



BURLINGTON HYDRO RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

CCC-1

Ex. 1

Please provide all materials provide to BHI's Board of Directors related to this Application.

Response:

Please see BHI's response to 1-SEC-1.

CCC-2

Ex. 1/p. 11

BHI's last Cost of Service application and DSP was filed October 1, 2013 for rates effective May 1, 2014. Please explain why BHI continued to defer its rebasing.

Response:

BHI's decision to defer rebasing provided rate stability to its customers balanced with the context of financial and operational stability of BHI.

CCC-3**Ex. 1/p. 32**

The Asset Condition Assessment indicates that 26% of BHI's asset base is Very Poor, Poor or Fair. For the last 10 years please provide the percentage of the asset base that was in Very Poor, Poor or Fair condition.

Response:

BHI does not have the percentage of the asset base that was in Very Poor, Poor or Fair condition for the last 10 years because it had not completed a formal ACA prior to 2019.

CCC-4**Ex. 1/p. 36**

The evidence states that during the period 2014-2019 BHI has experienced a workforce turnover rate of 49% with 50% of its workforce having less than five year's tenure/experience with the organization. Please explain why BHI has experienced such a high turnover rate during the 2014-2019 period. How does this compare to other Ontario LDC's? What have been the implications of such a high turnover rate?

Response:

As provided in section 4.3.1.1 Table 48 and 49 of Exhibit 4 – for the years 2014-2018 the majority of turnover was the result of retirements. Over this time period 23 employees retired, and 8 left the organization. BHI experienced a substantively higher turnover in 2019 with 8 retirements and 6 employees leaving the organization.

BHI cannot speak to how its retirements and attrition rates compare with other LDCs, however to better understand the rationale for the turnover and resulting 50% Factor, BHI reviewed internal documentation based on employee performance reviews and exit interviews in 2019. Although the results cannot be expected to be 100% accurate, the analysis included in Exhibit 4, Appendix A – BHI's Five-Year Strategic Workforce Plan, Table 5, page 11, provides insight into the rationale for employees leaving the organization, and areas of focus for the organization.

The implications of such a high turnover rate are provided in Exhibit 4, 4.3.1.1., pages 140-141.

CCC-5

Ex. 1/p. 38

BHI refers to a number of regulatory and policy changes that have put an upward pressure on costs. Incremental costs and/or reduction in revenue were associated with some of these changes have been recorded in a DVA since inception to the present and are contributing to the proposed rate increase. Please set out specifically all of the costs and/or revenue reductions that are contributing to the proposed rate increase.

Response:

Table 1 below identifies the costs and/or revenue reductions that were recorded in a DVA since inception and are now included in the 2021 Test Year revenue requirement.

Table 1

| Description | Impact to Full Year Revenue Requirement | Comment |
|--|---|---|
| Monthly Billing - OM&A | \$254,896 | Increase in OM&A |
| Monthly Billing - Capital | \$40,035 | Increase in Capital Cost - Monthly Billing Software |
| OEB Cost Assessment | \$94,000 | Increase in OM&A |
| Elimination of Collection of Account Charges | \$446,240 | Decrease in Other Revenue |
| Transition to IFRS (Loss on Disposals) | \$98,000 | Decrease in Other Revenue |
| CCRA True-up Tremaine TS | \$43,087 | Increase in Capital Cost |
| CCRA True-up Tremaine TS - Breakers | \$151,714 | Increase in Capital Cost |
| Total | \$1,127,972 | |

CCC-6**Ex. 1/pp. 39-46**

BHI has provided a detailed discussion of the impacts of COVID-19 on its costs, revenues and operations in 2020 and 2021. Please set out a list of all the COVID-19 impacts in 2020. Please provide a complete list of how COVID-19 has impacted the proposed 2021 costs and revenues.

Response:

Please refer to BHI's response to 1-Staff-6 a) and b).

CCC-7**Ex. 1/p. 47**

BHI has provided a list of “realized efficiencies and made improvements to its business processes since 2014. Please quantify these impacts and set out their impact on the 2021 revenue requirement. Please provide a schedule setting out all proposed productivity savings for the period 2021-2025.

Response:

Please refer to Table 1 in BHI’s response to 1-Staff-4 for 2014 to 2021. A list of all proposed productivity savings for the period from 2022-2025 is beyond the 2021 rebasing year and is not relevant to the determination of rates.

CCC-8**Ex. 1/p. 65**

Please fully describe what activities Burlington Electricity Services Inc. undertakes. Please explain all of the relationships between BHI and Burlington Electricity Services Inc. What specific services does BHI provide to Burlington Electricity Services Inc.? What specific services does Burlington Electricity Service Inc. provide to BHI?

Response:

Please refer to pages 180-184 of Exhibit 4 for a full description of the activities undertaken by Burlington Electricity Services Inc. ("BESI"); an explanation of all relationships between BHI and BESI; the specific services BHI provides to BESI; and the specific services BESI provides to BHI.

CCC-9**Ex. 1/p. 78**

The evidence indicates that BHI prepares an annual budget and 10-year plan that is reviewed and approved by its Board of Directors. Please provide all directives provided to staff regarding the development of the annual budget for 2021 and the 10-year plan.

Response:

BHI would like to correct the evidence on page 78 of Exhibit 1. The Board of Directors review and approve the annual budget. They receive, but do not approve, the 10-year plan.

The only directive that the Board provided to BHI staff regarding the development of the annual budget for 2021 and the 10-year plan, was the merit percentage change to incorporate into the budget.

CCC-10**Ex. 1/p. 81**

The evidence states that BHI intends to update its load forecast before a decision is rendered on this Application – once full 2020 data is available and may consider adjustments at this time if they are material. Please indicate when the updated load forecast is expected to be filed. Does BHI expect to update any other components of the Application based on 2020 actual data? If so what components? If not, why not?

Response:

Please refer to 3-Staff-35 for information on a load forecast update.

The only component for which BHI has made an update to its Application for 2020 actual data is:

- 2020 actual outage information
 - 2-Staff-16
 - 1-SEC 4 a/b
 - 1-SEC-10
 - 2.0-VECC-8
 - 2.0-VECC-9 a/c

BHI is not expecting to update any other components of the Application based on 2020 actual data. BHI has provided updates to some tables in the Application for 2020 actual FTE as part of its response to these interrogatories but has not updated salaries and benefits in the Application as 2020 actual data is not available. BHI's year end processing is not complete.

CCC-11**Ex. 1/p. 85**

For each year 2014-2020 please provide forecast and actual Capital Expenditures in the same format as Table 14.

Response:

Please refer to Tables 5.4-12 to 5.4-16 in section 5.4.2.1 of the DSP for 2014-2018 actual vs. OEB approved (EB-2013-0115) gross capital expenditures.

BHI does not have OEB approved net capital expenditures by category for 2015-2018 as capital contributions for this period were not approved as part of BHI's 2014 Cost of Service application.

BHI does not have OEB approved gross capital expenditures for the 2019-2020 period as they were outside of the DSP horizon in BHI's 2014 Cost of Service application. Please refer to Table 5.4-17 in section 5.4.2.1 of the DSP for 2019 actual vs. BHI's internal budget for gross capital expenditures. 2020 actual data is not available because BHI's year end processing is not complete.

CCC-12**Ex. 1/p. 90**

The increase in Total Compensation in 2021 relative to 2014 is \$3,028,725. Please provide a detailed explanation for that variance.

Response:

BHI provided a detailed year-over-year explanation of the variance in total compensation of \$3,028,725 in Exhibit 4 of its Application. Table 65 on page 171 identified the year over year variances in total compensation which total \$3,028,725. Explanations for the variances was provided on pages 171-173.

CCC-13**Ex. 1/p. 98**

BH retained Innovative Research Group to support its customer engagement and outreach and help assess customer needs and preferences with respect to BHI's Distribution System and Business Plans. Was that engagement subject to an RFP process? If not, why not? Please provide the terms of reference for the work and the expected total cost. How will those costs be recovered?

Response:

The customer engagement process and outreach to assess customer needs and preferences was subject to an RFI process. Please refer to DSP-DRC-4 a) for the terms of reference for the work.

BHI also provides the expected total cost of the customer engagement services provided by Innovative Research below. BHI is filing a redacted version of this response on the public record in accordance with the Ontario Energy Board's Practice Direction on Confidential Filings (the "Board's Practice Direction") and the Board's Rules of Practice and Procedure. The redacted information relates to the following:

1. Confidential Information

BHI has redacted the expected total cost of the customer engagement services provided by Innovative Research as discussed below; and is requesting that the Board allow the redacted information to remain in confidence in this proceeding.

Appendix "A" to the Practice Direction sets out the Board's considerations in determining requests for confidentiality. Among the considerations set out in that Appendix are the following:

- (a) i. prejudice to any person's competitive position;
- (a) iii. whether the information could interfere significantly with negotiations being carried out by a party; and
- (a) iv. whether the disclosure would be likely to produce a significant loss or gain to any person.

The Board has provided a summary of pertinent FIPPA provisions in Appendix C of the Practice Direction. That summary provides, in part, as follows:

"Under section 17(1), the Board must not, without the consent of the person to whom the

information relates, disclose a record where:

- (a) the record reveals a trade secret or scientific, technical, commercial, financial or labour relations information;
- (b) the record was supplied in confidence implicitly or explicitly; and
- (c) disclosure of the record could reasonably be expected to have any of the following effects:
 - i. prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons or organization;
 - ...
 - iii. result in undue loss or gain to any person, group, committee or financial institution or agency;
 - ...

BHI submits that the disclosure of project cost could reasonably be expected to prejudice Innovative's negotiating position on future engagements with other LDCs and interfere significantly with those negotiations. As such BHI has redacted that part of its response.

The expected total cost of the customer engagement services provided by Innovative Research Group is [REDACTED].

BHI is proposing that the costs of its customer engagement and outreach be recovered from customers over a five-year period from 2021-2025 consistent with the OEB's treatment of one-time costs.¹ These costs and the associated recovery are discussed in further detail in Exhibit 4, Section 4.1.16, Table 42 and Section 4.3.4.

¹ Chapter 2 Filing Requirements, p 33

CCC-14

Ex. 1/p. 125

Please provide the 2020 Scorecard.

Response:

Please refer to BHI's response to EP-9 a).

CCC-15**Ex. 2/Appendix 12/ Customer Engagement Overview**

Did BHI or Innovative Research Group ever inform customers that embedded in rates is allowed rate of return of approximately 8.5%? If why is this not relevant information for customers? Please describe BHI's involvement in the work undertaken by Innovative Research Group.

Response:

No, BHI or Innovative Research Group ("Innovative") did not inform customers that embedded in rates is an allowed rate of return of approximately 8.5%. BHI and its customers have no control over the deemed Rate of Return on Equity or other regulatory costs set by the OEB. The main intention of BHI's customer engagement was to solicit feedback from customers on areas within its control such as operating expenses and capital programs.

BHI's involvement in the work undertaken by Innovative was as follows:

- BHI provided financial information, capital program options and the bill impacts used in the survey;
- BHI reviewed surveys for all rate classes for numerical accuracy;
- BHI attended Innovative-hosted focus groups in the spring of 2019 for residential/small commercial customers; and
- BHI attended an Innovative-hosted information session for large commercial customers in the fall of 2019.

CCC-16**Ex. 2/p. 73**

BHI is seeking approval of an ACM for its planned replacement of its legacy ERP System. Please explain how the OEB can at this time assess the prudence of this project? How was the \$2 million cost derived? What are the expected annual savings for the years 2022-2025?

Response:

Please refer to BHI's response to 2-Staff-10 a).

CCC-17**Ex. 3/p. 9**

Please indicate if BHI's load forecast methodology differs from the methodology used in previous years. If so, to what extent has it changed.

Response:

BHI's load forecast methodology differs from the methodology used in previous years. BHI has modified the dependent variable from total class consumption, to average consumption per day per customer (with CDM added). Additionally, a wider range of degree day and economic variables were considered and applied. Please see BHI's response to 3.0-VECC-28 for additional details.

CCC-18**Ex. 5/p. 8**

BHI expects to issue long-term debt in 2021 in the amount of \$10 million to support its ongoing capital expenditure requirements as presented in the Application. Please indicate the specific timing of that issuance.

Response:

Please refer to BHI's response to 5-Staff-63 a) for the specific timing of the \$10 million long-term debt issuance in 2021 to support BHI's ongoing capital expenditure requirements as presented in this Application.

CCC-19**Ex. 5**

Please provide the Board approved and actual ROE for each year 2014-2020.

Response:

BHI provides the OEB-approved and actual ROE for each year between 2014 and 2019 in Table 1 below. 2020 actual ROE will not be available until BHI completes its Reporting and Record Keeping Requirements in April, 2021.

Table 1

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------|--------|-------|-------|-------|-------|-------|
| Deemed Return on Equity | 9.36% | 9.36% | 9.36% | 9.36% | 9.36% | 9.36% |
| Achieved Return on Equity | 15.26% | 9.20% | 7.98% | 6.69% | 6.43% | 7.16% |

CCC-20**Ex. 4/p. 13**

The evidence states that BHI had 9 vacancies at the end of 2019 which it plans to fill by 2021. Please provide a complete list of these positions. How many have been filled and when does BHI expect to fill the remaining positions? What is the current level of vacancies?

Response:

BHI provided a complete list of the nine vacancies at the end of 2019 at the bottom of Table 62 on page 166 of Exhibit 4.

Please refer to BHI's response to EP-6 a) and b) for the status on the 9 vacancies.

Please refer to BHI's response to 4-SEC-29 for the current level of vacancies.

CCC-21**Ex. 4/p. 14 – Table 3**

Please recast Table 3 – OM&A cost drivers and include 2020 actuals.

Response:

2020 actual data is not available because BHI's year end processing is not complete.

CCC-22**Ex. 4/p. 19 – Table 4**

Please provide a schedule setting out FTEs from 2014 to 2021 in the same format as Table 4.

Response:

BHI provided a schedule setting out FTEs from 2014 to 2021 in the same format as Table 4 in Table 56 on page 159 of Exhibit 4.

CCC-23

Ex. 4/p. 19 – Table 4

Please provide a schedule setting out the number of vacancies for each year 2014-2021 in the same format as Table 4 (which is broken down by department).

Response:

BHI provides a schedule setting out the number of vacancies for each year by department in Tables 1 and 2 below. Table 1 represents the FTE filed on October 30, 2020. Table 2 represents the FTE updated for 2020 actuals.

Table 1 (as filed October 30, 2020)

| Department | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Forecast | 2021 Forecast |
|---|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Billing | - | 1 | - | - | - | - | - | - |
| Communications | - | - | - | - | - | 1 | - | - |
| Control Room | 1 | 4 | 2 | 2 | 1 | - | - | - |
| Customer Service | 1 | - | - | - | - | 1 | - | - |
| Distribution Maintenance and Operations | - | 1 | 1 | 3 | 1 | 3 | - | - |
| Engineering | - | 2 | - | 1 | 1 | 2 | - | - |
| Information Services | - | 1 | 1 | - | - | - | - | - |
| Metering | 3 | - | - | - | 2 | 1 | - | - |
| Stations Maintenance and Operations | 1 | - | - | 1 | - | 1 | - | - |
| Total | 6 | 9 | 4 | 7 | 5 | 9 | - | - |

Table 2 (updated for 2020 Actuals)

| Department | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Actual | 2021 Forecast |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Billing | - | 1 | - | - | - | - | - | - |
| Communications | - | - | - | - | - | 1 | - | - |
| Control Room | 1 | 4 | 2 | 2 | 1 | - | - | - |
| Customer Service | 1 | - | - | - | - | 1 | - | - |
| Distribution Maintenance and Operations | - | 1 | 1 | 3 | 1 | 3 | - | - |
| Engineering | - | 2 | - | 1 | 1 | 2 | 1 | - |
| Information Services | - | 1 | 1 | - | - | - | 2 | - |
| Metering | 3 | - | - | - | 2 | 1 | - | - |
| Safety | - | - | - | - | - | - | 2 | - |
| Stations Maintenance and Operations | 1 | - | - | 1 | - | 1 | - | - |
| Total | 6 | 9 | 4 | 7 | 5 | 9 | 5 | - |

CCC-24**Ex. 4/p. 25-27**

For all of the efficiencies identified in section 4.1.1.12 please provide a dollar value. Are all of these reductions reflected in the 2021 revenue requirement? If not, please explain.

Response:

Please refer to BHI's interrogatory response to 1-Staff-4 for the dollar value for the efficiencies identified in section 4.1.1.12. No, all of these reductions are not reflected in the 2021 revenue requirement because some of them were one-time savings. BHI identifies the reductions included in revenue requirement in Table 1 of its interrogatory response to 1-Staff-4.

CCC-25**Ex. 4/p. 32**

Please provide the Willis Towers Watson Report. What is the total incentive pay included in the 2021 Revenue Requirement? Please provide the assumptions regarding that amount.

Response:

Please refer to BHI's response to 4-Staff-53 d) for information regarding the Willis Towers Watson Report.

Please refer to BHI's response to 4-SEC-30 d) for the total incentive pay included in the 2021 Revenue Requirement.

Please refer to BHI's response to 4-Staff-53 f) for the assumptions regarding this amount.

CCC-26**Ex. 4/p. 37**

OM&A per customer has been increasing since 2014. In developing the 2021 budget did BHI compare itself to other LDCs? If not, why not?

Response:

Yes, BHI leveraged the OEB's Yearbook of Electricity Distributors; the OEB's scorecards; and the benchmarking analysis produced by the Pacific Economics Group ("PEG"). In addition, a comparison to other LDCs was provided in Exhibit 4, Table 66, page 174.

CCC-27**Ex. 4/p. 13 and pp. 57-58**

The evidence refers to \$279,802 related to the conversion to monthly billing. When was the conversion fully completed? For each year since the conversion was undertaken please set out the OM&A costs.

Response:

The reference to \$279,802 related to the conversion to monthly billing is the difference between postage, stationery and mail service costs from the 2019 actuals to the 2021 Test Year. In preparing the response to this interrogatory, BHI realized that not all of this amount is directly attributable to monthly billing as referenced in Exhibit 4 of the Application . A portion of this (\$26k) is due to increases in postage, stationery and mail service costs on paper bills issued in the absence of the conversion to monthly billing (i.e., 6 bills per year per customer).

The conversion to monthly billing was completed in January of 2017.

Please refer to BHI's response to 9-Staff-75 b) (column "Net Cost of Transition to Monthly Billing") for the OM&A costs related to the conversion to monthly billing.

CCC-28**Ex. 4/p. 88**

Does BHI benchmark its vegetation management costs? If not, why not?

Response:

No, BHI does not benchmark its vegetation management costs. There are a number of variables, specific to each LDC, which factor into vegetation management and can cause significant variations in costs, some of which are discussed on pages 80-81 of Exhibit 4. These include but are not limited to:

- number of trees in close proximity to distribution lines;
- distribution lines in rear lot locations;
- species and growth patterns of trees in close proximity to distribution lines (this is relevant as different species have different growth rates);
- distance of major limbs from distribution lines that exhibit minimal growth, versus minor branches that can exhibit aggressive growth;
- directional pruning practices;
- impacts of diseases and invasive pests on trees along lines i.e. Emerald Ash Borer, Dutch Elm disease, and Gypsy moth;
- market demand in different geographical regions;
- size and attributes of distribution area such as % of overhead distribution lines;
- trimming practices and clearance standards;
- municipalities' forest management plans; and
- incidence of extreme weather events and consequently storm hardening requirements¹

¹ Exhibit 4, page 82