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November 14, 2014

BY FAX & BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2014-0252
Burlington Hydro Inc. --- Z Factor Application
Energy Probe – Argument

Pursuant to Procedural Order No. 2, issued October 27, 2014, please find attached Argument of Energy Probe Research Foundation (Energy Probe) in the EB-2014-0252 proceeding for consideration of the Board.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc. Kathi Farmer, Burlington Hydro (By email)
Randy Aiken, Aiken & Associates (By email)
Interested parties (By email)

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Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Burlington
Hydro Inc. for an order approving the recovery of certain
amounts related to the restoration of electricity service in the
City of Burlington due to an ice storm in December 2013, to be
effective November 1, 2014 for 18 months.

**ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

ARGUMENT

November 14, 2014

**BURLINGTON HYDRO INC.
2014 Z-FACTOR APPLICATION**

EB-2014-0252

ARGUMENT OF ENERGY PROBE RESEARCH FOUNDATION

A- INTRODUCTION

This is the Argument of the Energy Probe Research Foundation ("Energy Probe") related to the issues raised by the Z factor application of Burlington Hydro Inc. ("BHI").

Energy Probe takes no issue with the claim of Z factor eligibility. Energy Probe submits that BHI has adequately substantiated the claim.

In particular, Energy Probe submits that the amounts claimed by BHI (subject to the submissions below) are directly related to the Z factor event and are incremental to the base upon which rates were derived.

The amounts (again subject to the submissions below) were prudently incurred and are in excess of the Board-defined materiality threshold for BHI of \$154,183 (Exhibit 1, page 7).

However, Energy Probe does take issue with the vegetation management done in 2013 and the allocation to and recovery from customers of the amount to be recovered. Energy Probe also makes a submission on the timing of the recovery of the costs.

Submissions on these issues are provided below.

B - SUBMISSIONS

a) Vegetation Management in 2013

BHI is claiming a Z factor amount of \$579,365, including \$6,318 in carrying charges, that is related to incremental OM&A costs (Exhibit 1, page 8). Energy Probe has no issue with these costs.

However, Energy Probe does have serious concerns about the actual vegetation management (tree trimming) expenditures in 2013 compared to the projections in the 2014 cost of service application.

In the original filing for the 2014 cost of service rates application (EB-2013-0115) BHI forecasted the 2013 bridge year expenditures for vegetation management to be \$449,513 (Exhibit 4, Tab 3, Tab 1, Appendix 2-JC). This followed expenditures of \$366,722 in 2011 and \$385,728 in 2012. These latter two figures are shown in the response to Exhibit 2, Tab 1, Schedule 21 in the current proceeding. That interrogatory response shows that the actual vegetation management expenditures in 2013 were \$247,139.

On February 27, 2014 BHI filed an update to its evidence in EB-2013-0115, along with the interrogatory responses in that proceeding. As part of that update (Attachment 1), BHI proposed increasing the tree trimming budget to \$547,000, which was based on a 2013 expense of \$345,000.

As a result, Energy Probe notes that the 2013 vegetation management expenditures fell from \$449,513 in the October, 2013 prefiled evidence to \$345,000 in the February, 2014 evidence update, to \$247,139 as reported in the current proceeding.

Energy Probe notes that BHI has not provided any evidence as to the reasons for the decrease of nearly \$100,000 in 2013 from that provided in the 2013 update in February, 2014.

Energy Probe requests that BHI provide the reasons for the decrease in this expenditure in 2013 in its reply argument. If the Board determines that the decrease from the estimate of \$345,000 provided in February, 2014 is not supported by adequate rationale, then Energy Probe submits that the Board should reduce the Z factor claim by the amount that the actual spending on vegetation management in 2013 was lower than the amount indicated in February, 2014.

b) Allocation and Recovery

i) Allocation

BHI proposed to allocate the ice storm costs to the rate classes based on 2013 distribution revenues. Board Staff asked (Exhibit 2, Tab 1, Schedule 8) for the costs to be allocated based on the 2014 Board approved distribution revenues from its last cost of service application (EB-2013-0115).

Energy Probe submits that it would be more appropriate to allocate the ice storm costs based on the allocation approved by the Board in EB-2013-0115. Energy Probe, therefore, supports the allocation of the costs as illustrated in Exhibit 2, Tab 1, Schedule 8.

ii) Recovery

Energy Probe submits that the recovery of the Z factor amount through the use of a fixed rate rider, as proposed by BHI, is appropriate. Costs should be recovered based on a customer basis, rather than a consumption basis. This is because the costs proposed for recovery in this application are customer driven and not consumption driven.

Energy Probe generally supports the use of a forecasted number of customers over which to recover the costs. However, in this particular proceeding, BHI was unable to provide forecasts of the number of customers (Exhibit 1, Tab 1, Schedule 20a & b).

Energy Probe continues to submit that the use of the number of customers that will result in the smallest variance at the end of the rate rider recovery period is appropriate and notes that BHI has provided the actual number of customers by rate class at the end of September, 2014 (Exhibit 2, Tab 1, Schedule 20c). Energy Probe submits that the Board should direct BHI to use these figures in the calculation of the rate rider, as they will result in a smaller over collection of the ice storm costs.

BHI agrees that its proposal would result in over recovery of the balance in the Z factor account (Exhibit 2, Tab 1, Schedule 20d). BHI further agreed that this over collection will be tracked and refunded to customers in the future (Exhibit 1, Tab 1, Schedule 15). Based on the response to part (f) in Exhibit 2, Tab 1, Schedule 20, it is clear that this balance will be tracked at the rate class level. Energy Probe submits that this is appropriate because of the potential for significantly different growth rates in the number of customers across rate classes. For example, if the growth in residential customers was higher than for other classes, this rate class would contribute more to the recovery of the ice storm costs and any amount recovered in excess of the actual costs should be reflected in the refund to the rate classes that contributed to the over recovery.

In summary, Energy Probe submits that the fixed rate rider should be set based on the forecasted number of customers/connections in each rate class as of April, 2015, with any variances tracked by rate class and cleared in a subsequent proceeding to those rate classes.

c) Timing of the Recovery

Energy Probe supports the timing of the recovery as proposed by BHI, being November 1, 2014. However, given the current date, this start date for the recovery of the costs is no longer feasible. Energy Probe submits that the recovery should begin as soon as is possible. Any delay in the recovery of the costs from the event that gave rise to the costs should be minimized.

BHI is proposing an 18 month recovery period. This is based on the November 1, 2014 implementation date and the rationale that the proposed 18 month disposition period for the proposed rate rider will expire concurrent with the expiration of four other previously authorized rate riders (Exhibit 1, page 9). Energy Probe notes that since the implementation of the rate rider is likely to be later than November 1, 2014, the rate rider could remain at 18 months in length or it could be shortened so that it would expire concurrently with the other four previously authorized rate riders.

Given that the monthly bill impact of the rate riders based on the 18 month recovery period was relatively small at 0.26% for a residential customer and with the largest monthly bill impact of 0.77% for an unmetered scattered load customer (Exhibit 1, page 9), Energy Probe submits that shortening the length of the rate rider to reflect a later implementation by one, two or even three months would not have any significant impact on the monthly bill impact of any customers.

This would result in the ice storm rate rider expiring at the same time as the other four previously authorized rate riders, as proposed by BHI.

C - COSTS

Energy Probe requests that it be awarded 100% of its reasonably incurred costs. Energy Probe focused on the quantum and allocation of the Z factor claim.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

November 14, 2014

**Randy Aiken
Consultant to Energy Probe**