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BY E-MAIL

October 1, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Burlington Hydro Inc. ("Burlington Hydro")
2015 Z-factor Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2014-0252**

In accordance with the Notice of Application and Hearing, please find attached Board Staff interrogatories in the above proceeding. Please forward the following to Burlington Hydro and to all other registered parties to this proceeding.

Burlington Hydro's responses to interrogatories are due by October 22, 2014.

Yours truly,

Original Signed By

Suresh Advani

Encl.

**Burlington Hydro Inc. (“Burlington Hydro”)
2015 Z-factor Electricity Distribution Rates
EB-2014-0252
Board Staff Interrogatories**

1. Accounting Standard

Ref: Board’s letter¹ dated July 17, 2012

- a. Please provide the accounting standard under which Burlington Hydro’s Z-factor application has been filed.
- b. Please confirm whether or not Burlington Hydro’s Z-factor application is reflective of the capitalization policy changes as per the Board’s letter “Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013” dated July 17, 2012.

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http://www.ontarioenergyboard.ca/oeb/Documents/Regulatory/Board_Ltr_Accounting_Changes_Under_CGAAP_2012_2013.pdf

2. Materiality

Ref: Manager's Summary: Exhibit 1, page 7

Board staff notes that Burlington Hydro has calculated the materiality threshold as 0.5% of its Board approved service revenue requirement from its 2014 cost-of-service rate application (EB-2013-0115).

- a. Please provide the materiality threshold based on Burlington Hydro's Board approved distribution revenue requirement from its:
 - i. 2014 cost-of-service rate application (EB-2013-0115); and
 - ii. 2010 cost-of-service rate application (EB-2009-0259).

3. Causation

Ref: Manager's Summary: Exhibit 1, page 7

Board staff notes that based on the Board's Report on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors² dated July 14, 2008, causation is one of the three eligibility criteria to be considered for recovery by way of a Z-factor. The two other criteria are materiality and prudence.

Board staff further notes that in its manager's summary, Burlington Hydro has addressed "incrementality", materiality and prudence.

- a. Does Burlington Hydro's usage of the term incrementality refer to causation?
- b. Are the components of the total claim amount of \$579,365 directly related to the Z-factor event?
- c. Is the total claim amount of \$579,365 clearly outside of the base upon which rates were derived?

² http://www.ontarioenergyboard.ca/oeb/Documents/EB-2007-0673/Report_of_the_Board_3rd_Generation_20080715.pdf

4. Incremental Internal Labour Costs

Ref: Manager's Summary: Exhibit 1, page 5, 3rd paragraph and Table 2

Ref: Manager's Summary: Exhibit 1, page 6, Table 4

Ref: Manager's Summary: Exhibit 1, page 7, 1st bullet

Board staff notes that Burlington Hydro is applying for recovery of incremental OM&A costs, which includes labour costs of \$219,753 pertaining to Burlington Hydro staff.

- a. For each labour category listed in Table 4, please provide the labour hours corresponding to the labour costs indicated in Table 4.
 - i. Please confirm whether the labour hours comprise only overtime hours or both regular and overtime hours. If the latter, please provide for each labour category, a breakdown of regular hours and overtime hours, along with the corresponding labour costs, for both, regular hours and overtime hours.
 - ii. Please confirm whether "Non-Union Overtime Time" indicated in Table 4 refers to Burlington Hydro's management staff.
- b. Please provide the method used to determine the level of incremental regular and overtime hours worked by Burlington Hydro staff that are included in the Z-factor claim.
- c. Please include a description of the method for tracking overtime hours and labour rates.

5. External Contractors and Other Electricity Distributors

Ref: Manager's Summary: Exhibit 1, page 6, Table 5

Ref: Manager's Summary: Exhibit 1, Attachment B, page 1

Ref: Utility Partners - GridSmartCity³

Board staff notes that Burlington Hydro is one of ten utility partners in GridSmartCity.

Board staff further notes from Table 5 that Burlington Hydro used the services of Cambridge and North Dumfries Hydro and Oakville Hydro. Additionally, Board staff notes from Attachment B, that Burlington Hydro used the services of a 3rd distributor, i.e. Waterloo North Hydro.

Board also staff notes from Appendix B that Burlington Hydro used the services of one power line contractor, i.e. K-Line, and one tree trimming contractor, i.e. Davey Tree and Arborwood Tree Services.

- a. With respect to the electricity distributors,
 - i. Did Burlington Hydro use services from any distributor aside from the three electricity distributors listed in Attachment B; and
 - ii. Please provide an updated Table 5 showing the costs pertaining to Waterloo North Hydro.
- b. Did Burlington Hydro reach out to (i) GridSmartCity, and (ii) the Electricity Distributors Association ("EDA"), to seek help regarding the restoration effort?
- c. With respect to the power line and tree trimming contractors, please confirm whether or not Burlington Hydro utilized the services of any

³ <http://gridsmartcity.com/partners/utilities/>

external contractors that would be in addition to the two contractors listed in Attachment B.

- d. Please provide a copy of Burlington Hydro's procurement policies.
- e. Further to the above, were the external contractors retained in a manner consistent with Burlington Hydro's procurement policies? If not, please provide rationale supporting procurement.
- f. Please clarify if the invoiced costs from the local distribution companies and power lines and tree trimming contractors referenced in Table 5 are based on regular labour rates or premium rates, given for example, the timing of the engagement, its urgency, or the amount of notice provided to suppliers.
- g. Please confirm if Burlington Hydro verified the hours worked by the local distribution companies and power lines and tree trimming contractors in the restoration effort.
- h. Please confirm if Burlington Hydro checked how the invoiced costs for labour rates and equipment were determined by the local distribution companies and power lines and tree trimming contractors.

6. Outage Incidents Location

Ref: Manager's Summary: Exhibit 1, Attachment B, page 12

Board staff notes that the most extensive damage occurred in areas north of the city.

- a. Please comment on the possible reasons for the most extensive damage occurring in areas north of the city, with reference to, among others, tree density, tree trimming operations or undergrounding.

7. Tree Trimming

Ref: Manager's Summary

- a. Please confirm whether or not Burlington Hydro has a tree trimming policy, and if yes:
 - i. Please provide a copy of the policy.
 - ii. Further, please confirm whether or not Burlington Hydro's tree trimming policy was adhered to in the period prior to the onset of the ice storm, i.e. in the duration of the prior tree trimming time cycle.

8. Allocation of Recovery Costs

Ref: Manager's Summary: Exhibit 1, page 8

Ref: Manager's Summary: Exhibit 1, Attachment D, page 3

Board staff notes that Burlington Hydro proposes to recover the ice storm Z-factor costs by way of a fixed charge rate rider across all customer classes based on allocating the ice storm recovery costs to all customer classes in proportion to Burlington Hydro's 2013 distribution revenues and customer/connection count.

- a. Please calculate fixed charge rate riders using customer/connection counts at December 31, 2013 reported in the Reporting and Record Keeping Requirements ("RRR") and by allocating Burlington Hydro's recovery amount of \$579,365 to all customer classes on the basis of the last Board approved distribution revenue, i.e. distribution revenue resulting from Burlington Hydro's 2014 cost-of-service rate application (EB-2013-0115).
- b. Please also calculate rate riders resulting from customer/connection counts at the end of 3rd quarter 2014.
- c. Please provide estimated bill impacts based on the rate riders calculated in a) and b).

9. Shareholder Contributions

Ref: Manager's Summary

Ref: 2014 cost-of-service rate application⁴, Exhibit 1, Tab 1, Schedule 3, page 1

Board staff notes that Burlington Hydro is a corporation incorporated pursuant to the *Ontario Business Corporations Act*, and is wholly-owned subsidiary of the City of Burlington.

- a. Is Burlington Hydro's shareholder, i.e. City of Burlington making any contribution to the restoration cost?
 - i. If not, why not?
 - ii. If yes, please provide details.

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http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/411776/view/BHI%202014%20CoS%20-%20Exhibit%201%20-%20Administration_20130901.PDF

10. Cost Impact

Ref: Manager's Summary: Exhibit 1, page 1

Board staff notes that Burlington Hydro's claim suggests that it sustained significant and sustained damage to its distribution system as a result of the ice storm that occurred on December 21st and 22nd, 2013.

- a. If the ice storm event had not occurred, would Burlington Hydro have incurred any of the costs included in the \$579,365 it is seeking to recover?

11. Emergency Preparedness

Ref: Manager's Summary: Exhibit 1, page 1

Board staff notes that Burlington Hydro has an Emergency Plan and has developed and established practices and procedures when restoring service subsequent to storms and extreme weather events.

- a. Please provide a copy of Burlington Hydro's Emergency Plan.
- b. Please comment on the degree to which Burlington Hydro's response to the ice storm accorded with the provisions of the plan, and explain the main reasons for any deviation from it.

12. Budget

Ref: Burlington Hydro's 2010 cost-of-service rate application⁵ (EB-2009-0259), Exhibit 4

Board staff notes that Burlington Hydro's 2010 cost-of-service rate application alludes to the OM&A budgeting process including provisions for emergency repairs.

- a. What was Burlington Hydro's budget for emergency distribution system problems for 2013?
- b. What was the unspent amount in Burlington Hydro's 2013 emergency distribution system problems budget just prior to the occurrence of the ice storm on December 21, 2013?
- c. Up to what dollar value, if any, was the ice storm restoration effort funded by Burlington Hydro's 2013 emergency distribution system problems budget?
- d. Please provide Burlington's Hydro's annual emergency distribution system problems budget and actual annual expenditure for the 5-year period prior to 2013.
- e. Further to the above, please comment on accounting changes, if any, during the 5-year period prior to 2013, that might impede the comparison of a year-to-year comparison of the annual emergency distribution system problems budget and actual annual expenditure.

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http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/147331/view/Burlington_APPL_COS_20090828.PDF

13. Insurance and Other Funding Sources

Ref: Manager's Summary

Board staff notes that the manager's summary does not make reference to insurance coverage available to offset Burlington Hydro's costs of restoration.

- a. Does Burlington Hydro have any insurance coverage to offset its costs of restoration?
- b. If no, did Burlington Hydro investigate the possibility of reimbursement through its current property insurance? Was any reimbursement for damage available through current coverage?
- c. Please provide a copy of any communication received from Burlington Hydro's insurance provider regarding potential reimbursement for ice storm damage.
- d. Did Burlington Hydro attempt to obtain funding to offset the costs of restoration from other sources, including but not limited to the Ontario Disaster Relief Assistance Program⁶?
 - i. If yes, please provide details.
 - ii. If not, why not?

⁶ <http://www.mah.gov.on.ca/Page237.aspx>

14. Power Restoration

Ref: Manager's Summary: Exhibit 1, page 4

Ref: Manager's Summary: Exhibit 1, Attachment B, page 1

Board staff notes that at peak approximately 7,500 of Burlington Hydro's customers were without power.

- a. What percentage of Burlington Hydro's customer base was without power at peak of the ice storm.

15. True-up

Ref: Manager's Summary

- a. Please provide Burlington Hydro's views on the retention of any over-recoveries or the forgoing of any under-recoveries that may arise at the end of the 18-month cost recovery period.