\$ 288.21	\$ 4,730.14	\$ 28.93	\$ 9.21
At Proposed Rates	\$ 123.47	\$ 313.07	\$ 5,213.21	\$ 28.93	\$ 10.12
Change	\$ 6.77	\$ 24.86	\$ 483.07	\$ -	\$ 0.91
Percent Change	5.80%	8.63%	10.21%	0.00%	9.88%

Table 4: Distribution Bill Impacts Global Adjustment included using Time of Use Rates

Customer Class	Residential	General Service <50kW	General Service >50kW	Unmetered Scattered Load	Street Lighting
At Current Rates	\$ 31.07	\$ 65.15	\$ 447.62	\$ 13.21	\$ 1.68
At Proposed Rates	\$ 27.99	\$ 63.44	\$ 434.93	\$ 11.46	\$ 1.67
Change	\$ (3.08)	\$ (1.71)	\$ (12.69)	\$ (1.75)	\$ (0.01)
Percent Change	-9.91%	-2.62%	-2.83%	-13.25%	-0.60%

Table 5: Delivery Bill Impacts Global Adjustment included using Time of Use Rates

Customer Class	Residential	General Service <50kW	General Service >50kW	Unmetered Scattered Load	Street Lighting
At Current Rates	\$ 41.64	\$ 89.29	\$ 961.31	\$ 15.01	\$ 2.50
At Proposed Rates	\$ 39.02	\$ 88.75	\$ 957.65	\$ 13.36	\$ 2.53
Change	\$ (2.62)	\$ (0.54)	\$ (3.66)	\$ (1.65)	\$ 0.03
Percent Change	-6.29%	-0.60%	-0.38%	-10.99%	1.20%

This Settlement Proposal does not give rise to bill impacts for any of Burlington Hydro’s customers that require mitigation.

The Resolution of the Issues

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?

Status: Complete Settlement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept that the planning undertaken by Burlington Hydro and outlined in the application, together with the changes agreed upon by the Parties and set out in this Settlement Proposal, support the appropriate management of Burlington Hydro's assets for the test year. The Parties acknowledge Burlington Hydro's evidence that it is striving to continually improve the quality and effectiveness of its planning activities, and agree that this Settlement Proposal provides Burlington Hydro with appropriate resources to do so.

Evidence References

Exhibit 1, Tab 1, Schedule 8

Exhibit 1, Tab 5, Schedule 4

Exhibit 2, Tab 5, Schedule 1

Exhibit 2, Tab 5, Schedule 2

Exhibit 2, Tab 5, Schedule 3

Exhibit 10, Tab 1, Schedules 1-5

Exhibit 10, Tab 2, Schedules 10-11

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

Status: Complete Settlement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

Burlington Hydro has described its ongoing customer engagement activities in the evidence. For the purposes of the settlement, the Parties accept that since this is a transitional year, and there was a short time frame between the release of the Chapter 2 Filing Requirements and Burlington Hydro's October 1 filing date, Burlington Hydro did not have sufficient time to pursue additional engagement activities specific to the application.

Evidence References

Exhibit 1, Tab 2, Schedule 1

Exhibit 1, Tab 2, Schedule 2

Exhibit 10, Tab 1, Schedules 6-11

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?

Status: Complete Settlement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept that:

- (1) Burlington Hydro has no Board-approved plans from Burlington Hydro's most recent cost of service decision against which to measure Burlington Hydro's performance, so this sub-issue is not applicable;
- (2) Burlington Hydro's past reliability performance supports the application, as amended by this Settlement Proposal, for 2014, and the Settlement Proposal provides Burlington Hydro with sufficient resources to maintain appropriate levels of reliability in the test year;
- (3) Burlington Hydro's past service quality performance supports the application, as amended by this Settlement Proposal, for 2014, and the Settlement Proposal provides Burlington Hydro with sufficient resources to maintain appropriate service quality in the test year;
- (4) Burlington Hydro has taken part in some industry benchmarking surveys, but because the industry is still evolving the methods and metrics for appropriate benchmarking of electricity distributors, the Parties accept the efficiency benchmarking performance of Burlington Hydro.

Burlington Hydro's Service Quality achievements are provided in the table below.

SQI	OEB Standard	2009 Actuals	2010 Actuals	2011 Actuals	2012 Actuals
New Connection - Low Voltage (connection made within 5 working days)	90.00%	97.20%	96.30%	94.90%	98.30%
New Connection – High Voltage (connection made within 10 working days)	90.00%	N/A	N/A	N/A	N/A
Appointment Scheduling (standards stated in section 7.3 of the DSC)	90.00%	100.00%	100.00%	100.00%	100.00%

Underground Cable Locates (requests completed within 5 working days)	90.00%	N/A	N/A	N/A	N/A
Telephone Accessibility (answered in person within 30 seconds)	65.00%	72.80%	70.70%	66.80%	77.70%
Telephone Call Abandon Rate	<10%	3.30%	4.20%	8.70%	5.60%
Appointments Met (appointment date and time met)	90.00%	97.60%	99.80%	97.30%	97.90
Rescheduling of missed appointments	100.00%	100.00%	100.00%	100.00%	100.00%
Written Responses to Inquiries (responses provided within 10 working days)	80.00%	100.00%	100.00%	100.00%	100.00%
Emergency Response - Urban (onsite within 60 minutes of call)	80.00%	89.50%	84.40%	87.40%	92.50%
SQI	OEB Standard	2009 Actuals	2010 Actuals	2011 Actuals	2012 Actuals
Emergency Response - Rural (onsite within 60 minutes of call)	85.00%	N/A	N/A	N/A	N/A
Reconnection Performance Standard (Reconnected in two days)	85.00%	N/A	N/A	100.00%	100.00%

Burlington Hydro's reliability achievements are provided in the table below.

Index	Includes outages caused by loss of supply					Excludes outages caused by loss of supply				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
SAIDI		1.080	1.130	1.060	0.900		1.080	1.130	1.060	0.900
SAIFI		1.170	1.720	1.000	0.950		1.170	1.720	0.950	0.950

Burlington Hydro's Loss Factor is provided in the table below.

		Historical Years					5-Year Average
		2009	2010	2011	2012	2013	
	Losses Within Distributor's System						
A(1)	"Wholesale" kWh delivered to distributor (higher value)	1,648,092,984	1,710,566,163	1,706,208,053	1,702,581,206	1,684,773,435	1,690,444,368
A(2)	"Wholesale" kWh delivered to distributor (lower value)	1,642,258,793	1,704,244,532	1,700,108,830	1,696,732,633	1,679,317,662	1,684,532,490
B	Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s)						-
C	Net "Wholesale" kWh delivered to distributor = A(2) - B	1,642,258,793	1,704,244,532	1,700,108,830	1,696,732,633	1,679,317,662	1,684,532,490
D	"Retail" kWh delivered by distributor	1,587,755,226	1,649,153,565	1,646,737,783	1,642,340,001	1,623,827,451	1,629,962,805
E	Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s)	-	-	-			-
F	Net "Retail" kWh delivered by distributor = D - E	1,587,755,226	1,649,153,565	1,646,737,783	1,642,340,001	1,623,827,451	1,629,962,805
G	Loss Factor in Distributor's system = C / F	1.03433	1.03341	1.03241	1.03312	1.03417	1.03348
	Losses Upstream of Distributor's System						
H	Supply Facilities Loss Factor	1.0045	1.0037	1.0036	1.0034	1.0032	1.0037
	Total Losses						
I	Total Loss Factor = G x H	1.0390	1.0372	1.0361	1.0366	1.0375	1.0373

Evidence References

Exhibit 2, Tab 8, Schedule 1

Exhibit 10, Tab 1, Schedules 12-20

CUSTOMER FOCUS

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

Status: Complete Settlement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

The Parties acknowledge that Burlington Hydro's Application comes at a time of transition to the RRFE, and recognize that the Board approved issues list was not created until after the Applicant prepared its Application, and therefore the Parties acknowledge that Burlington Hydro does not have specific customer feedback regarding its planned capital expenditures and operating expenses.

Burlington Hydro has described its ongoing customer engagement activities in the evidence. For the purposes of the settlement, the Parties accept that since there was a short time frame between the release of the Chapter 2 Filing Requirements and Burlington Hydro's October 1 filing date for its 2014 rate application, Burlington Hydro did not have sufficient time to pursue additional engagement activities specific to the application.

Evidence References

Exhibit 1, Tab 2, Schedule 1

Exhibit 1, Tab 2, Schedule 2

Exhibit 2, Tab 5, Schedule 3

Exhibit 10, Tab 1, Schedules 21-27

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?

Status: Complete Settlement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept that the Distribution System Plan filed in this proceeding, combined with the resources made available to Burlington Hydro in the test year under the terms of this Settlement Proposal, provide an appropriate foundation to Burlington Hydro in the test year to: a) pursue continuous improvement in productivity; b) attain appropriate system reliability and service quality objectives; and c) maintain the reliable and safe operation of its distribution system. The OM&A reductions that the Parties have agreed to are expected to make sufficient resources available to support providing reliability and service at appropriate levels.

The table below provides Burlington Hydro's OM&A expenses

Summary of Recoverable OM&A Expenses

	Last Rebasing Year (2010 Board- Approved)	Last Rebasing Year (2010 Actuals)	2011 Actuals	2012 Actuals	2013 Bridge Year	2014 Test Year
<i>Reporting Basis</i>	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Operations	\$4,464,123	\$4,047,491	\$4,643,079	\$4,387,015	\$5,180,227	\$5,370,488
Maintenance	\$2,864,348	\$2,275,554	\$2,544,531	\$3,149,391	\$3,518,836	\$3,864,317
SubTotal	\$7,328,471	\$6,323,045	\$7,187,610	\$7,536,406	\$8,699,063	\$9,234,805
%Change (year over year)			13.7%	4.9%	15.4%	6.2%
%Change (Test Year vs Last Rebasing Year - Actual)						46.0%
Billing and Collecting	\$2,305,153	\$2,396,557	\$2,001,083	\$2,159,933	\$2,159,933	\$2,326,477
Community Relations	\$41,584	\$14,894	\$18,589	\$16,073	\$11,330	\$19,500
Administrative and General+LEAP	\$4,671,786	\$5,266,558	\$5,319,521	\$5,492,207	\$5,823,956	\$6,106,218
SubTotal	\$7,018,523	\$7,678,009	\$7,339,193	\$7,668,213	\$7,995,219	\$8,452,195
%Change (year over year)			-4.4%	4.5%	4.3%	5.7%
%Change (Test Year vs Last Rebasing Year - Actual)						10.1%
Total	\$14,346,994	\$14,001,054	\$14,526,803	\$15,204,619	\$16,694,282	\$17,687,000
%Change (year over year)			3.8%	4.7%	9.8%	5.9%

Evidence References

Exhibit 2, Tab 5, Schedule 3

Exhibit 2, Tab 8, Schedule 1

Exhibit 10, Tab 1, Schedules 28-31

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

Status: Complete Settlement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

In its October 1, 2013 application Burlington Hydro sought approval of forecast OM&A expenses for the Test Year of approximately \$18,553k; this amount was updated to \$18,850k to include increased postage and tree trimming costs. For the purposes of settlement, the Parties agree that Burlington Hydro will reduce its forecast of OM&A expenses for the 2014 Test Year to \$17,687k which is expected to provide Burlington Hydro with the resources required to provide service on an ongoing basis at appropriate levels of reliability and quality. This amount represents a reduction of \$1,163k.

For the purposes of settlement, the parties agree that Burlington Hydro's proposed OM&A expenses, as adjusted under the terms of this Settlement Proposal, are driven by the appropriate objectives for the test year, as described in the evidence. Burlington Hydro's 2014 objectives as outlined in its 2014 business plan are:

- Pursue Scale-based Efficiencies
- Organizational Design Improvement
- Corporate Communications
- Leadership
- Revenue and Profitability Growth
- Labour Negotiation Strategy

The Parties also accept Burlington Hydro's evidence that, notwithstanding that this is a transition year for the RRFE, a focus on improving cost performance is a goal of Burlington Hydro and it will endeavor to do so in the test year. In the context of these facts, and for the purposes of the settlement, the Parties relied on Burlington Hydro's view that it can safely and reliably operate the distribution system based on the total OM&A as agreed. The Parties have agreed that the adjustment will be based on an "envelope" approach, so that any determination of potential budget reductions to reflect the Board-approved 2014 OM&A will be at the discretion of Burlington Hydro. Burlington Hydro has prepared a preliminary OM&A allocation at the agreed level, which is provided in the table below. This is a preliminary allocation and Burlington Hydro will proceed with determining the best allocation of the available OM&A envelope. Notwithstanding the preliminary OM&A allocation, the Parties acknowledge that under the forward test year approach to rate-setting, Burlington Hydro will retain the responsibility to make actual spending decisions during the Test Year, which may include variances from that presented below.

Recoverable OM&A Cost per Customer and per FTE

	Last Rebasing Year - 2010- Board Approved	Last Rebasing Year - 2010- Actual	2011 Actuals	2012 Actuals	2013 Bridge Year	2014 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	NewCGAAP	NewCGAAP
Number of Customers	79,977.00	78,579.00	79,615.00	80,312.00	81,231.00	82,161.00
Total Recoverable OM&A from Appendix 2-JB	\$ 14,346,994	\$ 14,001,054	\$ 14,526,803	\$ 15,204,619	\$ 16,694,282	\$ 17,687,000
OM&A cost per customer	\$ 179.39	178.1780628	182.4631414	189.3193899	205.5161479	215.2724529
Number of FTEs	101	94.08	90.75	92.25	95.59	100
Customers/FTEs	791.85	835.24	877.30	870.59	849.79	821.61
OM&A Cost per FTE	142,049.45	148,820.73	160,074.96	164,819.72	174,644.65	176,870.00

Evidence References

Exhibit 1, Tab 1, Schedule 8

Exhibit 10, Tab 1, Schedule 5

Exhibit 10, Tab 1, Schedules 32-64

Exhibit 10, Tab 2, Schedules 12-15

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?

Status: Complete Settlement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept that Burlington Hydro's proposed operating and capital expenditures, as adjusted under the terms of this Settlement Proposal, are being appropriately paced and prioritized by Burlington Hydro, and will result in just and reasonable rates for customers and that, since none of Burlington Hydro's customers who are being billed at Time of Use commodity rates are expected to experience a bill impact of 10% or more and in particular a typical residential customer consuming 800 kWh/month and being charged for commodity according to Time of Use rates is expected to experience a bill increase of \$4.37, or 3.6%, no additional rate mitigation is required.

The table provided at page 20 demonstrates the proposed operating expenditures and that provided at page 22 demonstrates Burlington Hydro's pacing of its capital expenditures. Estimated bill impacts are provided at Attachment B.

Evidence References

Exhibit 1, Tab 1, Schedule 13

Exhibit 8, Tab 4, Schedule 2

Exhibit 8, Tab 4, Schedule 4

Exhibit 1, Tab 1, Schedules 65-73

Table 2 - Capital Expenditure Summary from Chapter 5 Consolidated
Distribution System Plan Filing Requirements

First year of Forecast Period: 2014

CATEGORY	Historical Period (previous plan ¹ & actual)															Forecast Period (planned)				
	2009			2010			2011			2012			2013			2014	2015	2016	2017	2018
		Actual	Var	Previous Year	Actual	Var	Previous Year	Actual	Var	Previous Year	Actual	Var	Previous Year	Actual ²	Var					
		\$	%	\$	\$	%	\$	\$	%	\$	\$	%	\$	\$	%					
System Access		\$14,297,941	—	\$14,297,941	\$9,864,837	31.0%	\$9,864,837	\$5,480,942	-44.4%	\$5,480,942	\$8,690,080	58.6%	\$8,690,080	\$7,580,069	12.8%	\$8,244,469	\$7,396,054	\$6,925,561	\$6,925,561	\$7,621,934
System Renewal		\$1,504,332	—	\$1,504,332	\$1,504,313	0.0%	\$1,504,313	\$2,103,560	39.8%	\$2,103,560	\$846,293	-59.8%	\$846,293	\$635,680	24.9%	\$1,349,241	\$1,311,959	\$1,309,651	\$1,309,651	\$1,309,561
System Service		\$351,331	—	\$351,331	\$417,267	18.8%	\$417,267	\$1,771,353	324.5%	\$1,771,353	\$7,887,428	345.3%	\$7,887,428	\$1,783,314	77.4%	\$908,540	\$650,832	\$966,547	\$966,547	\$650,832
General Plant		\$1,927,289	—	\$1,927,289	\$708,897	63.2%	\$708,897	\$954,373	34.6%	\$954,373	\$893,472	-6.4%	\$893,472	\$1,183,455	32.5%	\$807,000	\$644,000	\$496,000	\$656,500	\$278,900
Subtotal (net of Capt Contr.)		\$18,080,893		\$18,080,893	\$12,495,314	30.9%	\$12,495,314	\$10,310,228	-17.5%	\$10,310,228	\$18,317,273	77.7%	\$18,317,273	\$11,182,518	39.0%	\$11,309,250	\$10,002,845	\$9,697,759	\$9,858,259	\$9,861,227
Capital Contribution		\$6,661,564		\$6,661,564	\$2,905,190		\$2,905,190	\$1,447,615		\$1,447,615	\$3,238,245		\$3,238,245	\$3,217,443		\$3,579,205				
TOTAL EXPENDITURE		\$11,419,329	—	\$11,419,329	\$9,590,124	16.0%	\$9,590,124	\$8,862,613	-7.6%	\$8,862,613	\$15,079,028	70.1%	\$15,079,028	\$7,965,075	47.2%	\$7,730,045				
System O&M			—		\$6,323,045	—	\$6,323,045	\$7,187,610	13.7%	\$7,187,610	\$7,536,406	4.9%	\$7,536,406	\$8,699,063	15.4%	\$9,234,805				

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?

Status: Complete Settlement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept Burlington Hydro's confirmation that the resources available to it in the test year as a result of this Settlement Proposal will allow it to meet all known obligations that are currently mandated by government and relevant to this application, including those in respect of renewable energy, smart meters and any other obligations that are currently mandated as a condition of Burlington Hydro's electricity distribution licence.

Evidence References

Exhibit 2, Tab 4, Schedule 1

Exhibit 2, Tab 5, Schedule 10

Exhibit 3, Tab 1, Schedule 3

Exhibit 4, Tab 2, Schedule 6

Exhibit 4, Tab 2, Schedule 7

Exhibit 4, Tab 2, Schedule 8

Exhibit 10, Tab 1, Schedules 74-79

FINANCIAL PERFORMANCE

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

Status: Complete Settlement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, and subject to the adjustments noted in this Settlement Proposal, the Parties agree that Burlington Hydro's proposed rates in the 2014 Test Year will allow it to meet its forecast obligations to its customers while maintaining its financial viability.

Evidence References

Exhibit 10, Tab 1, Schedule 80

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

Status: Complete Settlement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

The Parties acknowledge that this is a transition year, and that quantitative evidence of past operational effectiveness initiatives is, therefore, not readily available. For the purposes of settlement, the Parties accept that Burlington Hydro has demonstrated that it is pursuing operational effectiveness initiatives as set out in the Evidence. Burlington Hydro further agrees that it will, address the savings and/or other beneficial impacts resulting from these or other operational effectiveness initiatives, and the sustainability of savings and/or other beneficial impacts from those initiatives in its next Cost of Service or Custom IR application.

Evidence References

Exhibit 10, Tab 1, Schedules 81-87

7. Revenue Requirement

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

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept Burlington Hydro's revised 2013 closing values of PP&E and their subsequent use for 2014 Opening values, the proposed 2014 capital budget and the proposed 2014 Test Year CiAC, are reasonable. The parties agreed to use the 13% factor to compute the proposed 2014 Test Year WCA and that the proposed 2014 Test Year Working Cash Allowance was to be computed using the OM&A amount net of the amounts reclassified to Depreciation expense. For the purposes of settlement, and as noted at page 19, the Parties agree that the proposed 2014 Test Year OM&A will be set at \$17.687M. The Parties further agreed that the 2014 Test Year OM&A used to derive of the Working Capital Allowance will be reduced by the reclassified Depreciation expense of \$384,026.

The table provided at page 6 summarizes Burlington Hydro's 2014 Revenue Requirement.

The table below provides the detail of Burlington Hydro's Property, Plant and Equipment that is included in Rate Base.

Appendix 2-BA

Fixed Asset Continuity Schedule - CGAAP/ASPE/USGAAP

Year 2014

CCA Class	OEB	Description	Cost				Accumulated Depreciation				Net Book Value
			Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
12	1611	Computer Software (Formally known as Account 1925)	\$ 6,009,904	\$ 245,000		\$ 6,254,904	-\$ 4,358,961	-\$ 363,440		-\$ 4,722,401	\$ 1,532,503
CEC	1612	Land Rights (Formally known as Account 1906)	\$ 189,351	\$ 60,000		\$ 249,351	-\$ 29,379	-\$ 3,328		-\$ 32,707	\$ 216,644
N/A	1805	Land	\$ 202,703			\$ 202,703	\$ -			\$ -	\$ 202,703
47	1808	Buildings	\$ 2,296,844	\$ 5,000		\$ 2,301,844	-\$ 1,219,779	-\$ 63,385		-\$ 1,283,164	\$ 1,018,680
13	1810	Leasehold Improvements	\$ -			\$ -	\$ -			\$ -	\$ -
47	1815	Transformer Station Equipment >50 kV	\$ -			\$ -	\$ -			\$ -	\$ -
47	1820	Distribution Station Equipment <50 kV	\$ 14,580,949	\$ 565,312		\$ 15,146,261	-\$ 9,327,955	-\$ 222,055		-\$ 9,550,010	\$ 5,596,251
47	1825	Storage Battery Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
47	1830	Poles, Towers & Fixtures	\$ 35 316 056	\$ 1 686 483		\$ 37 002 539	-\$ 15 358 477	-\$ 620 258		-\$ 15 978 735	\$ 21 023 804
47	1835	Overhead Conductors & Devices	\$ 42,888,227	\$ 847,206		\$ 43,735,433	-\$ 24,516,813	-\$ 524,480		-\$ 25,041,293	\$ 18,694,140
47	1840	Underground Conduit	\$ 17,183,620	\$ 1,669,428		\$ 18,853,048	-\$ 7,992,920	-\$ 191,575		-\$ 8,184,495	\$ 10,668,553
47	1845	Underground Conductors & Devices	\$ 27 870 490	\$ 1 882 472		\$ 29 752 962	-\$ 14 737 688	-\$ 575 833		-\$ 15 313 521	\$ 14 439 441
47	1850	Line Transformers	\$ 49,304,146	\$ 1,909,205		\$ 51,213,351	-\$ 28,208,991	-\$ 721,511		-\$ 28,930,502	\$ 22,282,849
47	1855	Services (Overhead & Underground)	\$ 32,563,067	\$ 1,261,637		\$ 33,824,704	-\$ 18,474,639	-\$ 288,417		-\$ 18,763,056	\$ 15,061,648
47	1860	Meters	\$ 18,891,197	\$ 606,883		\$ 19,498,080	-\$ 7,468,823	-\$ 931,560		-\$ 8,400,383	\$ 11,097,697
47	1860	Meters (Smart Meters)	\$ -			\$ -	\$ -			\$ -	\$ -
N/A	1905	Land	\$ 96,300			\$ 96,300	\$ -			\$ -	\$ 96,300
47	1908	Buildings & Fixtures	\$ 8,484,356	\$ 327,000		\$ 8,811,356	-\$ 4,127,677	-\$ 246,284		-\$ 4,373,961	\$ 4,437,395
13	1910	Leasehold Improvements	\$ -			\$ -	\$ -			\$ -	\$ -

8	1915	Office Furniture & Equipment (10 years)	\$ 1 483 402	\$ 38 000	\$ 1 521 402	-\$ 1 220 008	-\$ 57 569		-\$ 1 277 577	\$ 243 825
8	1915	Office Furniture & Equipment (5 years)	\$ -		\$ -	\$ -			\$ -	\$ -
10	1920	Computer Equipment - Hardware	\$ 934,035	\$ 70,000	\$ 1,004,035	-\$ 644,954	-\$ 64,916		-\$ 709,870	\$ 294,165
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ -		\$ -	\$ -			\$ -	\$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ -		\$ -	\$ -			\$ -	\$ -
10	1930	Transportation Equipment	\$ 3,748,212	\$ 50,000	\$ 3,798,212	-\$ 2,773,607	-\$ 75,769		-\$ 2,849,376	\$ 948,836
8	1935	Stores Equipment	\$ 292,425		\$ 292,425	-\$ 292,080			-\$ 292,080	\$ 345
8	1940	Tools, Shop & Garage Equipment	\$ 1,368,455	\$ 9,000	\$ 1,377,455	-\$ 1,239,637	-\$ 26,532		-\$ 1,266,169	\$ 111,286
8	1945	Measurement & Testing Equipment	\$ 381,931	\$ 3,000	\$ 384,931	-\$ 352,457	-\$ 4,626		-\$ 357,083	\$ 27,848
8	1950	Power Operated Equipment	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
8	1955	Communications Equipment	\$ 191,861		\$ 191,861	-\$ 191,861	\$ -		-\$ 191,861	\$ -
8	1955	Communication Equipment (Smart Meters)	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
8	1960	Miscellaneous Equipment	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
47	1970	Load Management Controls Customer Premises	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
47	1975	Load Management Controls Utility Premises	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
47	1980	System Supervisor Equipment	\$ 3,141,263	\$ 73,624	\$ 3,214,887	-\$ 2,893,451	-\$ 66,014		-\$ 2,959,465	\$ 255,422
47	1985	Miscellaneous Fixed Assets	\$ -		\$ -	\$ -			\$ -	\$ -
47	1990	Other Tangible Property	\$ 4,113,602		\$ 4,113,602	-\$ 44,883	\$ 606,052		\$ 561,169	\$ 4,674,771
47	1995	Contributions & Grants	-\$ 29,277,059	-\$ 3,579,205	-\$ 32,856,264	\$ 6,362,150	-\$ 68,560		\$ 6,293,590	-\$ 26,562,674
	etc.		\$ -		\$ -	\$ -	0		\$ -	\$ -
			\$ -		\$ -	\$ -	0		\$ -	\$ -
		Sub-Total	\$ 242,255,337	\$ 7,730,045	\$ -	-\$ 139,112,890	-\$ 4,510,060	\$ -	-\$ 143,622,950	\$ 106,362,432
		Less Socialized Renewable Energy Generation Investments (input as negative)			\$ -				\$ -	\$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)			\$ -				\$ -	\$ -
		Total PP&E	\$ 242,255,337	\$ 7,730,045	\$ -	-\$ 139,112,890	-\$ 4,510,060	\$ -	-\$ 143,622,950	\$ 106,362,432
		Depreciation Expense Allocated to Other Department					\$ 384 026			
		Total						-\$ 4,126,034	-\$ 4,510,060	-\$ 384,026

The table below provides the detail of Burlington Hydro's 2014 Rate Base.

Line No.	Rate Base		Initial Application		Adjustments		Interrogatory Responses		Adjustments		Per Board Decision
	Particulars										
1	Gross Fixed Assets (average)	(3)	\$248,054,688		(\$1,934,328)		\$246,120,360		\$ -		\$246,120,360
2	Accumulated Depreciation (average)	(3)	(\$141,340,625)		(\$55,495)		(\$141,396,120)		\$28,200		(\$141,367,920)
3	Net Fixed Assets (average)	(3)	\$106,714,063		(\$1,989,823)		\$104,724,240		\$28,200		\$104,752,440
4	Allowance for Working Capital	(1)	\$25,207,987		\$1,077,840		\$26,285,826		\$790,417		\$27,076,243
5	Total Rate Base		\$131,922,050		(\$911,983)		\$131,010,066		\$818,617		\$131,828,683

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses		\$18,553,350		\$296,515		\$18,849,865		(\$1,273,332)		\$17,576,533
7	Cost of Power		\$175,354,241		\$7,994,559		\$183,348,800		\$7,353,460		\$190,702,260
8	Working Capital Base		\$193,907,591		\$8,291,074		\$202,198,665		\$6,080,128		\$208,278,793
9	Working Capital Rate %	(2)	13.00%		0.00%		13.00%		0.00%		13.00%
10	Working Capital Allowance		\$25,207,987		\$1,077,840		\$26,285,826		\$790,417		\$27,076,243

Rationale

The proposed adjustment to the 2014 Test Year OM&A for the purposes of calculating the WCA renders it consistent with cash expenditures and is suitable for estimating the WCA.

Evidence References

Exhibit 2, Tab 1
Exhibit 2, Tab 2
Exhibit 2, Tab 3
Exhibit 2, Tab 5
Exhibit 4, Tab 1
Exhibit 4, Tab 2
Exhibit 4, Tab 3
Exhibit 4, Tab 4
Exhibit 4, Tab 5
Exhibit 4, Tab 7
Exhibit 9, Tab 3, Schedule 1
Exhibit 10, Tab 1, Schedules 88-96
Exhibit 10, Tab 2, Schedules 1-3

7. Revenue Requirement

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?

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

Agreement

For the purposes of settlement, the Parties accept Burlington Hydro's proposed 2014 Test Year depreciation expense as updated on March 19, 2014.

The 2014 Fixed Asset Continuity schedule provided at pages 26 and 27 reflects the resolution of this issue.

Rationale

The depreciation expense, for the purposes of calculating the Revenue Requirement, has been appropriately reduced for amounts that are reclassified to OM&A totaling \$384,026. The depreciation expense has been calculated correctly based on the revised opening 2014 PPE values, as documented in issue 7.1, and correctly computed by applying the half year rule. The findings of the Kinectrics Useful Lives study adequately support the proposed expense.

Evidence References

Exhibit 4, Tab 7, Schedule 1

Exhibit 4, Tab 7, Schedule 2

Exhibit 4, Tab 7, Schedule 3

Exhibit 4, Tab 7, Schedule 4

Exhibit 4, Tab 7, Schedule 5

Exhibit 10, Tab 1, Schedules 97-98

Corporate PILs/Income Tax Provision Gross Up ¹	77.66%	S = 1 - M	\$ 47,171
-	-		
-	-		
Income Tax (grossed-up)			\$ 211,146

Please see Attachment D for further detail on the recovery through rates of \$273,559 as a proxy for Burlington Hydro's 2014 Property Tax and the discussion of the use of Depreciation expense before reclassification.

Rationale

The PILs Workform has been appropriately updated to include all adjustments described in this Settlement Agreement.

Evidence References

Exhibit 4, Tab 8, Schedule 1

Exhibit 4, Tab 8, Schedule 2

Exhibit 4, Tab 8, Schedule 3

Exhibit 10, Tab 1, Schedules 99-101

7. Revenue Requirement

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

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement the Parties accept Burlington Hydro's allocation of shared services and corporate costs are appropriate. The table below summarizes Burlington Hydro's shared services.

Year: 2014

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
Burlington Electricity Services Inc.	Burlington Hydro Inc.	Billing Service	Rate per Bill	365,829	335,623
Burlington Electricity Services Inc.	Burlington Hydro Inc.	Accounting	Lump Sum	2,000	2,000
Burlington Hydro Inc.	Burlington Electricity Services Inc.	Sponsorship	Lump Sum	10,000	10,000
Burlington Hydro Inc.	Burlington Hydro Electric Inc.	Directors' Fee	Lump Sum	85,000	85,000
Burlington Electricity Services Inc.	Burlington Hydro Inc.	Misc Services	Lump Sum	66,460	66,460

Rationale

Burlington Hydro followed OEB policy as set out in the Affiliate Relationships Code and in the OEB's Minimum Filing Requirements.

Evidence References

Exhibit 4, Tab 5, Schedule 1

Exhibit 4, Tab 5, Schedule 2

Exhibit 4, Tab 5, Schedule 3

Exhibit 4, Tab 5, Schedule 4

Exhibit 10, Tab 1, Schedules 102-109

Exhibit 10, Tab 2, Schedules 4-5

7. Revenue Requirement

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

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept that Burlington Hydro's weighted average cost of capital for the 2014 Test Year is appropriate.

The table below summarizes Burlington Hydro's 2014 test Year Cost of Capital.

	Per Board Decision			
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$73,824,063	4.73%	\$3,491,878
Short-term Debt	4.00%	\$5,273,147	2.11%	\$111,263
Total Debt	60.00%	\$79,097,210	4.56%	\$3,603,142
Equity				
Common Equity	40.00%	\$52,731,473	9.36%	\$4,935,666
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$52,731,473	9.36%	\$4,935,666
Total	100.00%	\$131,828,683	6.48%	\$8,538,807

Rationale

Burlington Hydro correctly applied the OEB's policies and updated values of the Cost of Capital by type that were authorized by the OEB in November 2013.

Evidence References

Exhibit 1, Tab 1, Schedule 10

Exhibit 5, Tab 1, Schedule 1

Exhibit 5, Tab 1, Schedule 2

Exhibit 10, Tab 1, Schedules 110-113

7. Revenue Requirement

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

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept that Burlington Hydro will increase the projected 2014 Test Year Other Revenues by \$63k.

Appendix 2-H

Other Operating Revenue

USoA #	USoA Description	2010 Actual	2011 Actual	2012 Actual ¹	2012 Actual ²	Bridge Year ³	Bridge Year ³	Test Year
						2013	2013	2014
	<i>Reporting Basis</i>							
4235	Specific Service Charges	\$ 821,164	\$ 848,889	\$ 853,860			\$ 846,446	\$ 817,981
4225	Late Payment Charges	\$ 202,148	\$ 249,986	\$ 248,090			\$ 267,620	\$ 241,000
4082	Retail Services Revenues - ODR	\$ 50,129	\$ 46,287	\$ 40,278			\$ 40,000	\$ 40,000
4220	Other Electric Revenues - ODR	\$ 101,942	\$ 56,903	\$ 58,494			\$ 48,956	\$ 58,025
4080	Admin Charge - ODR	\$ 174,033	\$ 178,619	\$ 184,071			\$ 160,129	\$ 188,308
4210	Rent from electric property - ODR	\$ 319,465	\$ 325,111	\$ 330,676			\$ 329,782	\$ 337,400
4084	Service Transaction Requests (STR) Revenues - ODR	\$ 1,919	\$ 1,318	\$ 1,274			\$ 1,300	\$ 1,300
4390	Miscellaneous Non-Operating Income - O E	\$ 78,840	\$ 2,873	\$ 351,221			-\$ 211,711	\$ 90,000
4305	Regulatory Debits - OIE						-\$ 2 265 851	
4405	Interest and Dividend Income - OIE	\$ 206,876	\$ 466,734	\$ 232,928			\$ 224,640	\$ 227,000
	Specific Service Charges	\$ 821,164	\$ 848,889	\$ 853,860	\$ -	\$ -	\$ 846,446	\$ 817,981
	Late Payment Charges	\$ 202,148	\$ 249,986	\$ 248,090	\$ -	\$ -	\$ 267,620	\$ 241,000
	Other Operating Revenues	647488.88	608237.04	614792.43			580167	625033
	Other Income or Deductions	285715.76	469607.1	584149			-2252922	317000
	Total	\$ 1,956,517	\$ 2,176,720	\$ 2,300,892	\$ -	\$ -	-\$ 558,689	\$ 2,001,014

Rationale

The proposed global increase achieves greater consistency with the observed average Other Revenues of past periods.

Evidence References

Exhibit 3, Tab 3, Schedule 1

Exhibit 3, Tab 3, Schedule 2

Exhibit 10, Tab 1, Schedules 114-115

7. Revenue Requirement

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?

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept that Burlington Hydro's proposed Revenue Requirement correctly incorporates the changes described elsewhere in this Proposed Settlement Agreement.

The table below provides Burlington Hydro's 2014 Revenue Requirement.

Distribution Revenue Requirement

Particular	NewCGAAP
	Test Year (CGAAP)
OM&A Expenses	\$17,687,000
Amortization Expense	\$4,126,034
Total Distribution Expenses	\$21,813,034
Property Taxes	\$273,559
Regulated Return On Capital	\$8,538,807
<i>IFRS Adjustment</i>	
Grossed up PILs	\$211,146
Service Revenue Requirement	\$30,836,546
Less: Revenue Offsets	\$2,001,014
Base Revenue Requirement	\$28,835,532

The table provided at pages 7 and 8 detail the derivation of Burlington Hydro's 2014 Revenue Sufficiency.

Rationale

During the course of the Settlement Conference Burlington Hydro discovered the omission of forecast 2014 Property Tax expense of \$273,559 from the computation of the proposed revenue requirement. The nature of the omission is described in detail at Attachment D, and Burlington Hydro has corrected the omission in calculating the settled Revenue Requirement and all relevant attachments and appendixes to this Settlement Proposal. Burlington Hydro has applied OEB policies and methodologies to its rate making data adjusted as described herein. Attachment D also provides the clarification of the appropriate Depreciation Expense to be used when computing the PILs provision and of the updated Cost of Power that is computed using the OEB's recently released data.

Evidence References

Exhibit 1, Tab 1, Schedule 4

Exhibit 6, Tab 1, Schedule 1

Exhibit 6, Tab 1, Schedule 2

Exhibit 10, Tab 1, Schedules 116-120

Exhibit 10, Tab 2, Schedule 6

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?

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept Burlington Hydro's updated forecasts of customer/connection counts, delivered kWh and billed kW. The updated forecasts were computed using Elenchus' models applied to actual data up to December 2013. The agreed to values are provided in the table below.

The tables below provide Burlington Hydro's actual and forecast charge parameters.

Customers or Connections

Customer Class Name	2010 Board Appr	2010 Actual	2011 Actual	2012 Actual	Bridge Year 2013 Normalized	Test Year 2014 Normalized
Residential	57,218	57,917	58,488	59,068	59,375	59,869
General Service < 50 kW	4,942	4,988	5,091	5,138	5,164	5,224
General Service > 50 to 4999 kW	976	996	987	998	1,008	1,012
Unmetered Scattered Load	602	604	604	605	605	605
Street Lighting	14,457	14,652	15,024	15,083	15,114	15,272
TOTAL	78,195	79,157	80,194	80,892	81,266	81,982

Metered kWh (CDM Adjusted)

Customer Class Name	2010 Board Appr	2010 Actual	2011 Actual	2012 Actual	Bridge Year 2013 Normalized	Test Year 2014 Normalized
Residential		556,896,336	551,353,006	551,839,571	553,523,828	553,858,289
General Service < 50 kW		172,200,325	174,484,065	174,704,767	173,805,678	173,842,956
General Service > 50 to 4999 kW		906,197,008	908,229,110	903,337,846	897,955,770	897,316,673
Unmetered Scattered Load		3,512,551	3,296,779	3,353,868	3,353,868	3,151,827
Street Lighting		9,467,387	9,847,280	9,866,380	10,006,706	10,968,788
TOTAL	0	1,648,273,607	1,647,210,240	1,643,102,432	1,638,645,850	1,639,138,534

kW CDM Adjusted

Customer Class Name	2010 Board Appr	2010 Actual	2011 Actual	2012 Actual	Bridge Year 2013 Normalized	Test Year 2014 Normalized
Residential	0	0	0	0	0	
General Service < 50 kW	0	0	0	0	0	
General Service > 50 to 4999 kW	2,353,210	2,403,006	2,396,756	2,423,043	2,421,010	2,451,173
Unmetered Scattered Load	0	0	0	0	0	
Street Lighting	25,861	26,416	27,334	27,457	27,825	30,525
TOTAL	2,379,071	2,429,422	2,424,090	2,450,500	2,448,835	2,481,698

The agreed to values for the Residential, GS<50, USL and Street Lighting customer classes were determined using the Elenchus' forecasting methodology and actual data up to the end of 2013. For the purposes of settlement the energy and demand forecast for the GS>50 kW customer class was determined using the statistically valid Trend model that provides acceptably accurate results.

Energy and demand charge parameters were then further adjusted for half a year of anticipated 2014 CDM achievements.

The agreement reflects the use of the best available data; no party opposed the application of the Elenchus forecasting models. It also reflects the incorporation of the CDM adjustment as quantified by the OEB's model and using half a year of the projected 2014 achievements. The Elenchus load forecast provides customer class specific forecasts of energy based on econometric equations with acceptable diagnostic statistics. The econometric models also yield intuitively reasonable results (e.g. the signs of the coefficients are intuitively correct). The data and the models reflect Burlington Hydro's past experience and is considered to be an appropriate basis to quantify the econometric equations. The use of the forecast billed kW yielded by the Trend model, as suggested by the intervenors, is accepted for rate making purposes.

Evidence References

Exhibit 1, Tab 1, Schedule 7
Exhibit 3, Tab 1, Schedule 1
Exhibit 3, Tab 1, Schedule 2
Exhibit 3, Tab 1, Schedule 3
Exhibit 3, Tab 2, Schedule 1
Exhibit 3, Tab 3, Schedule 1
Exhibit 3, Tab 3, Schedule 2
Exhibit 10, Tab 1, Schedules 121-136
Exhibit 10, Tab 2, Schedule 7
Exhibit 10, Tab 2, Schedules 16-17

8. Load Forecast, Cost Allocation and Rate Design

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

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties agree that Burlington Hydro will compute its proposed 2014 Test Year Revenue-to-Cost ratios on the following basis:

- For rate making purposes Burlington Hydro will rely on the computed Revenue-to-Cost ratio of the Residential, GS<50 kW, GS>50 kW and Street Lighting customer classes;
- For rate making purposes the Revenue-to-Cost ratio for the USL class will be reduced from the computed value to the upper limit of the OEB's authorized range; and
- For rate making purposes the Revenue-to-Cost ratio of the GS>50 customer class will be adjusted subsequent to the reduction to the Revenue-to-Cost ratio for the USL class so that the proposed rates are capable of recovering the proposed Revenue Requirement.

The table below summarizes Burlington Hydro's computed Revenue-to-Cost data by customer class.

	Total	Residential	GS <50	GS>50-Regular	Street Light	Unmetered Scattered Load
Distribution Revenue at Existing Rates	\$29,792,664	\$18,078,914	\$3,982,073	\$7,353,174	\$247,017	\$131,486
Miscellaneous Revenue (mi)	\$2,001,014	\$1,225,958	\$286,054	\$463,392	\$18,323	\$7,286
Miscellaneous Revenue Input equals Output						
Total Revenue at Existing Rates	\$31,793,678	\$19,304,872	\$4,268,127	\$7,816,566	\$265,340	\$138,772
Factor required to recover deficiency (1 + D)	0.9679					
Distribution Revenue at Status Quo Rates	\$28,835,533	\$17,498,103	\$3,854,144	\$7,116,943	\$239,081	\$127,262
Miscellaneous Revenue (mi)	\$2,001,014	\$1,225,958	\$286,054	\$463,392	\$18,323	\$7,286
Total Revenue at Status Quo Rates	\$30,836,547	\$18,724,062	\$4,140,197	\$7,580,335	\$257,404	\$134,548
Expenses						
Distribution Costs (di)	\$8,547,115	\$4,482,632	\$995,746	\$2,951,434	\$85,730	\$31,573
Customer Related Costs (cu)	\$3,014,167	\$2,314,938	\$482,360	\$205,526	\$7,877	\$3,466
General and Administration (ad)	\$6,399,277	\$3,756,729	\$821,076	\$1,749,281	\$52,533	\$19,658
Depreciation and Amortization (dep)	\$4,126,034	\$2,251,650	\$661,184	\$1,164,412	\$35,574	\$13,214
PILs (INPUT)	\$211,146	\$120,875	\$28,715	\$58,675	\$2,098	\$782
Interest	\$3,603,142	\$2,062,690	\$490,019	\$1,001,279	\$35,809	\$13,345
Total Expenses	\$25,900,881	\$14,989,514	\$3,479,100	\$7,130,607	\$219,622	\$82,038
Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Net Income (NI)	\$4,935,666	\$2,825,520	\$671,239	\$1,371,575	\$49,052	\$18,280
Revenue Requirement (includes NI)	\$30,836,547	\$17,815,035	\$4,150,338	\$8,502,181	\$268,674	\$100,319
Revenue Requirement Input equals Output						
Rate Base Calculation						

Net Assets						
Distribution Plant - Gross	\$246,314,112	\$142,260,121	\$32,150,281	\$68,473,733	\$2,499,071	\$930,906
General Plant - Gross	\$30,872,909	\$17,729,700	\$4,137,956	\$8,581,023	\$309,065	\$115,164
Accumulated Depreciation	(\$147,695,792)	(\$85,625,573)	(\$18,932,275)	(\$41,063,097)	(\$1,511,814)	(\$563,033)
Capital Contribution	(\$24,738,792)	(\$14,373,908)	(\$3,134,559)	(\$6,881,248)	(\$254,349)	(\$94,728)
Total Net Plant	\$104,752,437	\$59,990,341	\$14,221,403	\$29,110,411	\$1,041,972	\$388,309
Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Power (COP)	\$190,702,260	\$64,904,276	\$20,178,844	\$104,029,850	\$1,198,703	\$390,587
OM&A Expenses	\$17,960,559	\$10,554,299	\$2,299,182	\$4,906,241	\$146,140	\$54,697
Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$208,662,819	\$75,458,575	\$22,478,026	\$108,936,091	\$1,344,843	\$445,284
Working Capital	\$27,076,243	\$9,791,561	\$2,916,765	\$14,135,628	\$174,508	\$57,780
Total Rate Base	\$131,828,680	\$69,781,902	\$17,138,169	\$43,246,040	\$1,216,480	\$446,090
	Rate Base Input equals Output					
Equity Component of Rate Base	\$52,731,472	\$27,912,761	\$6,855,268	\$17,298,416	\$486,592	\$178,436
Net Income on Allocated Assets	\$4,935,666	\$3,734,547	\$661,098	\$449,729	\$37,783	\$52,510
Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$4,935,666	\$3,734,547	\$661,098	\$449,729	\$37,783	\$52,510
RATIOS ANALYSIS						
REVENUE TO EXPENSES STATUS QUO%	100.00%	105.10%	99.76%	89.16%	95.81%	134.12%
EXISTING REVENUE MINUS ALLOCATED COSTS	\$957,131	\$1,489,837	\$117,789	(\$685,615)	(\$3,334)	\$38,454

STATUS QUO REVENUE MINUS ALLOCATED COSTS

RETURN ON EQUITY COMPONENT OF RATE BASE

Deficiency Input equals Output					
(\$0)	\$909,027	(\$10,141)	(\$921,846)	(\$11,269)	\$34,230
9.36%	13.38%	9.64%	2.60%	7.76%	29.43%

The table below summarizes Burlington Hydro's allocated costs by customer class.

A) Allocated Costs

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	\$ 17,659,655	56.85%	\$17,815,035.00	57.77%
GS < 50 kW	\$ 4,055,751	13.06%	\$4,150,338.00	13.46%
GS > 50 kW (or 50 kW < GS < xxx kW, if applicable)	\$ 8,880,382	28.59%	\$8,502,181.00	27.57%
Street Lighting	\$ 320,783	1.03%	\$268,674.00	0.87%
Unmetered Scattered Load (USL)	\$ 145,714	0.47%	\$100,319.00	0.33%
Total	\$ 31,062,285	100.00%	\$30,836,547.00	100.00%

The table below summarizes Burlington Hydro's revenues by customer class.

B) Calculated Class Revenues

Classes (same as previous table)	Column 7B Load Forecast (LF) X current approved rates	Column 7C L.F. X current approved rates X (1 + d)	Column 7D LF X proposed rates	Column 7E Miscellaneous Revenue
Residential	\$ 18,078,914	\$ 17,480,231	\$ 17,480,231	\$ 1,225,958
GS < 50 kW	\$ 3,982,073	\$ 3,864,127	\$ 3,864,127	\$ 286,054
GS > 50	\$ 7,353,174	\$ 7,138,613	\$ 7,138,613	\$ 463,392
Unmetered Scattered Load	\$ 131,486	\$ 113,055	\$ 113,055	\$ 7,286
Street Lighting	\$ 247,016	\$ 239,506	\$ 239,506	\$ 18,323
Total	\$ 29,792,663	\$ 28,835,532	\$ 28,835,532	\$ 2,001,013

The table below provides Burlington Hydro's proposed Revenue:Cost ratios by customer class.

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Floor	Ceiling
Residential	105.10%	105.00%	0.10%	85.00%	115.00%
General Service < 50 kW	99.76%	100.00%	-0.24%	80.00%	120.00%
General Service > 50 to 4999 kW	89.16%	89.41%	-0.25%	80.00%	120.00%
Unmetered Scattered Load	134.12%	119.96%	14.16%	70.00%	120.00%
Street Lighting	95.81%	95.96%	-0.15%	80.00%	120.00%

The table below provides the derivation of proposed 2014 distribution rates.

Rate Design

Cost Allocation Results

Customer Class Name	Cost Allocation - Minimum Fixed Rate (b)		
	Rate	Fixed %	Variable %
Residential	\$3.30	13.56%	86.44%
General Service < 50 kW	\$12.81	20.78%	79.22%
General Service > 50 to 4999 kW	\$36.15	6.15%	93.85%
Unmetered Scattered Load	\$0.37	2.38%	97.62%
Street Lighting	\$0.38	29.08%	70.92%
TOTAL			

Rate	Cost Allocation - Maximum Fixed Rate (b)	
	Fixed %	Variable %
\$14.16	58.20%	41.80%
\$28.77	46.67%	53.33%
\$58.05	9.88%	90.12%
\$10.34	66.40%	33.60%
\$6.85	524.14%	-424.14%

Existing Rates

Customer Class Name	Current Rates and Split		
	Rate	Fixed %	Variable %
Residential	\$12.29	48.84%	51.16%
General Service < 50 kW	\$25.53	40.19%	59.81%
General Service > 50 to 4999 kW	\$72.77	12.02%	87.98%
Unmetered Scattered Load	\$10.34	57.09%	42.91%
Street Lighting	\$0.61	45.26%	54.74%
TOTAL			

Rate	Calculated Rates at Current Split	
	Fixed %	Variable %
\$11.88	48.84%	51.16%
\$24.77	40.19%	59.81%
\$70.65	12.02%	87.98%
\$8.89	57.09%	42.91%
\$0.59	45.26%	54.74%

Rate Design

Customer Class Name	Proposed Fixed Charge		
	Fixed Rate	Fixed %	Variable %
Residential	\$11.88	48.83%	51.17%
General Service < 50 kW	\$24.77	40.18%	59.82%
General Service > 50 to 4999 kW	\$58.05	9.88%	90.12%
Unmetered Scattered Load	\$8.89	57.09%	42.91%
Street Lighting	\$0.59	45.15%	54.85%
TOTAL			

Resulting Variable		
Variable (h)	Rate (i)	per
8,945,306	\$0.0162	kWh
2,311,345	\$0.0133	kWh
7,004,703	\$2.8577	kW
48,514	\$0.0154	kWh
131,380	\$4.3040	kW

Customer Class Name	Transf. Allowance (\$/kW): (\$0.60)		
	kW	Rate	Total \$ (g)
Residential	0	\$0.00	0
General Service < 50 kW	0	\$0.00	0
General Service > 50 to 4999 kW	951,749	\$0.60	571,049
Unmetered Scattered Load	0	\$0.00	0
Street Lighting	0	\$0.00	0
TOTAL	951,749		571,049

Base Revenue Requirement \$		
Total (d)	Fixed	Variable
17,480,231	8,534,925	8,945,306
3,864,127	1,552,782	2,311,345
7,138,613	704,959	6,433,654
113,055	64,541	48,514
239,506	108,126	131,380
28,835,532	10,965,333	17,870,199

Evidence References

Exhibit 1, Tab 1, Schedule 11

Exhibit 7, Tab 1, Schedule 1

Exhibit 10, Tab 1, Schedules 137-141

Exhibit 10, Tab 2, Schedules 18-19

8. Load Forecast, Cost Allocation and Rate Design

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

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties agree that Burlington Hydro will compute the proposed rates so that the observed 2013 proportion of Fixed and Variable rate revenues are preserved, except for the GS>50 kW customer class; the Fixed Monthly Charge for the GS>50 kW customer class will be set at \$58.05, which represents the ceiling for this rate class.

The derivation of proposed 2014 distribution rates is provided at pages 47 and 48.

Evidence References

Exhibit 8, Tab 1, Schedule 1

Exhibit 8, Tab 2, Schedule 1

Exhibit 8, Tab 4, Schedule 1

Exhibit 10, Tab 1, Schedules 142-143

8. Load Forecast, Cost Allocation and Rate Design

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

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept that Burlington Hydro's loss factors as updated on February 27, 2014 using actual 2013 data, are appropriate.

The table below provides the derivation of Burlington Hydro's 2014 Loss Factor.

		Historical Years					5-Year Average
		2009	2010	2011	2012	2013	
	Losses Within Distributor's System						
A(1)	"Wholesale" kWh delivered to distributor (higher value)	1,648,092,984	1,710,566,163	1,706,208,053	1,702,581,206	1,684,773,435	1,690,444,368
A(2)	"Wholesale" kWh delivered to distributor (lower value)	1,642,258,793	1,704,244,532	1,700,108,830	1,696,732,633	1,679,317,662	1,684,532,490
B	Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s)						-
C	Net "Wholesale" kWh delivered to distributor = A(2) - B	1,642,258,793	1,704,244,532	1,700,108,830	1,696,732,633	1,679,317,662	1,684,532,490
D	"Retail" kWh delivered by distributor	1,587,755,226	1,649,153,565	1,646,737,783	1,642,340,001	1,623,827,451	1,629,962,805
E	Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s)	-	-	-			-
F	Net "Retail" kWh delivered by distributor = D - E	1,587,755,226	1,649,153,565	1,646,737,783	1,642,340,001	1,623,827,451	1,629,962,805
G	Loss Factor in Distributor's system = C / F	1.03433	1.03341	1.03241	1.03312	1.03417	1.03348
	Losses Upstream of Distributor's System						
H	Supply Facilities Loss Factor	1.0045	1.0037	1.0036	1.0034	1.0032	1.0037
	Total Losses						
I	Total Loss Factor = G x H	1.0390	1.0372	1.0361	1.0366	1.0375	1.0373

Rationale

The updated loss factors are based on load data as of the end of 2013 and were computed using the OEB's approved methodology.

Evidence References

Exhibit 8, Tab 3, Schedule 3

Exhibit 10, Tab 1, Schedule 144

8. Load Forecast, Cost Allocation and Rate Design

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

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept that Burlington Hydro's RTSRs, as updated on February 27, 2014 using the Board's recently authorized UTRs and Burlington Hydro data as of the end of 2013, are appropriate. The revised Commodity Cost reflects the use of updated cost data provided by the OEB.

The table below provides Burlington Hydro's agreed to RTSRs and the other components used to compute the Cost of Power.

Rate Class	Unit		Proposed RTSR Network		Proposed RTSR Connection
Residential	kWh	\$	0.0075	\$	0.0058
General Service Less Than 50 kW	kWh	\$	0.0071	\$	0.0051
General Service 50 to 4,999 kW	kW	\$	2.9008	\$	2.1384
General Service 50 to 4,999 kW – Interval Metered	kW	\$	2.9427	\$	2.2573
Unmetered Scattered Load	kWh	\$	0.0071	\$	0.0051
Street Lighting	kW	\$	2.1505	\$	1.6064

Rationale

The updated RTSRs were computed using the Board's recently authorized UTRs, Burlington Hydro data as of the end of 2013 and OEB approved methodology.

Evidence References

Exhibit 8, Tab 3, Schedule 1

Exhibit 8, Tab 3, Schedule 2

Exhibit 10, Tab 1, Schedules 145-146

8. Load Forecast, Cost Allocation and Rate Design

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?

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept the Proposed Tariff of Rates and Charges that reflects the agreement described herein; the proposed draft Tariff Sheet is provided as Attachment A.

The table below demonstrates that the proposed 2014 distribution rates recover the computed Revenue Requirement.

Appendix 2-V
Revenue Reconciliation

Rate Class	Number of Customers/Connections			Test Year Consumption		Proposed Rates			Revenues at Proposed Rates	Class Specific Revenue Requirement	Transformer Allowance Credit	Total	Difference
	Start of Test Year	End of Test Year	Average	kWh	kW	Monthly Service Charge	Volumetric						
							kWh	kW					
Residential	59,869.00	59,869.00	59,869.00	553,858,289	-	\$11.88	\$0.01615		\$17,480,230.81	\$17,480,230.81		\$17,480,230.81	\$0.00
GS < 50 kW	5,224.00	5,224.00	5,224.00	173,842,956	-	\$24.77	\$0.0133		\$3,864,127.15	\$3,864,127.15		\$3,864,127.15	\$0.00
GS > 50 to 4,999 kW	1,012.00	1,012.00	1,012.00	897,316,673	2,451,173	\$58.05		\$2.8577	\$7,709,662.21	\$7,138,613.08	\$571,049.14	\$7,709,662.21	\$0.00
Streetlighting	15,272.00	15,272.00	15,272.00		30,525	\$0.59		\$4.3040	\$239,505.94	\$239,505.94		\$239,505.94	\$0.00
Unmetered Scattered Load	605.00	605.00	605.00	3,151,827	-	\$8.89	\$0.0154		\$113,055.07	\$113,055.07		\$113,055.07	\$0.00
Standby Power			-										
Embedded Distributor Class			-										
etc.			-										
			-										
			-										
			-										
			-										
Total									\$29,406,581.19	\$ 28,835,532	\$ 571,049	\$ 29,406,581	\$ -

The Proposed Tariff Sheet is provided at Attachment A.

Evidence References

Exhibit 8, Tab 2, Schedule 1

9. Accounting

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

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept Burlington Hydro's proposed amounts for disposition and that Burlington Hydro has computed the proposed rate riders consistent with Board policy, are appropriate.

The balances to be disposed of through the proposed Rate Riders are summarized in the table below.

Summary of Rate Rider balances

Account Descriptions	Account Number	Closing Principal Balances as of Dec 31-12 Adjusted for Dispositions during 2013	Closing Interest Balances as of Dec 31-12 Adjusted for Dispositions during 2013	Projected Interest from Jan 1, 2013 to December 31, 2013 on Dec 31 -12 balance adjusted for disposition during 2013	Projected Interest from January 1, 2014 to April 30, 2014 on Dec 31 - 12 balance adjusted for disposition during 2013	Total Claim
Group 1 Accounts						
RSVA - Wholesale Market Service Charge	1580	-\$3,757,327	-\$28,192	\$ (55,233)	-\$18,159	-\$3,858,910
RSVA - Retail Transmission Network Charge	1584	\$510,933	\$30,757	\$ 7,511	\$2,469	\$551,670
RSVA - Retail Transmission Connection Charge	1586	-\$11,232	\$18,228	\$ (165)	-\$54	\$6,777
RSVA - Power (excluding Global Adjustment)	1588	-\$1,893,382	\$339,420	\$ (27,833)	-\$9,150	-\$1,590,945
RSVA - Global Adjustment	1589	\$1,175,963	-\$54,334	\$ 17,287	\$5,683	\$1,144,599
Group 1 Sub-Total (including Account 1589 - Global Adjustment)		-\$3,975,045	\$305,879	-\$58,433	-\$19,211	-\$3,746,810
Group 1 Sub-Total (excluding Account 1589 - Global Adjustment)		-\$5,151,008	\$360,213	-\$75,720	-\$24,894	-\$4,891,409
Group 2 Accounts						
Retail Cost Variance Account - Retail	1518	-\$52,617	-\$1,466	\$ (773)	-\$254	-\$55,111
Retail Cost Variance Account - STR	1548	\$387	\$8	\$ 6	\$2	\$403
Group 2 Sub-Total		-\$52,230	-\$1,458	-\$768	-\$252	-\$54,708
Total of Group 1 and Group 2 Accounts (Excl Global Adjustment)		-\$5,203,238	\$358,755	-\$76,488	-\$25,147	-\$4,946,117
LRAM Variance Account	1568	\$252,527	\$3,000	\$3,712	\$1,238	\$260,477
Total including Account 1568		-\$4,950,711	\$361,755	-\$72,776	-\$23,909	-\$4,685,640
Accounting Changes Under CGAAP Balance + Return Component ⁹	1576	-\$2,581,756	\$0			-\$2,581,756
Rate Rider Calculation for Disposal of MDMR over-recovery						-\$483,974
Rate Rider Calculation for Disposal of Stranded Meter Rate Rider						\$4,460,794
Total Disposition						-\$2,072,350

The derivation of the proposed Rate Riders is provided in the table below.

Summary of Rate Riders

Rate Rider Recovery Period (in years)

2

Rate Rider Calculation for Deferral / Variance Accounts Balances (excluding Global Adj.)

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Balance (excluding 1589)	Rate Rider for Deferral/Variance Accounts
Residential	kWh	555,923,716	-\$ 1,516,877	- 0.0014
General Service Less Than 50 kW	kWh	183,112,615	-\$ 442,631	- 0.0012
General Service 50 to 4,999 kW	kW	2,448,411	-\$ 2,687,398	- 0.5488
Unmetered Scattered Load	kWh	3,918,008	-\$ 11,378	- 0.0015
Street Lighting	kW	26,120	-\$ 27,358	- 0.5237
		-	\$ -	-
		-	\$ -	-
Total			-\$ 4,685,642	

Rate Rider Calculation for RSVA - Power - Global Adjustment

Rate Class (Enter Rate Classes in cells below)	Units	Non-RPP kW / kWh / # of Customers	Balance of RSVA - Power - Global Adjustment	Rate Rider for RSVA - Power - Global Adjustment
Residential	kWh	49,643,988	\$ 64,058	0.0006
General Service Less Than 50 kW	kWh	30,433,317	\$ 39,270	0.0006
General Service 50 to 4,999 kW	kW	2,053,727	\$ 1,029,175	0.2506
Unmetered Scattered Load	kWh	25,075	\$ 32	0.0006
Street Lighting	kW	25,921	\$ 12,064	0.2327
		-	\$ -	-
Total			\$ 1,144,599	

Rate Rider Calculation for Accounts 1575 /1576

Rate Rider Recovery Period (in years)

2

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Balance of Accounts 1575 and 1576	Rate Rider for Accounts 1575 and 1576
Residential	kWh	555,923,716	-\$ 842,658	- 0.0008
General Service Less Than 50 kW	kWh	183,112,615	-\$ 277,559	- 0.0008
General Service 50 to 4,999 kW	kW	2,448,411	-\$ 1,441,320	- 0.2943
Unmetered Scattered Load	kWh	3,918,008	-\$ 5,939	- 0.0008
Street Lighting	kW	26,120	-\$ 14,280	- 0.2734
		-	\$ -	-
Total			-\$ 2,581,756	

MDMR Refund

Customer Class Name		Costs per class	Carrying Charges	Total Balance	Customer	Rate	per month
Residential	91%	-\$432,119.12	-\$9,209.51	-\$441,328.63	59869	-\$7.37	-\$0.61
General Service < 50 kW	8%	-\$37,149.84	-\$791.62	-\$37,941.46	5224	-\$7.26	-\$0.61
General Service > 50 to 4999 kW	1%	-\$4,605.98	-\$98.13	-\$4,704.11	1012	-\$4.65	-\$0.39
TOTAL		-\$473,874.94	-\$10,099.26	-\$483,974.20			

Smart Meter Rate Rider

Customer Class Name	Net Book Value	Allocation	% share	Annual \$	Customer	Rate	per month
Residential	\$2,490,195.26		56.38%	1245097.63	59869	\$20.80	\$1.73
General Service < 50 kW	\$1,053,548.46		23.85%	526774.23	5224	\$100.84	\$8.40
General Service > 50 to 4999 kW	\$873,050.28		19.77%	436525.14	1012	\$431.35	\$35.95
	TOTAL	9848658					

Total for Recovery				4,416,794
Recovery Period (years)			2	
Annual Recovery				2,208,397

Rationale

Group 1 Accounts: The Parties agree that Burlington Hydro followed OEB policy and methodology and correctly computed the balances to be disposed of through rates and the rate riders that achieve this disposition. The balances to be disposed of through rates and the derivation of the proposed rate riders by customer class are provided in the EDDVAR model that is being filed with this Proposed Settlement Agreement.

Group 2 Accounts: The parties agree that Burlington Hydro followed OEB policy and methodology and correctly computed the balances to be disposed of through rates and the rate riders that achieve this disposition. The balances to be disposed of through rates and the derivation of the proposed rate riders by customer class are provided in the EDDVAR model that is being filed with this Proposed Settlement Agreement.

LRAM-VA: balance to be disposed of through rates is to be calculated based on 12 months of billing data and the factor to be updated appropriately. Burlington Hydro computed the proposed balance and the proposed rate rider using OEB approved methods and based on OEB authorized data provided by the OPA that was subjected to the OPA's EM&V process.

With respect to Stranded Meters, the balance proposed to be disposed of through rates includes 4,240 Elster REX1 meters. Burlington Hydro has demonstrated that these meters were deployed to newly attaching customers, for continuity of service under the re-verification program and do not include any meters that were installed pursuant to a mass deployment in advance of receiving formal authorization (please see Attachment D). The balance proposed to be disposed of through rates has been adjusted to restate the REX1 meters at the net book value of the equivalent electro-mechanical meter available at the time the REX 1 meters were deployed in Burlington Hydro's service area and is provided at Attachment K and to remove the value of the 498 REX1 meters that were deployed through and funded by the Third Tranche. The proposed rate riders have been computed using the customer class Meters weighting factors computed in the OEB authorized 2010 CAR-IF model. Because Board staff may address the applicability of this resolution in light of the Board's prior decision in the Peterborough Distribution Inc. application (EB-2012-0008) this is a severable issue within the Proposed Settlement Agreement.

The table below provides the derivation of the adjustment to the balance recorded in the Stranded Meters Deferral Account.

REX 1 Deployment Data

REX 1 Meter Deployment Data				
	CDM	New Connections	Reverification	Total
2006	500	-	-	500
2007		799	1,343	2,142
2008		626	1,272	1,898
2009		200		200
Total		1,625	2,615	4,740

Derivation of Adjustment to Stranded Meter Deferral Account Balance

Average Cost of Deployed REX 1 Meter 106.34

Unit Cost Data of Dumb Meter

Meter 38.88

Installation Costs

Burlington Hydro crew costs 52.09

Contractor costs 13.00

Proportion installed by Burlington Hydro crews 64%

Proportion installed by Contractor 36%

Weighted Average Installation Costs 37.98

Total 76.86

Unit Cost Difference 29.48

Number of Eligible Meters 4,240

Reduction to Balance Recorded in Stranded Meter Deferral Account 125,000

MDMR: The balance to be disposed of through rates has been computed consistent with the accounting direction provided by the OEB in EB-2013-0186 and with the implementation date authorized by the OEB in EB-2012-0110 and the proposed rate rider achieves the disposition of this amount; the detailed derivation of this amount is provided at Attachment L.

1576: the balance to be disposed of through rates is \$2,581,756 and has been computed using the methodology used in Appendix 2-EE.

Evidence References

Exhibit 1, Tab 1, Schedule 12
Exhibit 9, Tab 1, Schedule 1
Exhibit 9, Tab 1, Schedule 2
Exhibit 9, Tab 1, Schedule 3
Exhibit 9, Tab 1, Schedule 4
Exhibit 9, Tab 1, Schedule 5
Exhibit 9, Tab 2, Schedule 1
Exhibit 9, Tab 2, Schedule 2
Exhibit 9, Tab 2, Schedule 3
Exhibit 9, Tab 2, Schedule 4
Exhibit 9, Tab 2, Schedule 5
Exhibit 9, Tab 2, Schedule 6
Exhibit 10, Tab 1, Schedules 147-155

9. Accounting

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?

Status: Complete Agreement

Supporting Parties: Burlington Hydro, EP, SEC and VECC

For the purposes of settlement, the Parties accept that Burlington Hydro has correctly implemented the Board mandated changes in regulatory accounting and has correctly computed the projected test year data used for rate making purposes.

Evidence References

Exhibit 1, Tab 5, Schedule 7

Exhibit 1, Tab 5, Schedule 9

Exhibit 1, Tab 5, Schedule 10

Exhibit 2, Tab 5, Schedule 5

Exhibit 2, Tab 5, Schedule 6

Exhibit 2, Tab 5, Schedule 7

Exhibit 2, Tab 5, Schedule 8

Exhibit 2, Tab 5, Schedule 9

Exhibit 10, Tab 1, Schedules 156-159

Exhibit 10, Tab 2, Schedule 8-9

List of Attachments

- "A" - Draft Tariff Sheet
- "B" - Estimated Bill Impacts
- "C" – Board Approved Issue List
- "D" – Updated OM&A costs to include increased Postage and Tree Trimming costs, Depreciation Expense to use when computing PILs, Correction of Omission of Property Tax Expense, Updating Commodity Cost, Deployment of REX1 Meters, Changes to Proposed Rate Riders for updated LRAMVA balance
- "E" – Updated Chapter 2 Appendices
- "F" – Schedule of Cost of Power
- "G" – Tax Workform Model
- "H" – RTSR Model
- "I" – EDDVAR Continuity Schedules
- "J" – Revenue Requirement Workform
- "K" – Adjustment to Stranded Meter Deferral Account
- "L" – Derivation of MDMR Balance
- "M" – Cost Allocation Model
- "N" – Derivation of CDM Adjusted Load Forecast