Ontario Energy Board | Commission de l'énergie de l'Ontario

DECISION AND RATE ORDER

EB-2018-0021

BURLINGTON HYDRO INC.

Application for rates and other charges to be effective May 1, 2019

BEFORE: **Allison Duff**
Presiding Member

Michael Janigan
Member

March 28, 2019

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1. INTRODUCTION AND SUMMARY

Burlington Hydro Inc. (Burlington Hydro) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on September 24, 2018. The application included three incremental capital module (ICM) funding requests. Subsequently, Burlington Hydro notified the OEB that it had experienced, and would also be applying for, a z-factor event (filed December 2, 2018). The OEB combined the hearing of these two applications.

Burlington Hydro serves about 67,000 mostly residential and commercial electricity customers in the City of Burlington. The company is seeking the OEB's approval for the rates it charges to distribute electricity to its customers, as is required of licenced and rate-regulated distributors in Ontario.

A distributor may choose one of three rate-setting methodologies approved by the OEB. Each of these is explained in the OEB's *Chapter 3 Filing Requirements for Incentive Rate-Setting Applications* (Filing Requirements).

Burlington Hydro's application is based on a Price Cap Incentive Rate-setting option (Price Cap IR) with a five-year term. The Price Cap IR option involves the setting of rates through a cost of service application in the first year. Mechanistic price cap adjustments, based on inflation and the OEB's assessment of the distributor's efficiency, are then approved through IRM applications in each of the ensuing four (adjustment) years.

The OEB approves the proposed Price Cap IR adjustment, recovery of the z-factor costs and two of the ICM funding requests. As a result of the OEB's findings in this Decision, there will be a monthly bill total bill increase before taxes of $1.66 for a residential customer consuming 750 kWh, effective May 1, 2019.

Consistent with OEB policy, Burlington Hydro also applied to change the composition of its residential distribution service rates. In 2015, the OEB issued a policy to transition residential rates to a fully fixed structure over a four-year period beginning in 2016.[1] Accordingly, in 2019 the final upward adjustment is approved. There is no longer a variable residential distribution rate for residential customers. This policy change does not affect the total revenue collected from residential customers.

[1] OEB Policy – "A New Distribution Rate Design for Residential Electricity Customers." EB-2012-0410, April 2, 2015.

2. THE PROCESS

The OEB follows a standardized and streamlined process for hearing IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term, the OEB prepares a Rate Generator Model that includes information from the distributor's past proceedings and annual reporting requirements. A distributor will then review and complete the Rate Generator Model and include it with its application.

During the course of the proceeding, the Rate Generator Model will also be updated or corrected, as required. The Rate Generator Model updates base rates, retail transmission service rates and, if applicable, shared tax saving adjustments. It also calculates rate riders for the disposition of deferral and variance account balances.

Burlington Hydro filed its applications on September 24, 2018 and December 7, 2018 under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act) and in accordance with the Filing Requirements. Through Procedural Order No. 2, the OEB combined the hearing of the two applications, pursuant to section 21(5) of the OEB Act.

Notice of the IRM application was issued on November 16, 2018. Vulnerable Energy Consumers Coalition (VECC) responded to the Notice and became a party to the proceeding. OEB staff also participated in the proceeding. Cost awards were allowed for the z-factor and ICM. The applications were supported by pre-filed written evidence and a completed Rate Generator Model. During the course of the proceeding, the applicant responded to interrogatories and, where required, updated and clarified the evidence. Final submissions on the application were filed by Burlington Hydro, OEB staff and VECC.

3. ORGANIZATION OF THE DECISION

In this Decision, the OEB addresses the following issues, and provides reasons for approving or denying Burlington Hydro's proposals relating to each of them:

(i) Price Cap IR Application

- Price Cap Adjustment
- Shared Tax Adjustments
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Lost Revenue Adjustment Mechanism Variance Account Balance
- Residential Rate Design
- Incremental Capital Module

(ii) Z-Factor Application

In the final section, the OEB addresses the steps to implement the final rates that flow from this Decision.

This Decision does not address rates and charges approved by the OEB in previous proceedings which are not part of the scope of an IRM proceeding (such as specific service charges[2] and loss factors). As no further approvals are required, these items are included on the approved Tariff of Rates and Charges (see Schedule 1).

4. PRICE CAP ADJUSTMENT

Burlington Hydro seeks to increase its rates, effective May 1, 2019, based on a mechanistic rate adjustment using the OEB-approved ***inflation minus X-factor*** formula applicable to Price Cap IR applications.

The components of the Price Cap IR Index adjustment formula applicable to Burlington Hydro are set out in Table 4.1. Inserting these components into the formula results in a 1.35% increase to Burlington Hydro's rates: ***1.35% = 1.50% - (0.00% + 0.15%)***.

Table 4.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation Factor[3]		1.50%
X-Factor	Productivity[4]	0.00%
	Stretch (0.00% – 0.60%)[5]	0.15%

[2] The most recent proceedings where approval was granted to change specific service charges are the Report of the OEB – “Wireline Pole Attachment Charges” EB-2015-0304, Issued March 22, 2018 and the Decision and Order on Energy Retail Service Charges EB-2015-0304, Issued on February 14, 2019.
[3] For 2019 Inflation factor see Ontario Energy Board 2019 Electricity Distribution Rate applications - Updates November 23, 2018.
[4] Report of the OEB – “Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity Distributors” EB-2010-0379, Issued November 21, 2013, corrected December 4, 2013.
[5] The stretch factor groupings are based on the Report to the Ontario Energy Board – “Empirical Research in Support of Incentive Rate-Setting: 2017 Benchmarking Update”, prepared by Pacific Economics Group LLC., August 2018.

The inflation factor of 1.50% applies to all Price Cap IR applications for the 2019 rate year.

The X-factor is the sum of the productivity factor and the stretch factor. It is a productivity offset that will vary among different groupings of distributors. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors with a tangible incentive to improve efficiency or else experience declining net income.

The productivity component of the X-factor is based on industry conditions over a historical study period and applies to all Price Cap IR applications for the 2019 rate year.

The stretch factor component of the X-factor is distributor specific. The OEB has established five stretch factor groupings, each within a range from 0.00% to 0.60%. The stretch factor assigned to any particular distributor is based on the distributor's total cost performance as benchmarked against other distributors in Ontario. The most efficient distributor would be assigned the lowest stretch factor of 0.00%. Conversely, a higher stretch factor would be applied to a less efficient distributor (in accordance with its cost performance relative to expected levels) to reflect the incremental productivity gains that the distributor is expected to achieve. The stretch factor assigned to Burlington Hydro is 0.15%.

Findings

The OEB finds that Burlington Hydro’s request for a 1.35% rate adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Burlington Hydro’s new rates shall be effective May 1, 2019.

The adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes.[6]

5. SHARED TAX ADJUSTMENTS

In any adjustment year of a Price Cap IR term, a change in legislation may result in a change to the amount of taxes payable by a distributor. For IRM applications, the OEB has long held that a 50/50 sharing of the impact of legislated tax changes between

[6] Price Cap IR and Annual IR Index adjustments do not apply to the following rates and charges: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, smart metering entity charge, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges, microFIT charge, and retail service charges.

shareholders and customers is appropriate in these situations. The shared tax change amount, whether in the form of a credit or a debit, will be assigned to customer rate classes in the same proportions as the OEB-approved distribution revenue by rate class from a distributor's last cost of service proceeding.

The application identifies a total tax change of $59,569, resulting in a shared amount of $29,784 to be collected from rate payers. Since the allocated tax sharing amount does not produce a rate rider in one or more rate classes, the Rate Generator Model does not compute rate riders and distributors are therefore required to transfer the entire OEB-approved tax sharing amount into Account 1595 for disposition at a later date.

Findings

The allocated tax sharing amount of $29,784 is approved, yet insufficient to calculate rate riders for recovery. As a result, by June 30, 2019, the OEB directs Burlington Hydro to record the $29,784 in Account 1595 Sub-account Principal Balances Approved for Disposition in 2019, for disposition at a later date.

6. RETAIL TRANSMISSION SERVICE RATES

Distributors charge retail transmission service rates (RTSRs) to their customers to recover the amounts they pay to a transmitter, a host distributor or both for transmission services. All transmitters charge Uniform Transmission Rates (UTRs) approved by the OEB to distributors connected to the transmission system. Host distributors charge host-RTSRs to distributors embedded within the host's distribution system.

Burlington Hydro is transmission connected and is requesting approval to adjust the RTSRs that it charges its customers to reflect the rates that it pays for transmission services included in Table 6.1.

Table 6.1: UTRs[7]

Current Approved UTRs (2019)	per kW
Network Service Rate	$3.71
<u>Connection Service Rates</u>	
Line Connection Service Rate	$0.94
Transformation Connection Service Rate	$2.25

[7] Decision and Order, EB-2018-0326, December 20, 2018.

Findings

Burlington Hydro's proposed adjustment to its RTSRs is approved. The RTSRs were adjusted based on the UTRs current at the time of the filing.

The OEB finds that the new 2019 UTRs are to be incorporated into the rate model to adjust the RTSRs that Burlington Hydro will charge its customers accordingly.

7. GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts in order to determine whether their total balance should be disposed.[8] OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of $0.001 per kWh, unless a distributor justifies why balances should not be disposed.[9] If the balance does not exceed the threshold, a distributor may elect to request disposition.

The 2017 actual year-end total balance for Burlington Hydro's Group 1 accounts including interest projected to April 30, 2019 is a debit of $3,021,456. This amount represents a total debit claim of $0.0019 per kWh, which exceeds the disposition threshold. The total disposition includes a recovery from customers of $3,192,019 and $1,683,555 in accounts 1588 and 1589 respectively.

Accounts 1588 and 1589 accumulate cost variances related to regulated price plan (RPP) customers, non-RPP customers, the cost of energy and the Global Adjustment. The purpose of these Group 1 accounts is to eliminate any over or under recovery of the associated costs from customers.

OEB staff noted that any variance accumulated within Account 1588 should be settled directly with the IESO on a monthly basis. OEB staff expected that any remaining amounts in this account would be relatively small and close to zero (primarily comprised of the difference between amounts billed at the approved total loss factor versus actual system losses for the year). Based on this expectation, OEB staff submitted that Burlington Hydro's balance in Account 1588 of $3.2 million appeared to be unusually large.

[8] Group 1 accounts track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.
[9] Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009.

Due to the unusually large balance in Account 1588 and the utility's inability to provide adequate backup to support this balance, OEB staff submitted that Burlington Hydro would benefit from additional time to review the balances in Accounts 1588 and 1589, including the processes and procedures that are in place to accumulate transactions to those accounts. OEB staff recommended that disposition of all Group 1 accounts be deferred until Burlington Hydro's next rate application and that the utility undertake a full review of Accounts 1588 and 1589.

Burlington Hydro submitted that given limitations with its billing system (i.e. access to consumption data), it has to make assumptions to determine amounts charged to cost of power and global adjustment accounts. These assumptions can generate year over year differences between revenues and expenses. Burlington Hydro requested additional time to provide evidence, including calculations, to support the balances and agreed to undertake a full review of Accounts 1588 and 1589. As a result, Burlington Hydro withdrew its request to dispose of its Group 1 balances in this application. Burlington Hydro also requested to have the option of applying to the OEB for disposition of its Group 1 accounts in a stand-alone application, prior to the submission of its next application for 2020 rates.

Findings

The OEB approves Burlington Hydro's request to defer the disposition of its Group 1 balances as of December 31, 2017 until its next rates application.

8. LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT BALANCE

Distributors have an OEB licence requirement to ensure conservation and demand management (CDM) programs are available to their customers. These programs result in reduced total energy consumption. To address the impact of the reduced consumption, OEB Policy established a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) to capture a distributor's revenue implications resulting from differences between actual load and the last OEB-approved load forecast.[10] These differences are recorded by distributors at the rate class level.

[10] Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003, April 26, 2012; and Requirement Guidelines for Electricity Distributors Conservation and Demand Management, EB-2014-0278, December 19, 2014.

A distributor may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of its IRM application, if the balance is deemed significant by the distributor. A request for the inclusion of lost revenues from demand response programs as part of the LRAMVA, must be addressed through a cost of service application.[11]

Burlington Hydro applied for the disposition of a debit balance of $368,698 in lost revenues that occurred in 2016. The LRAMVA balance consists of new CDM program savings in 2016, persisting savings from 2013 to 2015 CDM programs into 2016, and carrying charges up to April 30, 2019.

Burlington Hydro used an LRAMVA threshold of 14,150,278 kWh that included a half year of 2013 forecast savings which was 4,732,485 kWh and a full year of 2014 forecast savings of 9,417,793 kWh.

OEB staff submitted that Burlington Hydro's calculation was not consistent with OEB policy, as only 50% of forecast savings in 2013 are included. OEB staff argued that to facilitate an appropriate comparison of the actual full year of 2013 savings to the proposed 2013 forecast savings, the amount should be increased from 4,732,485 kWhe to 9,417,793 kWh and the LRAMVA threshold should be increased from 14,150,278 kWh to 18,835,586 kWh. OEB staff submitted that these corrections were needed, otherwise there would be an over-collection for 2013 lost revenue. OEB staff asked Burlington Hydro to recalculate the debit balance using the actual full-year 2013 savings.

In reply, Burlington Hydro disagreed with OEB staff's argument and maintained that its proposed LRAMVA threshold of 14,150,278 kWh was correct. Burlington Hydro explained that as half of the forecast 2013 savings were used in the load forecast to calculate current rates, it had already collected lost revenues from half of the 2013 CDM programs since it last rebased. To use the full year value, Burlington Hydro would double-count the half year of savings embedded in rates and inappropriately under-collect on lost revenue from 2013.

Burlington Hydro provided revised calculations as requested by OEB staff. Using the approved 2011-2014 LRAMVA threshold from its last cost of service proceeding, Burlington Hydro calculated an LRAMVA debit balance of $378,630. Using the 2013-2014 LRAMVA threshold, inclusive of full year from 2013 and 2014 programs, Burlington Hydro calculated an LRAMVA debit balance of $373,476.

[11] Report of the Ontario Energy Board – "Updated Policy for the Lost Revenue Adjustment Mechanism Calculation: Lost Revenues and Peak Demand Savings from Conservation and Demand Management Programs." EB-2016-0182, May 19, 2016.

Findings

The OEB approves a debit balance of $373,476 for disposition based on full-year 2013 and 2014 actual savings. The OEB finds this is consistent with the OEB's CDM-related guidelines and updated LRAMVA policy. The OEB appreciates that half of the forecast 2013 savings were used to derive current rates, given the timing of the test year. Once the IESO determines actual savings and distributors know actual revenues, full-year numbers must be used. The difference between the initial proposed balance and the approved balance is less than $5,000.

Table 8.1 provides the calculation of the approved debit balance.

Table 8.1 LRAMVA Balance for Disposition

Account Name	Account Number	Actual CDM Savings ($) A	Forecasted CDM Savings ($) B	Carrying Charges ($) C	Total Claim ($) D=(A-B)+C
LRAMVA	1568	$509,542	$151,429	$15,363	$373,476

9. RESIDENTIAL RATE DESIGN

All residential distribution rates currently include a fixed monthly charge and a variable usage charge. The OEB's residential rate design policy stipulates that distributors will transition residential customers to a fully fixed monthly distribution service charge over a four-year period, beginning in 2016.[12] This is the last year of Burlington Hydro's transition period and, accordingly, 2019 is the final year in which Burlington Hydro's rates will be adjusted upwards by more than the mechanistic adjustment alone. Burlington Hydro has transitioned to a fully fixed structure.

The OEB expects an applicant to apply two tests to evaluate whether mitigation of bill impacts for customers is required during the transition period. Mitigation usually takes the form of a lengthening of the transition period. The first test is to calculate the change in the monthly fixed charge, and to consider mitigation if it exceeds $4. The second is to calculate the total bill impact of the proposals in the application for low volume residential customers (defined as those residential RPP customers whose consumption is at the 10th percentile for the class). Mitigation may be required if the bill impact related to the application exceeds 10% for these customers.

[12] As outlined in the Policy cited at footnote 1 above.

Burlington Hydro submits that the implementation of the transition results in an increase to the fixed charge prior to the price cap adjustment of $3.24. The bill impacts arising from the proposals in this application, including the fixed rate change, are below 10% for low volume residential customers.

Findings

The OEB approves the proposed change to the residential rate structure. Burlington Hydro has now completed its transition to a fully fixed rate structure.

The OEB finds that the proposed 2019 increase to the monthly fixed charge is calculated in accordance with the OEB's residential rate design policy. The results of the monthly fixed charge, and total bill impact for low consumption residential consumers demonstrate that no mitigation is required. The OEB approves the increase as proposed by the applicant and calculated in the final Rate Generator Model.

10. Z-FACTOR

On May 4, 2018, a windstorm struck southern and central Ontario bringing down trees and power lines. The storm had an impact on approximately 46% of Burlington Hydro's customers. Burlington Hydro was able to restore power to more than 90% of the affected customers within 26 hours of the first interruption. To aid in restoring power, Burlington Hydro obtained assistance from Grid Smart City Partners and other third party contractors.

In the application as originally filed, Burlington Hydro asked to recover $368,487 for a z-factor claim. However, adjustments to this amount were subsequently made in response to interrogatories. The final proposed z-factor claim was for $323,245. Burlington Hydro requested that the amount be recovered by means of a fixed rider, allocated on the basis of distribution revenue, using the last OEB approved distribution revenue proportions, for a period of 12 months beginning May 1, 2019 and ending April 30, 2020.

Based on the 2018 Filing Requirement Guidelines, z-factors are unforeseen events that are not within management's control. A distributor must provide a clear demonstration that the management of the distributor could not have been able to plan and budget for the event and that the harm caused by extraordinary events is genuinely incremental to their experience or reasonable expectations. A distributor is expected to supply the details of management's plans for addressing these events in support of the distributor's request for special cost recovery.

The cost to the distributor must be material and its causation clear. In order for amounts to be considered for recovery by way of a z-factor, the amounts must satisfy the following three eligibility criteria:

- 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.
- Materiality – The amounts must exceed the OEB-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.
- Prudence – The amounts must have been prudently incurred. This means that the distributor's decision to incur the amounts must represent the most cost-effective option (not necessarily least initial cost) for customers.

Causation

Burlington Hydro's claim of $323,245 was comprised of the following costs:

Table 10.1 Z-Factor Claim

Cost Components	
Incremental Labour/Material/Vehicle Costs	$143,955
Third Party Contractors	$89,215
Grid Smart City Partners	$61,944
Capital Expenditures	$21,841
Carrying Costs	$6,289
Z-Factor Amount Requested for Recovery	**$323,245**

Burlington Hydro also provided its annual Emergency Maintenance amounts budgeted and included in rates, compared to actual expenditures, as follows:

Table 10.2 Emergency Maintenance

Emergency Maintenance Comparison			
Year	**Amount included in Rates**	**Actual Expenditures**	**Difference**
2014	$3,864,317	$2,609,626	($1,254,692)
2015	$3,864,317	$3,701,170	($163,148)
2016	$3,864,317	$4,198,648	$334,330
2017	$3,864,317	$5,098,438	$1,234,121
2018 (YTD)	$3,864,317	$4,975,969	$1,111,651
Total	$19,321,587	$20,583,850	$1,262,263

Based on the budget and actual costs for Emergency Maintenance, Burlington Hydro had spent its 2018 budget. OEB staff submitted that Burlington Hydro had demonstrated that these costs were directly related to the windstorm and outside of the base upon which Burlington Hydro's rates were set.[13]

Findings

The OEB finds the claim of $323,245 was directly attributable to the windstorm event and the expense was outside the base upon which rates were derived. The z-factor claim meets the causation criterion.

Materiality

Burlington Hydro had an approved revenue requirement of $28,835,532 from its 2014 cost of service application. The OEB-defined materiality threshold for a z-factor claim is 0.5% for a distributor with a distribution revenue requirement of between $10 million and $200 million. Therefore, Burlington Hydro's materiality threshold is $144,178.

OEB staff took no issue with the fact that the z-factor claim of $323,245 exceeded the materiality threshold.

[13] Decision and Rate Order EB-2013-0115

Findings

The OEB finds that the materiality criterion has been met as the claim of $323,245 exceeds Burlington Hydro's $144,178 materiality threshold.

Prudence

The OEB's Filing Requirements for Electricity Distribution Rate Applications issued on July 12, 2018, states that applicants are to notify the OEB promptly by letter to the Board Secretary of all z-factor events. Failure to notify the OEB within six months of the event may result in disallowance of the claim. OEB staff notes that the OEB was notified by way of letter on November 2, 2018, thus within six months of the windstorm event occurring.

Burlington Hydro relied on alliances and mutual aid agreements to restore power quickly and safely and contractor costs were incurred according to previously negotiated agreements.

OEB staff submitted that Burlington Hydro acted prudently and promptly secured assistance to restore power Further, OEB staff submitted that Burlington Hydro restored power in a cost-effective way, given the circumstances.

Findings

The OEB finds Burlington Hydro was prudent as it promptly and efficiently restored service. The OEB notes that Burlington Hydro utilized its alliances and mutual aid agreements to restore power quickly and safely and contractor costs were incurred according to previously negotiated agreements.

The OEB approves the z-factor claim as the OEB's criteria of causation, materiality and prudence have been met. Regarding "unforeseen events that are not within management's control", the OEB expects third-party supporting documentation to demonstrate the extraordinary nature of the event (i.e.: weather report statistics, frequency of event type over last 20 years).

As this is the second z-factor claim by Burlington Hydro within five years, the OEB needs assurance that the distributor is updating its risk assessment and planning accordingly, given the weather in its service area.

Cost Allocation and Rate Design

Once a z-factor claim has been approved, the OEB must decide on the manner in which the cost will be allocated to customers for recovery. By convention, costs for z-factor claims are recovered by dedicated rate riders.

Burlington Hydro indicated that, consistent with the OEB's Decision on its prior z-factor claim,[14] it allocated the costs associated with the windstorm to all rate classes, on the basis of its last approved distribution revenue. Burlington Hydro did not allocate any costs to the Embedded Distributor rate class, as the windstorm had no impact on this class. Burlington Hydro is requesting that the amount be recovered by means of a fixed rider, over a 12-month period. Burlington Hydro is proposing to use the number of customers as of December 31, 2017 as submitted in its RRR filing as the billing determinant to calculate rate riders.

OEB staff submitted that Burlington Hydro's proposal to allocate the costs associated with the wind storm on the basis of distribution revenue and the most recent filed customer numbers as the billing determinant is reasonable.

Findings

The OEB approves Burlington Hydro's proposal to allocate the z-factor costs across all rate classes. The OEB approves the allocation based on the last OEB-approved distribution revenue by rate class and recovery through fixed rate riders.

The OEB finds it appropriate to calculate the rate riders based on the actual number of customers as of December 31, 2017 and recover the rate riders over a 12-month period.

11. INCREMENTAL CAPITAL MODULE

This Decision considers whether Burlington Hydro should be able to charge customers rate riders to fund specific incremental capital projects during the IRM term.

The OEB's policy for the funding of incremental capital is set out in the *Report of the Board New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, September 18, 2014 (ACM Report)[15] and the subsequent *Report of the OEB New Policy Options for the Funding of Capital Investments: Supplemental Report* (Supplemental Report)[16] (collectively referred to as the ICM policy).

Burlington Hydro's application includes a request for incremental funding for three ICM projects:

[14] Decision and Order, EB-2014-0252, January 29, 2015
[15] EB-2014-0219, September 18, 2014
[16] EB-2014-0219, January 22, 2016

- Project 1 ($3.567 million) – Tremaine Transformer Station (TS) Connection Cost Recovery Agreement (CCRA) True-up
- Project 2 ($2.000 million) – Tremaine TS Additional Breakers CCRA
- Project 3 ($0.350 million) – Bronte TS Additional Breaker Positions CCRA True-up

The OEB first addresses the overall eligibility for ICM funding and the criteria that must be met for incremental capital project funding. The OEB then assesses each of the three projects.

Overall Eligibility for ICM Funding

As set out in the ICM policy, the ICM is a funding mechanism available to electricity distributors whose rates are established under the Price Cap IR regime, as described in Section 3.3.2 of the Filing Requirements.[17] The ICM policy does not make ICM funding available for typical annual capital programs.[18] It is also not available for projects that do not have a significant influence on the operations of the distributor.[19] The ICM is intended to address the treatment of a distributor's capital investment needs that arise during the Price Cap IR rate-setting plan which are incremental to a materiality threshold.[20] The ICM is available for discretionary and non-discretionary projects, as well as for capital projects not included in the distributor's previously filed Distribution Supply Plan. It is not limited to extraordinary or unanticipated investments.

In order to qualify for ICM funding, a request must satisfy the eligibility criteria of materiality, need and prudence, as set out in section 4.1.5 of the ACM Report. Changes to the materiality threshold were made in the Supplemental Report.[21]

Materiality

There are two materiality tests related to ICM applications. The first test is the ICM materiality threshold formula, which serves to define the level of capital expenditures that a distributor should be able to manage within current rates. The test states that: "Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount" and "must clearly have a significant influence on the operation of the distributor".[22]

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[17] Ontario Energy Board *Filing Requirements For Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications- Chapter 3 Incentive Rate-Setting Applications*, July 12, 2018 ("IRM Filing Requirements")
[18] ACM Report, page 13
[19] *Ibid*, p. 17
[20] *Ibid*, p. 4
[21] Supplemental Report, p. 19
[22] ACM Report, p. 17

Burlington Hydro calculated its maximum eligible incremental capital amount to be $7.320 million using its materiality threshold, which means that its proposal to recover $4.850 million through the ICM is within the OEB's acceptable range.

VECC took no issue with Burlington Hydro's materiality threshold calculations.

OEB staff submitted that the price cap index in Burlington Hydro's ICM Model should be updated to reflect the inflation factor of 1.50% as announced by the OEB for 2019 applications. OEB staff calculated the new maximum eligible incremental capital amount to be $6.570 million and submitted that $4.850 million was within the OEB's acceptable range. Burlington Hydro took no issue with OEB staff's revision to the price cap index and maximum eligible incremental capital amount.

The OEB adopted a second, project-specific materiality test in the ACM Report. The project-specific materiality test is as follows:

> 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 Board-defined threshold calculation is expected to be absorbed within the total capital budget.[23]

Need

The ACM Report indicated 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.[24]

Under the Means Test, if a distributor's regulated return exceeds 300 basis points above the deemed return on equity embedded in the distributor's rates, then the funding for any incremental capital project would not be allowed. Burlington Hydro submitted that it satisfied the Means Test as its regulated return for 2017 was 7.33%, which was 2.03% lower than its deemed return on equity of 9.36%.

No party took issue with Burlington Hydro passing the Means Test.

[23] *Ibid.*
[24] *Ibid.*

Prudence

The ACM Report specifies that the amounts to be incurred must be prudent, which means that a distributor's decision to incur the amounts must represent the most cost-effective option (but not necessarily the least initial cost) for customers.[25]

Eligibility of Individual Projects for ICM Funding

Tremaine TS CCRA True-up: $3.567 million

Burlington Hydro proposed ICM funding in anticipation of a true-up payment it expects to make to Hydro One Networks Inc. (Hydro One) for the construction of Tremaine TS. Burlington Hydro explained that it entered the CCRA for Tremaine TS to increase available transformation capacity to meet existing and future demand growth in the North-East area of Burlington. Burlington Hydro estimated a shortfall of revenue to Hydro One relative to the forecast demand used to calculate the capital contribution initially. In addition, as per the TSC and terms of the CCRA, it expected to make a five-year true-up payment to Hydro One. Burlington Hydro's application was based on an estimate of $2.500 million.

VECC and OEB staff submitted that ICM funding for this project should be approved.

In its reply submission, Burlington Hydro increased its ICM funding request to $3,567,100 based on a revised true-up calculation of $3,717,100 provided by Hydro One, with a subsequent adjustment for CDM and distributed generation. Burlington Hydro indicated that the difference between the two estimates was due to two different methodologies for calculating annual average peak demand in the true-up calculation.[26] Hydro One informed Burlington Hydro that the first methodology should only be used to calculate original CCRA payments. The second methodology was the standard, and should be used to calculate all CCRA true-ups. Burlington Hydro submitted that Hydro One did not inform Burlington Hydro of the correction in methodology until February 20, 2019.

Findings

The OEB approves $3.567 million in ICM funding for this project. The OEB accepts Burlington Hydro's assertion that the revised true-up amount is based on the correct

[25] *Ibid,* pp. 18-19
[26] The incorrect methodology calculated the annual average peak demand by multiplying the non-coincident annual peak demand with the Peak Load Index of 0.78. The correct methodology takes the non-coincident average peak demand as the annual average peak demand. This is calculated by taking the sum of each monthly peak demand and dividing it by twelve.

methodology. The OEB finds the true-up payment is needed, material, related to a discrete project, outside the base upon which rates were derived, and prudent.

Tremaine TS Additional Breakers CCRA: $2.000 million

Burlington Hydro proposed ICM funding for payments made to Hydro One to install two additional breakers at Tremaine TS as part of a simplified CCRA. Burlington Hydro indicated that the six breakers it currently has at Tremaine TS are insufficient to utilize its 114.75 MW of contracted capacity. Burlington Hydro indicated that the two additional breakers provide 29 MW of additional capacity, which would allow it to fully utilize all 114.75 MW of contracted capacity.

Burlington Hydro submitted that if it had not contracted the two breakers at this time, these breaker positions could be allocated by Hydro One to other load customers. In that event, Burlington Hydro argued that it would be required to spend more capital to expand Tremaine TS for additional breaker positions.

Burlington Hydro signed a simplified CCRA with Hydro One on May 4, 2018 for the construction of the two new breakers and made two separate $1.000 million payments to Hydro One as per the terms of the CCRA. The first payment was made in 2018 and the second payment was made in January 2019.

VECC and OEB staff submitted that ICM funding for this project should not be approved. Both parties submitted that Burlington Hydro should have deferred this project until a later year. VECC and OEB staff also submitted that there was no compelling evidence that the two breakers would not be available at a later date and that construction of the new breakers could not have been deferred.

VECC raised additional concerns regarding the in-service date of the new breakers. VECC noted that the original in-service date for the two new breakers was Q2 2019 but was subsequently updated to be Q4 2019. VECC questioned whether the breakers would be in-service in 2019.

VECC also submitted that the $1.000 million payment to Hydro One made in 2018 should not be part of the ICM. VECC indicated that Burlington Hydro's 2018 budget was $14.300 million net of capital contributions, yet the latest forecast for 2018 capital expenditures was $10.700 million. VECC submits that Burlington Hydro should absorb the $1.000 million payment in 2018 into its total capital budget, if the OEB approves this ICM request.

OEB staff claimed that based on revised load forecasts, Burlington Hydro would have sufficient capacity at Tremaine TS until 2027 without the two additional breakers. OEB staff also submitted that Burlington Hydro's contracted capacity with Hydro One is guaranteed over its 25-year economic evaluation and cannot be allocated to other load customers.

In its reply submission, Burlington Hydro reiterated that the construction of two breakers at Tremaine TS was the most cost-effective option. Burlington Hydro argued that Hydro One was under no obligation to reserve any remaining breaker positions for Burlington Hydro and that breaker positions were not reserved on the basis of contracted capacity.

In response to OEB staff's submission, Burlington Hydro acknowledged that current load forecasts show that its existing six breakers at Tremaine TS would not reach maximum capacity until 2027. However, Burlington Hydro argued that it needed to install the breakers in advance, to avoid compromising the redundancy and reliability of the distribution system. It also claimed that it is good utility practice to plan ahead. Burlington Hydro confirmed the in-service date of Q4 2019 with Hydro One.

In response to VECC's submission, Burlington Hydro explained that the 2018 budget of $14.300 million included $4.700 million that should be removed as the spending was deferred to 2019. The $4.700 million includes the true-up payment for the Tremaine TS CCRA and 50% of the cost of the two breakers. Burlington Hydro submitted that it could not absorb the $1.000 million payment made in 2018. Burlington Hydro requested the OEB assess the prudence of this project at the time of its next rebasing application in the event that this ICM request is denied.

Findings

The OEB approves $2.000 million in ICM funding for this project. Burlington Hydro must make capital decisions based on the best information available including weighting the risks of deferring a decision. The OEB is satisfied that the two additional breakers will address future need and that the expenditure is congruent with utility long-term planning.

The $2.000 million is material, and related to a discrete capital project that was outside the base upon which rates were derived. The OEB acknowledges that $1.000 million was paid to Hydro One in 2018 and $1.000 in 2019, yet finds both payments to be associated with the same discrete project. The OEB also finds that the capital investment was prudent. Burlington Hydro indicated that it had evaluated the risks and costs associated with deferring a decision to secure the available breakers. It also considered the added cost of acquiring additional capacity in the event these two breakers were assigned to another utility.

The OEB has considered the Q4 2019 in-service date for the additional breakers and finds that an implementation date of December 1, 2019 is appropriate for the associated

ICM rate riders. The OEB will not approve the May 1, 2019 implementation date as proposed, as it precedes the in-service date of the assets.

Bronte TS Additional Breaker Positions CCRA True-up: $0.350 million

Burlington Hydro proposed ICM funding of $0.350 million in anticipation of a true-up payment it expects to make to Hydro One for the construction of two additional breaker positions at Bronte TS. Burlington Hydro stated that it entered a CCRA in 2006 to have Hydro One install two 27.6 kV feeder breaker positions at Bronte TS to alleviate overloaded existing facilities and to accommodate future growth in the south-east area of Burlington. Burlington Hydro's application was based on an estimate of $0.350 million.

VECC and OEB staff submitted the Bronte TS project did not meet the project-specific materiality test. VECC and OEB staff calculated that the Bronte TS represented 2.8% of Burlington Hydro's total 2019 capital budget of $12.726 million and submitted that 2.8% was not significant compared to the budget.

OEB staff questioned the true-up calculations. OEB staff submitted that the Palermo TS should not be included in both CCRA true-up calculations as this would double-count any shortfall of load at Palermo TS. Further, OEB staff submitted that it was unclear whether the original load forecast in the 2006 CCRA was performed at the breaker level, or at the TS level.

OEB staff noted that Bronte TS, taken in isolation, has been operating over the original demand forecast and will continue to operate at maximum capacity as per updated load forecasts. Therefore, OEB staff submitted that there is no shortfall to be expected at Bronte TS.

VECC submitted that actual load demand of Bronte TS and Palermo TS combined at the end of the tenth year of operation was greater than the original forecasted demand and therefore no true-up payment to Hydro One should be required.

In reply, Burlington Hydro noted that the OEB had not defined the project-specific materiality threshold. Further, Burlington Hydro disagreed with VECC and OEB staff's calculation of 2.8% and submitted that the 2019 budget should exclude the ICM amount of $3.85 million. Burlington Hydro argued that the $0.350 million comparison should be to $8.876 million, not $12.726 million. Based on the $8.876 million, Burlington Hydro calculated the Bronte TS project to be 4% of the adjusted capital budget.

In addition, Burlington Hydro submitted that the Bronte TS project was not part of an ongoing capital program and that it does not have the capacity to absorb the $0.350 million into its capital budget.

Burlington Hydro also indicated that Hydro One confirmed that a true-up payment is required and that the shortfall in load at Palermo TS would not be double counted. Burlington Hydro also confirmed that both the original CCRA and the true-up calculation were performed at the TS level.

Burlington Hydro argued that VECC and OEB staff's concerns do not address prudence and that prudence does not depend on whether or not a true-up is required. Burlington Hydro submitted that its decision in 2006 to construct two additional breakers at Bronte TS was prudent and necessary to alleviate overloaded facilities and to supply new growth.

As part of its reply submission, Burlington Hydro provided an updated Hydro One true-up calculation of $1,030,600. Burlington Hydro further revised this amount to $980,600 to account for CDM and distributed generation. Burlington Hydro stated that the difference between Hydro One's true-up calculation and its original estimate was due to different station capacities used by Burlington Hydro and Hydro One in the true-up calculations.[27] Burlington Hydro indicated that it disagreed with Hydro One's true-up calculation and that Hydro One had agreed to review its updated true-up calculation. However, Burlington Hydro revised its requested ICM funding to $980,600.

Burlington Hydro further requested approval for a variance account to record the foregone revenue requirement associated with the true-up payment in the event that the OEB does not approve ICM funding for this project.

Findings

The OEB does not approve ICM funding for this project. The application included an ICM funding amount of $0.350 million. The OEB does not find the amount a significant capital cost in comparison to the 2019 capital budget. The OEB disagrees that the capital budget should be reduced by the ICM funding requests in order to calculate a percentage of the total. The OEB finds that the original ICM claim of $0.350 million does not meet the project-specific materiality test.

The OEB considers the updated estimate of $0.981 million to be uncertain, given the dispute between Burlington Hydro and Hydro One regarding the true-up calculations. Further, the OEB is not convinced a true-up is required, based on the evidence filed.

[27] Burlington Hydro states that they assumed 30 MW for station capacity at Bronte TS for it's true-up calculations and Hydro One assumed 45 MW. Burlington Hydro assumed 30 MW because it was told, after the breakers were installed, that Burlington Hydro was not to exceed 30 MW at Bronte TS due to transmission system limitations. Hydro One assumed 45 MW based on the capacity of the four breakers assigned to Burlington Hydro at Bronte TS.

More work is required to finalize the true-up amount, with supporting evidence, if Burlington Hydro wishes to seek ICM funding relief.

The OEB will not approve a variance account for a denied ICM request.

Application of the Half-Year Rule

The OEB's policy per the ACM Report[28] and the Supplemental Report[29] is that a full-year depreciation, CCA and return on capital is allowed for all years of the price cap plan except the final year prior to rebasing. In the final year prior to rebasing, the standard half-year rule is used for calculation of the depreciation and return on capital and associated taxes/PILs is treated as if it was the first year that an asset enters service.

Burlington Hydro's 2019 application is for the fifth year of Price Cap IR adjustments following rebasing of its rates in 2014. After requesting deferment of its rebasing for 2019 through a letter sent to the OEB on February 1, 2018, deferment was granted on August 14, 2018. Per the OEB's letter, Burlington Hydro is scheduled to apply to rebase rates through a cost of service application, or similar approach, for 2020. Since 2019 is the last year before Burlington Hydro's schedule rebasing, the half-year rule would apply.

VECC submitted that Burlington Hydro had correctly applied the half-year rule to depreciation.

OEB staff submitted that Burlington Hydro had correctly applied the half-year rule to depreciation, but had not correctly applied the half-year rule to the return on capital nor associated taxes/PILs. OEB staff requested that Burlington Hydro provide an updated ICM model with its reply submission to adjust associated taxes/PILs and return on capital amounts as per the half-year rule.

In its reply submission, Burlington Hydro agreed with OEB staff that the half-year rule should apply to return on capital and associated taxes/PILs in addition to depreciation. However, Burlington Hydro indicated that it plans to defer its rebasing application for an additional year, to be rescheduled for 2021. Burlington Hydro noted that it filed a request for deferral letter with the OEB on February 20, 2019. Burlington Hydro submitted that, given its intent to rebase in 2021, the last year before rebasing for Burlington Hydro would be 2020. Therefore, Burlington Hydro submitted that the half-year rule should not apply and requested recovery of a full-year of depreciation, return on capital and associated taxes/PILs for its ICM requests.

[28] ACM Report, p. 23
[29] Supplemental Report, p. 7-11

Findings

The OEB approves the use of full-year inputs in the ICM funding calculations for the two ICM projects approved in this Decision.

The OEB relies upon the best information available, acknowledging that Burlington Hydro has applied to defer rebasing until 2021. Burlington Hydro's deferral request has yet to be decided. If the deferral request is approved, 2021 would be the rebasing year and the full-year rule would apply. If the request is not approved, 2020 would be the rebasing year and the half-year rule would apply.

The OEB has balanced the interests of Burlington Hydro with that of its customers. The OEB has also considered the implementation dates for the ICM rate riders and the persistence of those rate riders in deciding this issue.

12. IMPLEMENTATION AND ORDER

This Decision is accompanied by a Rate Generator Model, applicable supporting models, and a Tariff of Rates and Charges (Schedule A).

Model entries were reviewed in order to ensure that they are in accordance with Burlington Hydro's last cost of service decision, and to ensure that the 2018 OEB-approved Tariff of Rates and Charges, as well as the cost, revenue and consumption results from 2017, are as reported by Burlington Hydro to the OEB.

The Rate Generator Model was adjusted, where applicable, to correct any discrepancies. The Rate Generator Model incorporates the rates set out in Table 12.1.

Table 12.1: Regulatory Charges

Rate	per kWh
Rural or Remote Electricity Rate Protection (RRRP)	$0.0005
Wholesale Market Service (WMS) billed to Class A and B Customers	$0.0030
Capacity Based Recovery (CBR) billed to Class B Customers	$0.0004

Each of these rates is a component of the "Regulatory Charge" on a customer's bill, established annually by the OEB through a separate, generic order. The RRRP, WMS and CBR rates were set by the OEB on December 20, 2018.[30]

[30] Decision and Order, EB-2018-0294, December 20, 2018.

The Smart Metering Entity Charge is a component of the "Distribution Charge" on a customer's bill, established by the OEB through a separate order. The Smart Metering Entity Charge was set by the OEB on March 1, 2018.[31]

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Burlington Hydro Inc.'s new final and interim distribution rates shall be effective May 1, 2019.
2. The Tariff of Rates and Charges set out in Schedule A shall be deemed *draft* until the parties have complied with the subsequent procedural steps.
3. Burlington Hydro Inc. shall review the Tariff of Rates and Charges set out in Schedule A and shall file with the OEB, as applicable, a written confirmation of its completeness and accuracy, or provide a detailed explanation of any inaccuracies or missing information, by April 4, 2019.
4. This Decision and Rate Order will be considered final if Burlington Hydro Inc. does not provide a submission to the OEB that inaccuracies were found or information was missing pursuant to item 3.
5. If the OEB receives a submission from Burlington Hydro Inc. to the effect that inaccuracies were found or information was missing pursuant to item 3, the OEB will consider the submission prior to revising and issuing a final Tariff of Rates and Charges.
6. Burlington Hydro Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

COST AWARDS

The OEB will issue a separate decision on cost awards once the following steps are completed:

1. VECC shall submit to the OEB and copy Burlington Hydro Inc. its cost claims no later than April 11, 2019.

[31] Decision and Order, EB-2017-0290, March 1, 2018.

2. Burlington Hydro Inc. shall file with the OEB and forward to VECC any objections to the claimed costs by April 18, 2019.

3. VECC shall file with the OEB and forward to Burlington Hydro Inc. any responses to any objections for cost claims by April 25, 2019.

4. Burlington Hydro Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, EB-2018-0021 and be made electronically through the OEB's web portal at http://www.pes.ontarioenergyboard.ca/eservice/ in searchable/unrestricted PDF format. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at https://www.oeb.ca/oeb/_Documents/e-Filing/RESS_Document_Guidelines_final.pdf. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB flash drivein PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@oeb.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, March 28, 2019

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Schedule A

To Decision and Rate Order

Tariff of Rates and Charges

OEB File No: EB-2018-0021

DATED: March 28, 2019

Burlington Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2019
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-0021

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to low voltage connection assets that operate at 750 volts or less and supply electrical energy to residential customers where such energy is used exclusively in separately metered living accommodation. Customers shall be residing in single dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex, or quadruplex house, with residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor’s Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor’s Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	26.03
Rate Rider for Recovery of Wind Storm Damage Costs - effective until April 30, 2020	$	0.27
Rate Rider for Recovery of Incremental Capital Project 2 (2019) - effective until the next cost of service based rate order - Implemented December 1, 2019	$	0.12
Rate Rider for Recovery of Incremental Capital Project 1 (2019) - effective until the next cost of service based rate order	$	0.22
Smart Metering Entity Charge - effective until December 31, 2022	$	0.57
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until April 30, 2020	$/kWh	0.0003
Retail Transmission Rate - Network Service Rate	$/kWh	0.0071
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh	0.0064

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Burlington Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2019
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-0021

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification applies to low voltage connection assets that operate at 750 volts or less and supply electricity to general service customers whose monthly average peak demand during a calendar year is less than, or forecast by BHI to be less than, 50 kW. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	26.57
Rate Rider for Recovery of Wind Storm Damage Costs - effective until April 30, 2020	$	0.65
Rate Rider for Recovery of Incremental Capital Project 2 (2019) - effective until the next cost of service based rate order - Implemented December 1, 2019	$	0.13
Rate Rider for Recovery of Incremental Capital Project 1 (2019) - effective until the next cost of service based rate order	$	0.23
Smart Metering Entity Charge - effective until December 31, 2022	$	0.57
Distribution Volumetric Rate	$/kWh	0.0142
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until April 30, 2020	$/kWh	0.0005
Rate Rider for Recovery of Incremental Capital Project 1 (2019) - effective until the next cost of service based rate order	$/kWh	0.0001
Rate Rider for Recovery of Incremental Capital Project 2 (2019) - effective until the next cost of service based rate order - Implemented December 1, 2019	$/kWh	0.0001
Retail Transmission Rate - Network Service Rate	$/kWh	0.0068
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh	0.0057

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Burlington Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2019
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GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to general service customers with a monthly average peak demand during a calendar year equal to or greater than, or is forecast by Burlington Hydro Inc. to be equal to or greater than, 50 kW but less than 5,000 kW. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

If included in the following listing of monthly rates and charges, the rate rider for the disposition of WMS - Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

If included in the following listing of monthly rates and charges, the rate rider for the disposition of Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	62.29
Rate Rider for Recovery of Wind Storm Damage Costs - effective until April 30, 2020	$	6.63
Rate Rider for Recovery of Incremental Capital Project 2 (2019) - effective until the next cost of service based rate order - Implemented December 1, 2019	$	0.30
Rate Rider for Recovery of Incremental Capital Project 1 (2019) - effective until the next cost of service based rate order	$	0.53
Distribution Volumetric Rate	$/kW	3.0664
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until April 30, 2020	$/kW	0.0629
Rate Rider for Recovery of Incremental Capital Project 1 (2019) - effective until the next cost of service based rate order	$/kW	0.0263

Burlington Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2019
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EB-2018-0021

Rate Rider for Recovery of Incremental Capital Project 2 (2019) - effective until the next cost of service based rate order - Implemented December 1, 2019	$/kW	0.0148
Retail Transmission Rate - Network Service Rate - Interval Metered	$/kW	2.8046
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	$/kW	2.4996

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Burlington Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2019
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-0021

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to low voltage connection assets that operate at 750 volts or less and supply electricity to general service customers whose monthly average peak demand during a calendar year is less than, or forecast by Burlington Hydro Inc. to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	9.55
Rate Rider for Recovery of Wind Storm Damage Costs - effective until April 30, 2020	$	0.18
Rate Rider for Recovery of Incremental Capital Project 2 (2019) - effective until the next cost of service based rate order - Implemented December 1, 2019	$	0.05
Rate Rider for Recovery of Incremental Capital Project 1 (2019) - effective until the next cost of service based rate order	$	0.08
Distribution Volumetric Rate	$/kWh	0.0166
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until April 30, 2020	$/kWh	(0.0003)
Rate Rider for Recovery of Incremental Capital Project 1 (2019) - effective until the next cost of service based rate order	$/kWh	0.0001
Rate Rider for Recovery of Incremental Capital Project 2 (2019) - effective until the next cost of service based rate order - Implemented December 1, 2019	$/kWh	0.0001
Retail Transmission Rate - Network Service Rate	$/kWh	0.0068
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh	0.0057

Burlington Hydro Inc.
TARIFF OF RATES AND CHARGES
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This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-0021

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Burlington Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2019
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EB-2018-0021

STREET LIGHTING SERVICE CLASSIFICATION

This classification refers to roadway lighting customers such as the City of Burlington, the Regional Municipality of Halton, Ministry of Transportation and private roadway lighting, controlled by photo cells. The daily consumption for these customers will be based on the calculated connected load times the required night time or lighting times established in the approved Ontario Energy Board street lighting load shape template. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor’s Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor’s Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	0.64
Rate Rider for Recovery of Wind Storm Damage Costs - effective until April 30, 2020	$	0.01
Rate Rider for Recovery of Incremental Capital Project 1 (2019) - effective until the next cost of service based rate order	$	0.01
Distribution Volumetric Rate	$/kW	4.6183
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until April 30, 2020	$/kW	(0.0254)
Rate Rider for Recovery of Incremental Capital Project 1 (2019) - effective until the next cost of service based rate order	$/kW	0.0397
Rate Rider for Recovery of Incremental Capital Project 2 (2019) - effective until the next cost of service based rate order - Implemented December 1, 2019	$/kW	0.0222
Retail Transmission Rate - Network Service Rate	$/kW	2.0496
Retail Transmission Rate - Line Connection Service Rate	$/kW	1.7789

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Burlington Hydro Inc.
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microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor’s Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	5.40

Burlington Hydro Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2019

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ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	$/kW	(0.60)
Primary Metering Allowance for Transformer Losses - applied to measured demand & energy	%	(1.00)

SPECIFIC SERVICE CHARGES

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor’s Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

Customer Administration

Arrears certificate	$	15.00
Credit reference/credit check (plus credit agency costs)	$	15.00
Statement of account	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00
Returned cheque (plus bank charges)	$	15.00

Non-Payment of Account (see Note below)

Late payment - per month	%	1.50
Late payment - per annum	%	19.56
Collection of account charge - no disconnection	$	30.00
Disconnect/reconnect at meter - during regular hours	$	65.00
Disconnect/reconnect at meter - after regular hours	$	185.00

Other

Temporary service - install & remove - overhead - no transformer	$	500.00
Specific charge for wireline access to the power poles - $/pole/year	$	43.63
(with the exception of wireless attachments)		

NOTE: Ontario Energy Board Rate Order EB-2017-0183, issued on March 14, 2019, identifies changes to the Non-Payment of Account Service Charges effective July 1, 2019

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RETAIL SERVICE CHARGES (if applicable)

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	40.00
Monthly Variable Charge, per customer, per retailer	$/cust.	1.00
Distributor-consolidated billing monthly charge, per customer, per retailer	$/cust.	0.60
Retailer-consolidated billing monthly credit, per customer, per retailer	$/cust.	(0.60)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	$	0.50
Processing fee, per request, applied to the requesting party	$	1.00
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	$	no charge
More than twice a year, per request (plus incremental delivery costs)	$	4.00
Notice of switch letter charge, per letter (unless the distributor has opted out of applying the charge as per the Ontario Energy Board's Decision and Order EB-2015-0304, issued on February 14, 2019)	$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0373
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0270