

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. pursuant to the
Ontario Energy Board Act, 1998 for an Order or Orders authorizing a deferral
account.

APPLICATION FOR AN ORDER OR ORDERS OF THE BOARD AUTHORIZING A DEFERRAL ACCOUNT

1. Burlington Hydro Inc. (“BHI”) is licensed by the Ontario Energy Board (“OEB”) to distribute electricity in the City of Burlington (ED-2003-0004). As a condition of license BHI must comply with OEB Codes, including the Distribution System Code (“DSC”).
2. BHI rebased its distribution rates through an application that was filed on October 1, 2013 (EB-2013-0115) and that the OEB approved by Order dated May 15, 2014. BHI’s Test Year “Billing and Collecting” costs were quantified assuming that the company would continue to bill its Residential customers bi-monthly and all other customers monthly.
3. On April 15, 2015 the OEB amended the DSC to require that all licensed electricity distributors bill their Residential customers monthly and commence to do so no later than January 1, 2017.
4. In order to comply with the amended DSC BHI must incur incremental costs and invest capital. The following list identifies some of the incremental ongoing costs that BHI anticipates incurring:
 - a. staff costs (e.g., for exception processing, call handling);
 - b. materials (e.g., paper, envelopes);
 - c. postage;
 - d. third party costs (e.g., web presentment services, bill print services).

BHI also anticipates that it will need to invest incremental capital (e.g., to support one-time software changes).).

Concurrent with these increases BHI anticipates that avoided costs may be achieved (e.g., as increasing numbers

of customers transition to e-billing), that downward pressure on historic costs may be observed (e.g., Bad Debt expense) and that BHI may experience improved cash flows. These amounts are not recovered through BHI's OEB approved rates.

5. Because BHI must comply with the terms of the DSC it cannot control the incurrence of incremental costs, avoided costs, downward pressure on historic cost levels or changed cash flows, either one-time or ongoing.
6. The magnitude of the anticipated costs and benefits cannot be reliably quantified at this time. There is the potential for the net amount to exceed BHI's materiality limit of \$145,000. Please note that the scenarios provided below rely on a simplifying assumption of a 20% change.
 - Incremental Billing Costs: Assuming that BHI's 45,000 residential customers who currently receive bi-monthly paper bills continue to be paper billed as of January 1, 2017 BHI will issue an additional 270,000 paper bills annually. Assuming BHI's lowest postage rate of \$0.76/item, stationary costs of \$0.06/bill and production costs of \$0.18/bill the associated incremental expense amounts to approximately \$270,000.
 - Incremental Exceptions Processing Costs: Under bi-monthly billing BHI's Billing staff typically required 10 hours/week to identify and resolve billing exceptions; upon the transition to monthly billing this workload will most likely double giving rise to an incremental cost of \$18,000.
 - Incremental Call Centre Costs: Assuming that the transition to monthly billing does not impact BHI's customer's ability to pay their bills BHI could experience a doubling of its Call Centre costs and increased costs of \$47,000.
 - Potential Bad Debt Expense Reduction: In 2016 BHI wrote off approximately \$131,000 of Residential accounts to Bad Debts. Assuming that the transition to monthly billing reduces the average amount written off by 50% and in the scenario that BHI writes off 20% fewer accounts the associated Bad Debt expense could be approximately \$52,500 or approximately \$79,000 lower than the 2016 expense.
 - Potential Avoided Costs of Transition to e-Billing: Assuming 20% of the Residential customers who are paper billed transition to e-billing BHI could avoid \$54,000 of costs.
 - Potential Avoided Call Centre Costs: in the scenario where 20% fewer Residential customers call BHI in with a Billing question BHI could experience a \$9,500 reduction in Call Centre costs.

BHI is actively monitoring its Working Capital position for impacts attributable to monthly billing its Residential customers.

The above incremental costs, potential avoided costs, potential savings are assumed not to result in inappropriate impacts to BHI's ongoing ability to achieve, or better, its quality and customer service metrics.

7. For the reasons set out in paragraphs 4, 5 and 6 BHI seeks Board authorization to establish the requested deferral account to record the incremental administrative costs, and, realized savings and cost reductions associated with complying with this provision of the DSC.
8. The proposed Journal Entries are set out in Appendix A.
9. Disposition of the balances recorded in the proposed deferral account will be the subject of a future application that will, among other things, include a prudence review and is expected to be achieved through a rate rider applicable to Residential customers. That application will also consider a possible date on which the proposed deferral account will cease to operate date or identify the events (e.g., disposition of BHI's next rate rebasing application) that must occur in order for the account's operation to be terminated.
10. No customer will be impacted by the granting of this Application.
11. BHI proposes that the OEB proceed pursuant to 21(iv)b. of the Act. In the alternative, BHI requests that the Board proceed by way of a written hearing.
12. BHI's Manager, Regulatory Affairs will be the contact person for this Application; her contact information is provided below:

Kathi Farmer
Manager, Regulatory Affairs
Burlington Hydro Inc.

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Dated at Burlington, Ontario this 30th day of March, 2017

Appendix A

Proposed Journal Entries

Burlington Hydro shall establish USoA Account 1508 Sub-account Monthly Billing Transition Costs for Residential Customers effective September 1, 2016 to record the incremental costs, incremental savings and the impact to the Revenue Requirement associated with the working cash impacts experienced upon the transition from bi-monthly billing to monthly billing of its Residential customers. This account is eligible for Carrying Charges at the Board prescribed rate.

Sample accounting entries are provided below.

- A. To record on a monthly basis the incremental period expenses incurred by transitioning to or providing monthly billing for Residential customers

DR	Account 1508, Sub-account Monthly Billing Transition Costs for Residential Customers	XXX
CR	XXXX Various Accounts: Operations, Maintenance, Administration	XXX

Records the incremental OM&A expenses related to the transition to or provision of monthly billing for Residential customers. Account 1508, Sub-account Monthly Billing Transition Costs for Residential Customers shall use appropriate sub-accounts to record the costs incurred (e.g., incremental Billing costs, incremental Call Centre costs).

- B. To record on a monthly basis the incremental savings realized by transitioning to or providing monthly billing for Residential customers

DR	XXXX Various Accounts: Operations, Maintenance, Administration	XXX
CR	Account 1508, Sub-account Monthly Billing Transition Costs for Residential Customers	XXX

Records the realized savings related to the transition to or provision of monthly billing for Residential customers. Account 1508, Sub-account Monthly Billing Transition Costs for Residential Customers shall use appropriate sub-accounts to record the realized savings (e.g., avoided Call Centre costs, reductions to Bad Debt expense attributable to monthly billing Residential customers).

- C. To record on a monthly basis the Revenue Requirement impact of changes in Working Capital experienced upon the transition to or through the provision of monthly billing to its Residential customers

DR	Account 4080 Distribution Revenues	XXX
CR	Account 1508 – Monthly Billing Transition Costs for Residential Customers	XXX

To record on a monthly basis the impact on the Revenue Requirement associated with the working cash impacts experienced upon the transition to and provision of monthly billing for Residential customers.

D. To record on a monthly basis the Carrying Charges associated with Account 1508, Sub-account Monthly Billing Transition Costs for Residential Customers

DR Account 1508, Sub-account Monthly Billing Transition Costs for Residential Customers: Carrying Charges
XXX

CR Account 4405 Other Interest Income
XXX

To record the Carrying Charges on the monthly opening balance recorded in Account 1508, various Sub-accounts at the applicable OEB-approved prescribed accounting interest rate.

All records shall be maintained at an appropriate level to permit Board review and verification of amounts recorded therein.