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February 7, 2019

**VIA E-MAIL**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St.  
Toronto, ON

Dear Ms. Walli:

**Re: EB-2018-0021 Burlington Hydro Inc. 2019 Electricity Distribution Rates  
Final Submissions of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the final submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

*(Original Signed By)*

John Lawford  
Counsel for VECC

Copy to: Sally Blackwell, Burlington Hydro Inc.

**EB-2018-0021**

**Burlington Hydro Inc.**

**Application for electricity distribution rates effective May 1, 2019**

**Final Submissions of Vulnerable Energy Consumers Coalition (VECC)**

Burlington Hydro Inc. (Burlington Hydro) filed an incentive rate-setting mechanism application with the Ontario Energy Board (OEB) on September 24, 2018 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to its electricity distribution rates to be effective May 1, 2019.

VECC was approved by the OEB as an intervenor in relation to Burlington Hydro's request for \$4.85 million in incremental capital funding for the construction of system access projects.

In Procedural Order No. 2 dated December 11, 2018, the OEB approved the combining of Burlington Hydro's IRM application and Z-factor application dated December 7, 2018, and extended VECC's intervenor status to include Burlington Hydro's Z-factor application.

VECC submissions below relate to Burlington Hydro's ICM and Z-factor requests.

**Incremental Capital Module**

The Incremental Capital Module (ICM) is intended to address the treatment of capital investment needs that arise during the rate setting plan which are incremental to a materiality threshold.

Burlington Hydro's ICM projects are shown in the table below and relate to capital contributions owed to Hydro One.<sup>1</sup> Burlington Hydro last rebased for 2014 rates (EB-2013-0115). Burlington Hydro was granted approval by the OEB in August 2018 to defer rebasing from 2019 to 2020.<sup>2</sup> Burlington Hydro has modified the ICM to incorporate a capital funding request in the fifth year of an electricity rate application under the Price Cap IR.

Table 1: ICM Capital Projects

Project Description	Category	2018	2019	Total
Project 1: Tremaine Transformer Station - CCRA True-up	System Access	\$0	\$2,500,000	\$2,500,000
Project 2: Tremaine Transformer Station - Additional Breakers	System Access	\$1,000,000	\$1,000,000	\$2,000,000
Project 3: Bronte Transformer Station - Additional Breakers	System Access	\$0	\$350,000	\$350,000
<b>Total</b>		<b>\$1,000,000</b>	<b>\$3,850,000</b>	<b>\$4,850,000</b>

The OEB's ICM Filing Requirements require that the requested amount for an ICM claim must be incremental to a distributor's capital requirements within the context of its financial capabilities underpinned by existing rates and satisfy the eligibility criteria of *materiality, need and prudence*.<sup>3</sup>

<sup>1</sup> Exhibit 1Page 38

<sup>2</sup> Staff IR-10 (b)

<sup>3</sup> OEB Filing Requirements For Electricity Distribution Rate Applications - 2018 Edition for 2019 Rate Applications - Chapter 3 Incentive Rate-Setting Applications P24

## Materiality

With respect to materiality, the OEB's ICM Filing Requirements state "A capital budget will be deemed to be material, and as such reflect eligible projects, if it exceeds the OEB-defined materiality threshold. Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount (as defined in this ACM Report) and must clearly have a significant influence on the operation of the distributor; otherwise they should be dealt with at rebasing. Minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. A certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget."<sup>4</sup>

VECC takes no issue with Burlington Hydro's calculation of the ICM materiality threshold based on the OEB's ICM formula in the ACM Report, that includes a maximum eligible incremental capital amount of \$7,321,828.<sup>5</sup>

VECC submits Project #1 (\$2.5 million) and Project #2 (\$1 million) meet the OEB's Materiality threshold test, but Project #3 (\$350,000) does not.

VECC submits the additional breakers at the Bronte Transformer Station (Project #3) is not a significant capital cost in comparison to the overall capital budget of Burlington Hydro for 2019. The 2019 capital budget is forecast to be \$12,726,28<sup>6</sup>, and this project is 2.75% of that total. VECC submits Burlington Hydro should be able to fund this project through its normal capital budget during the IRM term and no additional funding should be approved. As discussed below under Project #3, VECC further submits that Burlington Hydro has not demonstrated prudence with respect to the anticipated payment to Hydro One.

## Need

The ACM Reports states that "Need" must be established by meeting the following criteria:

- passing the Means Test; |
- the amounts must be based on discrete projects, and should be directly related to the claimed driver;
- the amounts must be clearly outside of the base upon which the rates were derived.

### Means Test

The ACM Report indicates that the distributor must file its most recent calculation of its regulated return (RRR 2.1.5.6). If the regulated return exceeds 300 basis points above the deemed return on equity embedded in the distributor's rates, the funding for any incremental capital project will not be allowed.

Burlington Hydro's 2017 actual ROE was 7.33%, 2.03% lower than the deemed ROE of 9.36%.

VECC submits Burlington Hydro passes the Means Test.

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<sup>4</sup> OEB Filing Requirements For Electricity Distribution Rate Applications - 2018 Edition for 2019 Rate Applications - Chapter 3 Incentive Rate-Setting Applications P24

<sup>5</sup> Exhibit 1 P37

<sup>6</sup> Ibid

### Discrete Projects

Burlington Hydro states each project is distinct and unrelated to a recurring annual capital project.<sup>7</sup> VECC agrees. The capital funding request for Project #1 is for a Connection and Cost Recovery (CCRA) True-up with Hydro One Networks Inc. (Hydro One) related to the Tremaine Transformer Station (Tremaine TS). The capital funding request for Project #2 is for additional breakers at the Tremaine TS. The capital funding request for Project #3 is related to a CCRA True-up with Hydro One related to the construction of two new breakers at Bronte TS. None of these projects are related to a recurring annual capital project. Rather they are discrete system access projects related to supply from Hydro One owned transformer stations.<sup>8</sup> Both Projects #1 and #2 are related to Tremaine TS.

### Outside of Base Rates

Burlington Hydro confirmed these projects were not included in the capital expenditures approved in Burlington Hydro's Cost of Service application (EB-2013-0115) and as such are not funded through existing rates.

### **Prudence**

The OEB's Filing Requirements state "The amounts to be incurred must be prudent. This means that the distributor's decision to incur the amounts must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

As discussed below, VECC concludes only Project #1 meets the OEB's prudence criterion.

### Project 1: Tremaine Transformer Station CCRA True-up (\$2.5 M)

A CCRA between Burlington Hydro and HONI was executed on May 4, 2011 for a new transformer station - Tremaine TS. The construction of Tremaine TS was completed by Hydro One on December 20, 2012. The Tremaine TS is shared with Milton Hydro.

Prior to building Tremaine TS, Burlington Hydro was supplied by Burlington TS, Cumberland TS, Bronte TS and Palermo TS. Hydro One and Burlington Hydro agreed a new TS was required to meet existing and future demand growth in the north-east of Burlington and off-load Palermo TS, which was exceeding capacity.

The total contracted capacity at the Tremaine TS is 153 MW. The contracted capacity and costs were split between Burlington Hydro (75%) and Milton Hydro (25%). Burlington Hydro's contracted capacity for Tremaine TS is 114.75 MW.

Burlington Hydro based its revised forecasted demand on historical demand instead of previously projected figures.<sup>9</sup> Based on an estimate of the Tremaine TS 5<sup>th</sup> year true-up using an updated demand forecast, Burlington Hydro expects a CCRA payment of \$2.5 million due to Hydro One in Q1 of 2019.

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<sup>7</sup> Exhibit I P38

<sup>8</sup> Exhibit 1 P

<sup>9</sup> Appendix H P2

Burlington Hydro is seeking recovery through an ICM for the CCRA payment which was estimated by Burlington Hydro using Hydro One's Transmission Contribution Model (CCRA Model).<sup>10</sup> Hydro One confirmed that the Tremaine CCRA 5<sup>th</sup> year true-up will be calculated based on the combined demand at Tremaine TS and Palermo TS, not the Tremaine TS in isolation.<sup>11</sup>

Burlington Hydro indicates the 5<sup>th</sup> year true-up revenue shortfall is the result of historical and future demand being lower than originally forecast. The original total demand forecast for Tremaine TS and Palermo TS from 2012-2017 was 477 MW. Actual demand was 387 MW, 80% of the original forecast.

Burlington Hydro indicates the shortfall is driven by several factors. Slower recovery from the 2009 recession than anticipated, contributing to a lack of economic momentum. Residential growth is driven by multi-unit residential buildings (condominiums) with lower demand and consumption than single family homes. Conservation and demand management programs were more successful than anticipated. Time of use pricing was introduced, and distributed generation was implemented.

The original demand forecast assumed: strong economic growth; residential growth attributed to increase in single family homes; moderate reduction in demand due to conservation and demand management programs; no Distributed Generation; and no Time of Use Pricing.

VECC submits the CCRA payment to Hydro One is non-discretionary, and VECC accepts Burlington Hydro's explanation regarding the revenue shortfall. VECC submits the OEB should approve the ICM for Project #1.

Burlington Hydro indicates it will make a subsequent update to the Application for the actual true-up amount which is expected to be available from Hydro One prior to the Board rendering its Decision on this Application.<sup>12</sup> Burlington Hydro expects Hydro One's initial calculation of the true-up amount in mid-February 2019. In accordance with Procedural Order No. 1, Burlington Hydro is required to file its reply submissions on February 21, 2019. VECC submits Burlington Hydro's submissions should include the actual CCRA true-up amount for Project #1.

#### Project 2: Tremaine Transformer Station Additional Breakers - Simplified CCRA (\$2 M)

The Tremaine TS was built with capacity for 12 breakers and at the time of construction eight breakers were built, leaving available capacity for a remaining four breakers. Burlington Hydro was initially allocated six feeder positions at Tremaine TS,<sup>13</sup> and Milton Hydro was allocated two.

Burlington Hydro and Milton Hydro since determined they needed Hydro One to construct two more breakers each to allow for full utilization of their long term capacity at the Tremaine TS.<sup>14</sup> HONI agreed to both requests and a simplified CCRA was executed in May 2018.<sup>15</sup> Upon completion of the construction of the four new breakers, 100% of the available capacity at Tremaine TS will be assigned.

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<sup>10</sup> Ibid., P44

<sup>11</sup> VECC-5

<sup>12</sup> Exhibit 1 P44

<sup>13</sup> Appendix G P1

<sup>14</sup> Exhibit 1 P46

<sup>15</sup> Appendix I

Burlington Hydro expects to make a CCRA payment of \$1.0 million in 2019 due to Hydro One related to the purchase of two additional feeder breaker positions (breakers) at the Tremaine TS. Burlington Hydro made a payment of \$1.0 million in 2018. Burlington Hydro is seeking recovery of the total cost of \$2.0 million through an ICM.

Burlington Hydro had other options available. Burlington Hydro could have done nothing (Option #1) but chose not to stating that in the medium to long term the existing capacity at the Transformer Stations will be inadequate to meet demand and if the breaker positions were no longer available, Burlington Hydro would have to either build out the Tremaine TS to accommodate more breakers (\$1.5 million/breaker) or build a new TS (\$25 to \$30 million). Burlington Hydro did not provide any further cost details to explain how the cost of a new breaker on an as needed basis would be 50% more than attaining the breaker positions now.

Burlington Hydro could have deferred the purchase of the breakers until a later date (Option #2) but it chose not to on the basis that it had no guarantee that the two breaker positions would be available at a later date as the TSC (Section 6.2.10) allows Hydro One to assign available capacity on a first come first serve basis. Burlington Hydro indicated there are no provisions in its CCRA for Hydro One to provide Burlington Hydro with advance notice of any potential requests from load customers for available capacity.<sup>16</sup> VECC submits this provision would have been beneficial to customers to ensure Burlington Hydro incurred costs related to two new breaker positions at the optimal time. In response to VECC-11, Burlington Hydro indicates it was aware of a near-term request from another load customer seeking available capacity, and another LDC expressed interest in constructing the two breakers. However, it is not clear from the details provided if these requests would have materialized.

As a third option, Burlington Hydro could have installed only one breaker and reduced the cost by 50%. Burlington Hydro explains that breakers are installed in pairs to provide redundancy to increase reliability and two breakers are needed to provide the long-term capacity Burlington Hydro requires. VECC accepts Burlington Hydro's explanation and submits that installing only one breaker is not the best design option if two breakers are ultimately needed.

So, the question becomes whether Burlington Hydro should have deferred the purchase of the breakers until a later date. In VECC's view, Burlington Hydro should have waited based on the load data that shows historical demand is lower than originally forecast for the years 2012 to 2017 and Burlington Hydro is required to make a 5-year revenue shortfall payment to Hydro One. At the end of 2017, the year Burlington Hydro made the decision to purchase two new breakers, the available capacity at the Tremaine TS was 50%.<sup>17</sup> Tremaine TS is not expected to reach contracted capacity until 2034, 15 years from now, based on forecasted system growth of 1% per year.<sup>18</sup>

Burlington Hydro determined in late 2017 that it needed to construct two more breakers at the Tremaine TS to:

- accommodate future growth in the North-East area of Burlington which is served by the Tremaine TS and the Palermo TS;
- take load off the Bronte TS which is operating over capacity; and

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<sup>16</sup> VECC-11

<sup>17</sup> VECC-6

<sup>18</sup> VECC-5

- take load off the Cumberland TS for which capacity needs to be freed up to accommodate future growth in the downtown core.<sup>19</sup>

With respect to each of the above demand needs, Burlington Hydro provided the corresponding load and timing as shown in the Table below.<sup>20</sup>

**Table 7 - Load Requirements at Tremaine TS**

Need	Load	Timing
i. Accommodate Future Growth North East Burlington	1-3MW/year	2019-2037
ii. Take Load off Bronte TS	5MW	2022-2031
iii. Take Load off Cumberland TS	15MW	2022-2031

VECC calculates the total load requirements at Tremaine TS related to the above needs is 46 MW and 32 MW for the period 2019 to 2031, based on 3 MW/year and 1 MW/year, respectively, to accommodate future load growth in north east Burlington for need (i).

In response to VECC-5, Burlington Hydro provided the original demand forecast compared to the revised demand forecast for the Tremaine TS and Palermo TS, as shown in the table below.

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<sup>19</sup> Appendix J P1

<sup>20</sup> VECC-10 (b)

**VECC -5**

**Original Demand vs. Updated Demand - Tremaine and Palermo Transformer Stations**

<b>Year</b>	<b>Original Demand Forecast (MW)</b>	<b>Revised Demand Forecast (MW)</b>	<b>Variance (MW)</b>	<b>Variance %</b>
<b>2012</b>	67.9	39.6	-28.3	
<b>2013</b>	72.5	56.4	-16.1	
<b>2014</b>	77.1	73.5	-3.6	
<b>2015</b>	81.8	59.8	-22.0	
<b>2016</b>	86.4	83.0	-3.4	
<b>2017</b>	91.1	74.4	-16.7	
<b>2018</b>	95.7	81.1	-14.6	
<b>2019</b>	100.3	90.6	-9.7	
<b>2020</b>	105	93.3	-11.7	
<b>2021</b>	109.6	96.1	-13.5	
<b>2022</b>	114.2	98.9	-15.3	
<b>2023</b>	118.7	101.8	-16.9	
<b>2024</b>	122.8	104.7	-18.1	
<b>2025</b>	126.5	107.6	-18.9	
<b>2026</b>	129.7	110.5	-19.2	
<b>2027</b>	132.5	113.5	-19.0	
<b>2028</b>	134.5	116.5	-18.0	
<b>2029</b>	136.1	119.5	-16.6	
<b>2030</b>	137.3	123.3	-14.0	
<b>2031</b>	138.3	127.2	-11.1	
<b>2032</b>	139.4	132.1	-7.3	
<b>2033</b>	140.4	137.9	-2.5	
<b>2034</b>	141.4	143.8	2.4	
<b>2035</b>	142.5	149.8	7.3	
<b>2036</b>	143.5	155.9	12.4	
<b>2037</b>	144.5	162.0	17.5	
<b>Total</b>	<b>3029.7</b>	<b>2752.8</b>	<b>-276.9</b>	<b>91%</b>

The revised total demand forecast for the Tremaine TS and Palermo TS shows close to a 10% shortfall compared to the original demand forecast for the years 2012 to 2037 inclusive.

Given the current available capacity at Tremaine TS and Palermo TS until 2034, VECC submits it is not a prudent decision to purchase the two new breakers at this time. Capacity is currently available to address the above needs. The additional capacity provided by the two new breakers is 29 MW<sup>21</sup> which is not required at this time. There is no compelling evidence from Burlington Hydro that the two breaker positions would not be available at a later date, when the demand forecast is more certain and remaining available capacity is known.

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<sup>21</sup> VECC-10



VECC submits the construction of the two breakers in 2019 does not result in the most cost-effective, least risk option for ratepayers. Customers are now exposed to a high risk that the forecast load will not materialize. There is no evidence that the existing capacity at the Transformer Stations will be inadequate to meet demand. The total contracted station capacity is 479.7 MW. The projected load 2023 load is 391.4 MW.<sup>22</sup>

In addition to the above issues, VECC submits there is also uncertainty regarding the forecast in-service date. The original forecasted in-service date for the second breaker was Q2 2019.<sup>23</sup> The forecasted in-service date for the second breaker has subsequently been updated to Q4 2019.<sup>24</sup> Burlington Hydro did not provide an explanation for the half year delay in the in-service date. VECC submits there is some uncertainty that the breaker will not be in service in 2019.

VECC submits the OEB should not approve the ICM for Project #2 for 2019. Rather, the capital in-service amount should be reviewed and approved in Burlington Hydro's next rebasing application, scheduled for 2020 rates.

Should the Board approve Project #2 as an ICM, VECC submits the \$1 million expenditure in 2018 should not be part of the ICM. Burlington Hydro's 2018 budget was \$14.3 million net of capital contributions. The latest forecast for 2018 capital expenditures is \$10.7 million,<sup>25</sup> \$3.6 million less. VECC submits the \$1 million in 2018 should be absorbed within the total capital budget.

#### Project 3: Bronte Transformer Station – Additional Breakers – CCRA True-up, \$350,000

In 2006, Burlington Hydro and Hydro One executed a CCRA for Hydro One to install two 27.6kV feeder breaker positions at Hydro One's Bronte TS #2 to alleviate overloading on existing facilities and to supply new loads in the supply area.<sup>26</sup> Construction was completed in 2008.

Hydro One conducted the 5<sup>th</sup> year true-up in 2013 at which time it was determined that Burlington Hydro did not owe monies in excess of the original capital contribution. Hydro One is currently conducting the 10<sup>th</sup> year true-up and Burlington Hydro is estimating a shortfall in revenue to Hydro One of \$0.35 million as compared to the CCRA. Burlington Hydro expects to make this payment to HONI in Q1 2019.

In response to VECC-12, Burlington Hydro indicates Hydro One's 10<sup>th</sup> year true-up amount is not available, and Burlington Hydro now expects the initial calculation in mid-February 2019. Thus, Burlington Hydro indicates it used the Tremaine CCRA model as a proxy to estimate the 10<sup>th</sup> year true-up for the Bronte TS. Hydro One confirms the Bronte CCRA 10<sup>th</sup> year true-up will be calculated based on the combined demand at Bronte TS and Palermo TS, not the Bronte TS in isolation.<sup>27</sup>

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<sup>22</sup> Staff-6

<sup>23</sup> Appendix J P1

<sup>24</sup> VECC-9

<sup>25</sup> VECC-1

<sup>26</sup> Appendix L P1

<sup>27</sup> VECC-12

Burlington Hydro's evidence indicates a true-up is required if actual load is 20% higher or lower than the initial load forecast at the end of the tenth year of operation.<sup>28</sup> In response to VECC-12, Burlington Hydro provided a comparison of the original demand forecast compared to the updated demand forecast for the Bronte TS and Palermo TS.

Using this data, VECC concludes that the actual demand at the end of the tenth year of operation was greater than the forecast demand. VECC calculates the original total demand forecast for Bronte TS and Palermo TS over the 10 year period from 2009 to 2018 as 607 MW (see Table below), and actual demand over the same period is 693.5 MW, noting 2018 actuals are a forecast.<sup>29</sup>

#### **VECC -12**

##### **Original Demand vs. Updated Demand - Bronte and Palermo Transfor**

<b>Year</b>	<b>Original Demand Forecast (MW)</b>	<b>Revised Demand Forecast (MW)</b>	<b>Variance (MW)</b>	<b>Variance %</b>
<b>2008</b>	60.7	85.5	24.8	
<b>2009</b>	60.7	73.8	13.1	
<b>2010</b>	60.7	79.8	19.1	
<b>2011</b>	60.7	90.8	30.1	
<b>2012</b>	60.7	80.7	20	
<b>2013</b>	60.7	79.8	19.1	
<b>2014</b>	60.7	68.1	7.4	
<b>2015</b>	60.7	46.1	-14.6	
<b>2016</b>	60.7	57	-3.7	
<b>2017</b>	60.7	60.9	0.2	
<b>2018 Fcst</b>	60.7	56.5	-4.2	
<b>10th year 2009-2018</b>	<b>607.0</b>	<b>693.5</b>	<b>86.5</b>	<b>114%</b>

Given actuals are 86.5 MW greater or 114% of the original demand forecast, it is not clear to VECC why a 10<sup>th</sup> year true-up payment to Hydro One is anticipated. On this basis, VECC submits the OEB should not approve ICM funding for Project #3.

#### **Conclusions**

Of the three proposed ICM project, VECC submits only Project #1 should be approved by the OEB for ICM funding as it meets the OEB's ICM criteria related to materiality, need and prudence. VECC submits Burlington Hydro has not demonstrated prudence for Project #2 or Project #3. In addition, VECC submits Project #3 if accepted, does not meet the OEB's materiality test. A certain degree of project

<sup>28</sup> Appendix L P1

<sup>29</sup> VECC-12

expenditure over and above the threshold calculation is expected to be absorbed within the total capital budget.

## **ICM Module**

On sheet 10b of the Capital Module spreadsheet, a full year of depreciation is calculated, and PILS have been calculated using a full year of Capital Cost Allowance (CCA). The OEB's policy is that full depreciation, CCA and return on capital is allowed for all years of the price cap plan except for the final year prior to rebasing, in which case the standard half-year rule is applied. Since 2019 is the final year prior to rebasing in 2020, the half-year rule should be used for the 2019 ICM projects.

Burlington Hydro confirmed it included a full year of depreciation in the ICM Model in error. Burlington Hydro provided an updated ICM model based on applying the half-year rule for depreciation for the 2019 ICM projects.<sup>30</sup> VECC submits this update is appropriate.

## **Z-Factor Request**

Burlington Hydro experienced a wind storm on May 4, 2018 and is seeking recovery of \$368,487 associated with the restoration of services through a Z-Factor event. Burlington Hydro proposes to recover this amount through a 12-month fixed rate rider effective May 1, 2019.

In order to be eligible for recover of a Z-factor event, a distributor demonstrate that the costs incurred meet the following three eligibility criteria:

### **Materiality:**

*The amounts must exceed the Board-defined materiality threshold and have a significant influence on the operation of the distributor; otherwise they should be expensed in the normal course and addressed through organizational productivity improvements.*

Burlington Hydro updated the Z-factor claim to \$323,245 (including \$6,289 in carrying charges) to remove overhead burdens of \$51,532 that were included in operating expenses in error as these costs are not incremental.<sup>31</sup> VECC takes no issue with the updated calculation.

Burlington Hydro's materiality threshold is \$144,178 which represents 0.5% of its distribution revenue requirement of \$28,835,532, as approved in its 2014 Cost of Service application (EB-2013-0115). VECC submits the \$323,245 relief requested exceeds the materiality threshold.

VECC agrees the wind storm event was outside of Burlington Hydro's control and significantly impacted operations due to 100 km/hr plus winds and loss of power that impacted 30,940 or 46% of Burlington Hydro's customers. Power was restored within 26 hours.<sup>32</sup> Burlington Hydro describes the wind storm

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<sup>30</sup> Staff -10

<sup>31</sup> Staff-11

<sup>32</sup> Appendix N P3

as one of the most severe storms in its history. Burlington Hydro submits that if the wind storm had not occurred, Burlington Hydro would not have incurred any of the costs.<sup>33</sup>

**Causation:**

*Amounts should be directly related to the Z-factor event. The amount must be clearly outside of the base upon which rates were derived.*

VECC takes no issue with Burlington Hydro's confirmation that the updated costs are incremental (outside of the base upon which rates are derived) and are directly related to the Z-factor event.

**Prudence:**

*The amount must have been prudently incurred. This means that the distributor's decision to incur the amount must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.*

Burlington Hydro's costs include incremental labour, material and vehicles as well as costs for 3<sup>rd</sup> Party Contractors and Grid Smart City Partners. Burlington Hydro allocated all external work that it could not handle itself to Grid Smart City Partners first.<sup>34</sup> Burlington Hydro indicates the work provided by 3<sup>rd</sup> Party Contractors was not available under the Grid Smart City Mutual Aid Agreement.

Burlington Hydro indicates it did not deviate from its Emergency Response Plan. Burlington Hydro paid overtime labour rates as the event occurred on the weekend.<sup>35</sup>

Burlington Hydro explained the OM&A in base rates does not include expenditures associated with a storm of this magnitude, and there is no capital storm budget included in base rates.

Burlington Hydro notified the OEB of the Z-factor event within six months of the event.

Z-factors are unforeseen events that are not within management's control. VECC submits Burlington Hydro has adequately demonstrated that it could not have been able to plan and budget for the event and that the costs related to the event are incremental. VECC submits the OEB should approve Burlington Hydro's Z-factor request.

**Unaudited Costs**

Burlington Hydro indicates none of the costs have been audited but will be audited in February 2019.<sup>36</sup> Burlington Hydro plans to update the application with respect to the CCRA amounts determined by Hydro One. VECC submits Burlington Hydro should also provide any updates to the Z-factor amount at this time.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 7<sup>th</sup> day of February 2019.

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<sup>33</sup> Staff-11

<sup>34</sup> Staff-13

<sup>35</sup> Staff-13

<sup>36</sup> Staff-12