



Burlingtonhydro inc.

Board Secretary  
Ontario Energy Board  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON  
M4P 1E4

June 28<sup>th</sup>, 2019

Dear Ms. Walli,

**Re: Electricity Distribution License ED-2003-0004  
Request for an Accounting Order to Establish a New Deferral Account**

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Burlington Hydro Inc. ("Burlington Hydro") is submitting an application to establish a new deferral account to record lost revenues associated with the elimination of the Collection of Account charge, effective January 1, 2019.

The Filing is being filed through the OEB's RESS system; two hard copies will follow by courier.

Yours truly,

***Original Signed By***

Sally Blackwell  
Vice President, Regulatory Compliance and Asset Management  
Email: sblackwell@burlingtonhydro.com  
Tel: 905-336-4373

Attachments

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

**AND IN THE MATTER OF** an Application by Burlington Hydro Inc. to  
the Ontario Energy Board for an Order or Orders establishing a new  
deferral account to recover lost revenues associated with the elimination  
of the collection of account charge, effective January 1, 2019.

**BURLINGTON HYDRO INC.**

**REQUEST FOR AN ACCOUNTING ORDER TO ESTABLISH A NEW DEFERRAL ACCOUNT**

**FILED: June 28, 2019**

**Applicant**

Burlington Hydro Inc.  
1340 Brant Street  
Burlington, Ontario  
L7R 3Z7  
Website: [www.burlingtonhydro.com](http://www.burlingtonhydro.com)

**Sally Blackwell**

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## **Application**

1. Burlington Hydro Inc. ("Burlington Hydro" or "the Applicant") is a corporation incorporated pursuant to the Ontario Business Corporations Act with its head office in the City of Burlington, Ontario.
2. Burlington Hydro carries on the business of distributing electricity to approximately 67,000 customers within the City of Burlington pursuant to Electricity Distribution License No. ED-2003-0004 issued by the Ontario Energy Board ("OEB" or "Board").
3. Pursuant to Section 78 of the Ontario Energy Board Act, 1998, Burlington Hydro seeks an order or orders of the Board establishing a new deferral account to recover lost revenues associated with the elimination of the Collection of Account charge effective January 1, 2019.
4. This application (the "Application") is prepared in accordance with: the OEB's *Filing Requirements for Electricity Distribution Rate Applications, 2018 Edition for 2019 Rate Applications – Chapter 2 Cost of Service*, dated July 12, 2018.

## **Relief Requested**

5. Burlington Hydro requests the following relief:
  - a. An Accounting Order to establish a new deferral account to record lost revenues associated with the elimination of the Collection of Account charge.

## **Proposed Effective Date of New Deferral Account**

6. Burlington Hydro proposes that the Board establish the new deferral account effective January 1, 2019.

## **Form of Hearing Requested**

7. Burlington Hydro requests that this Application be disposed of by way of a written hearing.

1 **Website Address**  
2

3 8. Burlington Hydro's website address is [www.burlingtonhydro.com](http://www.burlingtonhydro.com)

4 **Contact Information**  
5

6 9. Burlington Hydro requests that all documents filed with the OEB in this proceeding be  
7 served on the undersigned.

8  
9 **All of which is respectfully submitted this 28<sup>h</sup> day of June, 2019.**



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## Request for an Accounting Order to Establish a New Deferral Account

On February 23, 2017, the OEB issued its Decision and Order (EB-2017-0101) on *Amending Electricity Distributor Licences to Prohibit the Disconnection of Residential Customers and Related Matters* (“Decision EB-2017-0101”). In Decision EB-2017-0101, the OEB prohibited the disconnection of residential customers by reason of non-payment for the balance of the 2016/2017 winter period (i.e. from February 23 to April 30, 2017). In addition, LDCs were required to waive any Collection of Account charge that could otherwise be charged in relation to an occupied residential property during that period.<sup>1</sup> Revisions were made to LDCs’ licenses to incorporate the amendments identified in Decision EB-2017-0101.

On October 13, 2017, as part of its 2018 IRM Rate Application EB-2017-0029, Burlington Hydro applied for an accounting order to establish a new deferral account to track the lost revenues associated with the Collection of Account charge for future recovery from rate payers.<sup>2</sup> This request was to recover the lost revenues associated with the elimination of the Collection of Account Charge in anticipation that the Board would require LDCs to waive the Collection of Account charges in future periods.

On February 5, 2018, OEB Staff issued its interrogatories for Burlington Hydro’s 2018 IRM Rate Application EB-2017-0029, one of which (OEB Staff Question – 1) related to the request for the new deferral account. On February 14, 2019 Burlington Hydro issued its responses to OEB Staff interrogatories. In its Decision and Order for EB-2017-0029, issued March 22, 2018, the OEB denied Burlington Hydro’s request to establish the requested deferral account, citing that:<sup>3</sup>

1. *The issues raised by the request are not unique to Burlington Hydro and applies to all licensed electricity distributors.*
2. *The OEB is currently reviewing non-payment of account service charges, including the Collection of Account charge, as part of its customer service rules review for electricity and gas. As such, the OEB will likely deal with this charge on a sector-wide basis.*
3. *A request for a new Group 2 deferral or variance account is generally out of scope of an IRM proceeding unless it is based on OEB direction or approval arising from a previous*

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<sup>1</sup> Decision and Order EB-2017-0101, Paragraph 1.5

<sup>2</sup> 2018 IRM Application EB-2017-0029, p. 14

<sup>3</sup> Decision and Rate Order EB-2017-0029, p. 10

OEB decision, code, rule or policy framework that established the availability of such an account.

4. It is not clear from the record whether the amount reflected in revenue offsets that underpins the current base rates is material.

5. In response to OEB staff questions on the current proceeding, Burlington Hydro identified \$500,000 in actual revenues from this charge for the 2014 and 2015 years. It is not clear why or how the amount from this one charge is so high relative to the total amount forecast for specific service charges.

On February 8, 2018, the OEB amended Electricity Distributor Licences requiring LDCs to “waive any Collection of Account charge that could otherwise be charged in relation to an occupied residential property during a Disconnection Ban Period”.<sup>4</sup> In conjunction with the license amendment made on February 23, 2017, this amendment prohibited Burlington Hydro from charging a collection of account charge to residential customers from:

1. February 23, 2017 to April 30, 2017
2. November 15, 2017 to April 30, 2018
3. November 15, 2018 to April 30, 2019

On March 14, 2019, the Board issued a notice of amendments to codes and a rule amendment to the Distribution System Code, Standard Supply Service Code, Unit Sub-Metering Code, and Gas Distribution Access Rule (and Associated Rate Order) (“the Notice”).<sup>5</sup> These amendments were issued as a result of the OEB’s Phase 1 review of its customer service rules and associated service charges for licensed electricity distributors, rate-regulated natural gas distributors and unit sub-meter providers. The Associated Rate Order eliminated the Collection of Account charge effective July 1, 2019. The OEB acknowledged that the elimination of the Collection of Account Charge may have an impact on some distributors. However, the OEB reiterated that it does not find it prudent to establish a generic deferral/variance account for all distributors. It stated that a distributor can apply for a deferral account to track the impact of eliminating charges relating to non-payment of accounts with evidence demonstrating that such

<sup>4</sup> Burlington Hydro’s Electricity Distribution License ED-2003-0004, February 8, 2018, p.10, Section 23.5

<sup>5</sup> Notice of amendments to codes and a rule amendment to the Distribution System Code, Standard Supply Service Code, Unit Sub-Metering Code, and Gas Distribution Access Rule (and Associated Rate Order) EB-2017-0183

1 an account would meet the eligibility requirements set out in the OEB's Filing Requirements for  
2 Electricity Distribution Rate Applications.<sup>6</sup>

3  
4 As a result of the Board's decision not to establish a generic deferral/variance account for all  
5 distributors to recover lost revenues associated with the elimination of the Collection of Account  
6 Charge, Burlington Hydro is re-applying for this new deferral account. Burlington Hydro  
7 requests an effective date back-dated to January 1, 2019 as it had previously applied for the  
8 same account on October 13, 2017.

9  
10 Burlington Hydro has continued to issue collection notices throughout the year from February  
11 2017 onwards as the license amendments do not preclude LDCs from issuing collection notices.  
12 Collection notices are Burlington Hydro's most effective tool to collect past due amounts and  
13 make payment arrangements on customers' accounts. Further, Burlington Hydro continues to  
14 incur costs associated with the collection activities approved in its 2014 Cost of Service  
15 application (EB-2013-0015).

16  
17 Burlington Hydro included the revenues associated with the Collection of Account charges in its  
18 other operating revenue (Specific Service Charges) in its 2014 Cost of Service application.  
19 Burlington Hydro's base revenue requirement in that application was reduced by the amount of  
20 these revenues, and therefore the inability to recover these revenues from customers during the  
21 Winter Moratorium periods identified above and from July 1, 2019 onwards, results in a shortfall  
22 in revenue requirement. Burlington Hydro is requesting an Accounting Order to establish a Sub-  
23 account of Account 1508 – Other Regulatory Assets: Sub-account Lost Revenue – Collection of  
24 Account Charges.

25  
26 Section 2.9.4 of the *"Filing Requirements for Electricity Distribution Rate Applications - 2018*  
27 *Edition for 2019 Rates Applications"* issued July 12, 2018 ("the Chapter 2 Filing Requirements"),  
28 sets out the criteria for establishing an accounting order for new deferral and variance accounts  
29 in the context of a cost of service application. Burlington Hydro is submitting its application for a  
30 new Group 2 deferral account as a stand-alone application as it is not intending to file a Cost of  
31 Service application until August, 2020. Although this request is outside of a Cost of Service  
32 application, the OEB indicated in its Notice that "*a distributor can apply for a deferral account to*  
33 *track the impact of eliminating the two charges relating to non-payment of accounts with*

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<sup>6</sup> The Notice EB-2017-0183, p.20



1 *evidence demonstrating that such an account would meet the eligibility requirements set out in*  
2 *the OEB's Filing Requirements for Electricity Distribution Rate Applications."*

3  
4 Burlington Hydro submits that it meets the eligibility criteria outlined in Section 2.9.4 of the  
5 Chapter 2 Filing Requirements to seek a "Lost Revenue – Collection of Account Charges"  
6 deferral account.

- 7  
8 • **Causation** - Burlington Hydro's base revenue requirement approved in its 2014 Cost of  
9 Service application was reduced by Specific Service Charges revenue which included  
10 the revenue associated with Collection of Account charges. The purpose of this revenue  
11 is to recover the costs of collection activities conducted by Burlington Hydro. Burlington  
12 Hydro's approach was/is to directly charge the customers responsible for collection costs  
13 as opposed to spreading those costs across all ratepayers through a base distribution  
14 charge. The latter approach increases the level of cross subsidization between  
15 customers who remit payment in full and on time and those that do not.

16  
17 The inability to collect this revenue during Winter Moratoriums and from July 1, 2019  
18 onwards represents a revenue requirement shortfall and prevents Burlington Hydro from  
19 recovering collection expenses approved in its 2014 Cost of Service application.  
20 Burlington Hydro is not charging this revenue through base distribution rates and as  
21 such, can only recoup this revenue through the establishment of a deferral account.  
22 Burlington Hydro forecast revenue associated with the Collection of Account Charge of  
23 \$512,305 in its 2014 Cost of Service application as identified in Table 1 below. A  
24 breakdown of revenue by period is provided in Table 2 below. The decrease in revenue  
25 from 2016 to 2017 and 2018 represents the requirement to waive the Collection of  
26 Account Charge for residential customers during the Winter Moratorium. The decrease  
27 in revenue from 2018 to 2019 represents the requirement to waive the Collection of  
28 Account Charge for all customers effective July 1, 2019.

- 29  
30 • **Materiality** – Burlington Hydro's materiality threshold is \$144,178 based on 0.5% of its  
31 approved distribution revenue requirement in its Cost of Service application of  
32 \$28,835,532. The annual lost revenue associated with the elimination of the Collection  
33 of Account charge is expected to exceed Burlington Hydro's materiality threshold for  
34 2019, 2020 and 2021 as identified in Table 3 below.

- **Prudence** - Burlington Hydro has an approved specific service charge of \$30 for the Collection of Account charge on its Tariff of Rates and Charges, effective until June 30, 2019. The circumstances under which a collection notice is issued are clearly defined – Burlington Hydro hand delivers a collection notice to the customer's property when an account reaches 17 days past due, if there is no payment arrangement already in place. Burlington Hydro has a process in place for tracking the number of collection notices issued. Therefore the nature and the amount of the lost revenue are expected to be reasonably incurred. Table 3 below identifies the expected lost revenue by year, up to April 30, 2021, the date before Burlington Hydro resets its rates on a cost of service basis. The amount which Burlington Hydro expects to record in the deferral account for future recovery from ratepayers is \$1,159,236.

**Table 1 – 2012 to 2014 Specific Service Charges**

Revenue	2012 Actuals	2013 Actuals	2014 CoS	2014 Actuals
Collection of Account Charges	\$474,439	\$555,999	\$512,305	\$505,895
Other Specific Service Charges	\$379,422	\$331,747	\$305,676	\$319,270
<b>Total Specific Service Charges</b>	<b>\$853,860</b>	<b>\$887,747</b>	<b>\$817,981</b>	<b>\$825,165</b>

**Table 2 – Collection of Account Charges 2014-2019 by Month Incurred**

Collection of Account Charges Revenue	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Est to Jun 30/2019
Jan 1 - Apr 30	\$152,010	\$167,009	\$183,365	\$104,805	\$48,845	\$22,892
May 1 - Oct 31	\$269,465	\$248,461	\$301,690	\$275,877	\$368,509	\$11,000
Nov 1 - Dec 31	\$77,250	\$83,070	\$97,085	\$12,035	\$4,680	\$0
<b>Total by Month Incurred</b>	<b>\$498,725</b>	<b>\$498,540</b>	<b>\$582,140</b>	<b>\$392,717</b>	<b>\$422,034</b>	<b>\$33,892</b>
Calendar Year Adj	\$7,170	-\$720	-\$4,415	\$36,360	\$4,805	\$2,250
<b>Total by Calendar Year</b>	<b>\$505,895</b>	<b>\$497,820</b>	<b>\$577,725</b>	<b>\$429,077</b>	<b>\$426,839</b>	<b>\$36,142</b>

**Table 3 – Lost Revenue by Year**

Year	Approved in EB-2013-0115	Actuals	Lost Revenue	Lost Revenue for Recovery <sup>1</sup>
<b>2017 Actuals</b>	\$512,305	\$429,077	\$83,228	\$0
<b>2018 Actuals</b>	\$512,305	\$426,839	\$85,466	\$0
<b>2019 Estimate</b>	\$512,305	\$36,142	\$476,162	\$476,162
<b>2020 Estimate</b>	\$512,305	\$0	\$512,305	\$512,305
<b>2021 Estimate (to April 2021)</b>	\$170,768	\$0	\$170,768	\$170,768
<b>Total</b>	<b>\$2,219,987</b>	<b>\$892,058</b>	<b>\$1,327,930</b>	<b>\$1,159,236</b>

1. Meets Materiality Threshold Test of \$144,178

Burlington Hydro addresses the OEB's findings in its Decision and Order for EB-2017-0029, issued March 22, 2018 below.

1. *The issues raised by the request are not unique to Burlington Hydro and applies to all licensed electricity distributors.*
2. *The OEB is currently reviewing non-payment of account service charges, including the Collection of Account charge, as part of its customer service rules review for electricity and gas. As such, the OEB will likely deal with this charge on a sector-wide basis.*
3. *A request for a new Group 2 deferral or variance account is generally out of scope of an IRM proceeding unless it is based on OEB direction or approval arising from a previous OEB decision, code, rule or policy framework that established the availability of such an account.*

Burlington Hydro agrees that waiving the Collection of Account Charge is not unique to Burlington Hydro. However, the request for a deferral account does not necessarily apply to all licensed electricity distributors. Some LDCs do not charge customers directly for collection of account fees and therefore recover these costs through base distribution rates. As stated previously, Burlington Hydro's approach was/is to directly charge the customers responsible for incurring collection costs as opposed to spreading those costs across all ratepayers through a base distribution charge. This approach was approved by the OEB in its 2014 Cost of Service application through the approval of the Specific Service Charges and revenue offsets. The elimination of the Collection of Account Charge disallows Burlington Hydro's approach and prevents it from recovering the costs associated with collection activity expenses approved in its 2014 Cost of

1 Service application. Burlington Hydro's collection methods and costs have not changed.  
2 The inability to recover the Collection of Account Charges from certain customers  
3 represents a shortfall in revenue as compared to that which was approved in Burlington  
4 Hydro's last rebasing application. A deferral account allows Burlington Hydro to recover  
5 the lost revenue associated with the Collection of Account Charges, in effect a result no  
6 different than charging revenue to recover the costs of collection through base  
7 distribution rates.

8  
9 The OEB did not grant a deferral account on a sector-wide basis for the lost revenue  
10 associated with the Collection of Account Charge and indicated in its Notice that "a  
11 distributor can apply for a deferral account to track the impact of eliminating the two  
12 charges relating to non-payment of accounts with evidence demonstrating that such an  
13 account would meet the eligibility requirements set out in the OEB's Filing Requirements  
14 for Electricity Distribution Rate Applications." Therefore Burlington Hydro submits that it  
15 is appropriate to apply for this deferral account in a stand-alone application.

- 16  
17 4. *It is not clear from the record whether the amount reflected in revenue offsets that*  
18 *underpins the current base rates is material.*

19  
20 Burlington Hydro has identified in Table 1 that the amount reflected in revenue offsets for  
21 the Collection of Account charges is \$512K, well above its materiality threshold of  
22 \$144K.

- 23  
24 5. *In response to OEB staff questions on the current proceeding, Burlington Hydro*  
25 *identified \$500,000 in actual revenues from this charge for the 2014 and 2015 years. It*  
26 *is not clear why or how the amount from this one charge is so high relative to the total*  
27 *amount forecast for specific service charges.*

28  
29 Prior to the requirement to waive the Collection of Account Charge, this charge made up  
30 approximately 60% of Burlington Hydro's Specific Service Charges revenue. The  
31 majority of Burlington Hydro's Specific Service Charges revenue is derived from  
32 Collection of Account charges and Account Set-up/Change of Occupancy fees. This is  
33 consistent with that which was approved by the OEB in Burlington Hydro's 2014 Cost of

Service application. Table 4 identifies the breakdown of Burlington Hydro's Specific Service Charges by year.

**Table 4 – Breakdown of Specific Service Charges by Year**

Revenue	2012 Actuals	2013 Actuals	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals
Collection of Account Charges	\$474,439	\$555,999	\$505,895	\$497,820	\$577,725	\$429,077	\$426,839
Account Set-up/Change of Occup	\$231,076	\$209,863	\$216,240	\$211,456	\$204,854	\$207,236	\$192,435
Isolation - Disconnect/Reconnect	\$63,000	\$54,740	\$42,075	\$70,800	\$73,250	\$76,451	\$82,945
Other Specific Service Charges	\$85,346	\$67,144	\$60,955	\$56,496	\$53,583	\$61,879	\$81,544
<b>Total Specific Service Charges</b>	<b>\$853,860</b>	<b>\$887,747</b>	<b>\$825,165</b>	<b>\$836,572</b>	<b>\$909,413</b>	<b>\$774,643</b>	<b>\$783,763</b>
<b>Collection of Account Charges %</b>	<b>56%</b>	<b>63%</b>	<b>61%</b>	<b>60%</b>	<b>64%</b>	<b>55%</b>	<b>54%</b>

## Conclusion

Burlington Hydro requests that it be allowed to track the lost revenue associated with the Collection of Account Charge, effective January 1, 2019, for a future prudence review by the OEB and recovery at the time of its next rebasing application. A draft accounting order is provided as Appendix A.

Burlington Hydro respectfully requests that the Board approve the relief sought in this Application.

## **Appendix A – Draft Accounting Order**

## **Draft Accounting Order**

### **Account 1508 – Other Regulatory Assets - Sub-Account Lost Revenue – Collection of Account Charges**

Burlington Hydro shall establish a new deferral account: Account 1508 – Other Regulatory Assets - Sub-account Lost Revenue – Collection of Account Charges. This account is to be established to recover the lost revenue associated with:

- (i) the waiving of the Collection of Account charge for residential customers from January 1, 2019 – April 30, 2019; and
- (ii) the elimination of the Collection of Account charge for all customers from July 1, 2019 to the rate effective date of Burlington Hydro's next rebasing application.

The lost revenues associated with the elimination of the Collection of Account charge will be recorded in the Sub-account for future recovery from rate payers and will be disposed of at Burlington Hydro's next rebasing application. The new deferral account will be discontinued after Burlington Hydro's next rebasing. Carrying charges will be applied to this Sub-account and will be calculated at the OEB's prescribed interest rates.

The journal entries to be recorded are identified below:

DR 1508 Other Regulatory Assets - Sub-Account Lost Revenue – Collection of Account  
Charges - Principal

CR 4235 Miscellaneous Services Revenue

*To record the lost revenue associated with the elimination of the Collection of Account Charge.*

DR 1508 Other Regulatory Assets - Sub-Account Lost Revenue – Collection of Account  
Charges – Carrying Charges

CR 4405 Interest Income

*To record carrying charges on the principal balance in the Sub-Account Lost Revenue –  
Collection of Account Charges.*