

**BURLINGTON HYDRO RESPONSES TO
BOARD STAFF
PRE-SETTLEMENT CLARIFICATION QUESTIONS**

2-Staff-83 (CQ-2-Staff-83)**Ref: 2-Staff-9, IR_Attachment_2-Staff-9a, IR_Attachment_2-Staff-9b**

Question(s):

- a) Please explain drivers for the updated expenditures for the following projects:
- \$509.8k increase to the Dundas Street Road Widening project in 2021
 - \$220k increase to the Building program in 2020
 - \$176.3k increase to the Customer Information System (Replacement) program in 2020, and \$215.9k increase to the Customer Information System (Replacement) program in 2021
- b) Please explain drivers for the \$1.9 million increase in forecasted expenditures on the Dundas Street Road Widening project from the Needs Assessment step to the Program Alternatives Evaluation step.

Response:

- a) The drivers for the updated expenditures for the following projects are as follows:
- **\$509.8k increase to the Dundas Street Road Widening project in 2021:** This project was shifted from 2020 to 2021 due to changes by the Region in project scope and a consequent delay in project approval; the increase of \$510k in 2021 is partially offset by a decrease in 2020 resulting in a total expenditure increase of \$225k over 2020-2021. The net increase is primarily due to additional cost of overhead materials and labour as a result of changes in project scope.
 - **\$220k increase to the Building program in 2020:** the increase in expenditures was related to the exterior refurbishment of one of BHI's substations, including replacement of the roof which was leaking and replacement of the exterior brick cladding which had deteriorated beyond economic repair.
 - **\$176.3k increase to the Customer Information System (Replacement) program in 2020, and \$215.9k increase to the Customer Information System (Replacement) program in 2021:** the increase in cost in 2020 was due to a delay in the implementation of the new CIS as a result of (i) COVID-19 and (ii) the implementation of customer service and billing changes as a result of policy changes (e.g. RPP optionality) and COVID-related electricity bill relief programs (e.g. CEAP, frequent TOU pricing changes) not included in the original project scope. Similarly, the increase in cost in 2021 is related to programming of billing functionality not included in the original budget.
- b) The \$1.9 million increase in forecasted expenditures on the Dundas Street Road Widening project from the Needs Assessment step to the Program Alternatives

Evaluation step was driven by a change in the Region's project timelines. The original estimate from the Region in the Needs Assessment step assumed the majority of this work would be completed in 2022. During the Program Alternatives Evaluation step the Region updated their timelines and accelerated work from 2022 to 2021 to support the timing of their road widening construction.

2-Staff-84 (CQ-2-Staff-84)**Ref: 2-Staff-16, Table 1**

Question(s):

- a) Please explain why the proposed increase in the pacing of pole replacement program to replace 100 poles per year (compared to 80 poles per year over the historical period) is reasonable considering that wood pole was not a main contributor to customer interruptions.

Response:

- a) BHI's proposed pacing of its pole replacement program in 2021 to 2025 is not informed by customer interruptions. BHI replaces poles proactively and its replacement strategy is based on the safety, reliability, and cost consequences of pole failures, not the number of historical failures.

Several factors informed BHI's proposed increase in the pacing of its pole replacement program:

- The number of poles in Very Poor (238) and Poor (412) condition. BHI plans to replace 500 poles over the DSP horizon which addresses all of the poles in Very Poor condition as of November, 2019 and 262 of the poles in Poor Condition as of November, 2019. The condition of some of these poles will have deteriorated further by the time they are replaced;
- As of November, 2019 BHI had 4,204 poles that were beyond their typical useful life of 40 to 50 years¹. These poles represent a "wave" of asset replacement that requires prudent planning and increased pacing to mitigate significant spikes in annual replacement rates;
- More than 85% of customers, across all rate classes, are in favour of the proposed or accelerated replacement approach as identified in the results of BHI's customer engagement survey²; and
- If BHI does not increase the pacing of its pole replacement program it will develop a backlog of poles to be replaced in its next DSP horizon which will impact reliability, safety, cost and customer bills.

¹ Kinectrics Inc. Report No. K-418022-RA-0001-R003, December 10, 2009, Exhibit 4, Attachment 2 Typical Useful Lives Study, EB-2013-0115

² DSP, Page 110, Table 5.4-3: Customer Support for Investment Options by Investment 1 (Phase II Surveys)

2-Staff-85 (CQ-2-Staff-85)**Ref: 2-Staff-17**

Question(s):

- a) Please explain how the proactive replacement unit cost assumption used in Table 2 was derived.

Response:

- a) The proactive replacement unit cost assumption of \$8,264 per pole in Table 2 was derived based on BHI's internal planning cost at the time. Upon further analysis BHI determined this cost represented the lower end of the range for pole replacement costs (based on a 40 foot pole, with no equipment attached and on a single phase circuit). BHI has since updated its internal planning cost assumption to reflect the average pole replacement cost of \$10,000 per pole.

2-Staff-86 (CQ-2-Staff-86)**Ref: 2-Staff-23**

Question(s):

- a) Please provide an example to explain how options for repair (primarily O&M) versus replacement (capital) were considered as part of the Program Alternatives Evaluation step.

Response:

- a) The Station Primary Switchgear replacement program is an example of how options for repair versus replacement were considered as part of the Program Alternatives Evaluation step.

BHI has 44 station primary switchgear, 26 of which are in Very Poor condition, indicating that they exhibit extensive serious deterioration and have reached end-of-life; the implication of which is that BHI must immediately assess risk and replace or refurbish based on an assessment.¹ BHI cannot replace 26 switchgear over the DSP horizon due to the high cost of replacement at \$175,000 each. BHI paces the replacement of station primary switchgear to manage customer bill impacts and accommodate other capital investment priorities. In order to accomplish this, BHI repairs station primary switchgear in very poor condition, where feasible, in order to defer replacement. BHI replaces any failing components with operable parts salvaged from station primary switchgear which have been replaced. In many cases this is the only way repairs are possible, as many of BHI's station primary switchgear are obsolete and replacement parts are difficult to source. This practice of making use of existing parts during the repair process minimizes costs; optimizes asset lifecycles; defers replacement beyond the current year; and informed BHI's proposal to replace two Station Primary Switchgear per year over the DSP horizon. These replacements are based on asset condition and whether the asset is beyond economic repair.

¹ ACA, page 7

2-Staff-87 (CQ-2-Staff-87)**Ref: 2-Staff-27, 2-Staff-29**

Question(s):

- a) It was stated that “BHI does not track the number of wood pole failures separately from poles that are replaced on a proactive basis.” It was also noted that “there was no back testing of the ACA methodology on previous years’ data.” Given that there was no back testing of the ACA methodology, how does BHI verify its ACA results?

Response:

- a) BHI could not back test its ACA methodology on previous years’ data because it completed its first ACA at the end of 2019. As such, asset condition, based on the ACA methodology, for assets replaced in 2019 and prior was not available. BHI verified its ACA results as follows:

The ACA results are an output of the ACA methodology and are dependent on the input data (i.e. condition data of assets). The ACA results are verified through a detailed review of the condition data, and alignment of the ACA methodology with industry best practices for ACAs within asset management planning.

Section 4 of the ACA report (pages 31 to 75) identifies the condition data for each asset class in the ACA scope. In general, this data includes service age, inspection results, test results, and loading history, among other condition parameters. The condition data was verified through a review by BHI and METSCO subject matter experts to ensure the integrity of the data for the purposes of producing an ACA. This is described in more detail on pages 29 and 30 of the ACA report:

“METSCO’s execution path in completing the ACA study can be separated into four phases described below:

Initial Information Gathering – including initial interviews with BHI staff to investigate system configuration and the prominence of certain asset classes, establish the range of available condition data sources at the beginning of the engagement, and confirm the key assumptions regarding these factors with BHI subject matter experts through a series of interviews.

Database Construction – activities to construct a single database of condition-related information for each BHI asset class using the provided data sources. This includes consolidation of BHI’s asset inspection records, databases containing results of technical tests performed by BHI contractors, and the entire database from the GIS.

HI and DAI Calculation – upon confirming the integrity of its condition dataset along with the accuracy of assumptions made in its preparation, METSCO calculated the Health Indices and DAI for all asset classes. Additional data sources were requested from BHI to improve the accuracy of the asset health calculation if applicable.

Results Reporting – the final phase of the project scope was the creation of the ACA report.”

The ACA methodology was verified by METSCO – ensuring it aligns with industry best practices. METSCO has been consulting on ACAs and asset management practices for over ten years. As noted on page 9 of the ACA report, METSCO states that:

“Overall, BHI’s asset data collection practices are sufficiently robust to enable calculation of recommended Asset Condition Assessment that is consistent with industry best practices.”

In particular, METSCO assessed the maturity level of BHI’s ACA framework to be “Stage 3: Full Recommended [Health Index] can be produced”, which is defined as:

“While the utility may not have the fullest dataset such that an Ideal [Health Index] can be produced, a recommended [Health Index] can still be produced where all degradation factors evenly contribute towards the prediction of failure probability. At this stage, only additional data collection and optimization tasks are necessary for the utility to transition to the use of an Ideal [Health Index].”

Staff-88 (CQ-3-Staff-88)

REFERENCE: 3-Staff-39
IR_Attachment_3-Staff-39_BHI_02012021

The following information was provided in Attachment 3-Staff-39, Tab "Summary":

Estimated & In service Updated						
Project Year	Persistence To	GS < 50	GS > 50	Weight	2019 + 2020	2020
2019	2019	935,781.28	6,718,681.72			
2019	2020	935,781.28	6,718,681.72			
2019	2021	931,102.37	6,685,338.15	0.5	3,808,220	
2020	2020	122,603.60	2,139,853.21			
2020	2021	122,603.60	2,139,853.21	1	2,262,457	2,262,457
				Total	6,070,677	2,262,457

Question(s):

- a) Please confirm:
 - i) The CDM adjustment (kWh) should be based on the updated figures, as highlighted in orange. As a result, Table 28 of the pre-filed evidence should be disregarded.
 - ii) Whether Staff's calculations in red (above) are correct, assuming no changes to the composition of the proposed projects in 2019 and 2020.
- b) In the "Attachment_3-Staff-39", it appears that all 2019 projects were in-service by the end of 2019 and have been generating a full-year of savings by 2021, but are still proposed to be reflected in the CDM manual adjustment, as opposed to being reflected as actuals in the 2021 load forecast.
 - i) Please confirm if this is the case. If yes, please explain why all of 2019 project savings cannot be included in the load forecast.
 - ii) Please confirm that 2020 programs (included in the CDM adjustment) have yet to realize a full year of savings in 2021. If this is the case, please confirm the revised CDM adjustment, including a breakdown of the calculation.

Response

- a) i & ii. BHI does not confirm the statements in a) i) and a) ii). BHI intends to use the 2019 CDM data identified in the LRAMVA workform in its load forecast. The figures in the orange table include projects that were estimated to be completed in 2019 that BHI does not have confirmation that they are in service, and therefore is not claiming lost revenues for these projects. Additionally, the figures do not include 2019 savings included in the

Participation & Cost report. Please see CQ_Attachment_3-VECC-79b for details of the amounts included in the CDM adjustment for 2019 and 2020.

- b) As BHI is claiming 2019 LRAM, BHI agrees 2019 CDM can be included in the load forecast and not part of the CDM manual adjustment. Savings in 2019 have been removed from the CDM adjustment. Additionally, an adjustment which accounted for 2019 CDM savings within cumulative persisting CDM (applied to avoid double counting the CDM adjustment) has been removed. Within the 'Normalized Annual Summary' tab of the Load Forecast, cumulative persisting CDM in 2020 and 2021 savings for the Residential, GS<50 kW and GS>50 kW classes referenced an adjusted CDM figure which removed half of 2019 CDM savings (see 'CDM' cells I20:N23). Removing this adjustment allows 2019 CDM to be accounted for as an actual value within the forecast. This adjustment is described in more detail in 3.0-VECC-40.
 - i. BHI does not confirm the statement above. IR_Attachment_3-Staff-39 includes 2019 projects that are not in service and therefore are not included in the LRAMVA Workform or the CDM Adjustment.
 - ii. BHI confirms that 2020 programs (included in the CDM adjustment) have yet to realize a full year of savings in 2021. Please see CQ_Attachment_3-VECC-79b for a derivation of the 2020 CDM manual adjustment.

Staff-89 (CQ-3-Staff-89)

REFERENCE: 3-Staff-36

BHI has provided scenarios for Residential, GS < 50, and GS > 50.

- a) Please provide an alternate scenario, where energy use per month for the Residential rate class is the dependent variable, days per month is an explanatory variable, but residential customer connections is not.

Response

- a) BHI provides CQ_Attachment_3-Staff-89 as an alternate scenario, where energy use per month for the Residential rate class is the dependent variable, days per month is an explanatory variable, but residential customer connections is not.

For consistency, the attached load forecast scenario is an extension of the model filed as IR_Attachment_3-Staff-36_BHI_02012021. The Residential class CDM adjusted 2021 forecast is 524,366,687 kWh. The Residential forecast for this scenario with corrected historic CDM (as per CQ-3-VECC-79) is 524,368,758 kWh.

Model 1: Prais-Winsten, using observations 2010:01-2019:12 (T = 120)				
Dependent variable: Res_NoCDM				
rho = 0.29816				
	coefficient	std. error	t-ratio	p-value
const	56975609.64008	24658291.08426	-2.31061	0.02267
HDD12	14432.56664	1434.43687	10.06149	0.00000
CDD14	70700.47967	2806.32763	25.19324	0.00000
Trend	-54766.31051	28976.66083	-1.89001	0.06132
Ont_FTEAdj	7134.04134	3763.55315	1.89556	0.06057
Shoulder	-2271918.23279	387161.23488	-5.86814	0.00000
MonthDays	1.65E+06	1.45E+05	11.36783	1.99E-20
Statistics based on the rho-differenced data				
Mean dependent var	45847346.96	S.D. dependent var	6849377	
Sum squared resid	2.47143E+14	S.E. of regression	1478887	
R-squared	0.955800198	Adjusted R-squared	9.53E-01	
F(6, 113)	311.5926177	P-value(F)	7.61E-68	
rho	-0.001553162	Durbin-Watson	1.99E+00	

3-Staff-90 (CQ-3-Staff-90)**Ref 1: 3-VECC-35 b)****Ref 2: 3-VECC-37 b)****Ref 3: Revised Load Forecast**

The actual GS < 50 kW customer connections increased from 5,502 to 5,550 in September, and then decreased to 5,531 in October. In a typical month, customer connections are forecasted to increase by five.

The actual GS > 50 kW customer connections decreased from 1,006 to 959 in September, and then increased to 981 in October. In a typical year, customer connections decreased by one.

- a) Is BHI aware of the reasons for the changes in customer connections in GS < 50 and GS > 50 rate classes in September and October?
- b) Is BHI able to provide an update to historic actual load in 2020 for both rate classes?

Response:

- a) BHI reclassified its GS<50kW and GS>50kW customers over two months in 2020 (September and October). The customers transitioning from the GS>50kW rate class to the GS<50kW rate class were reclassified in September and the customers transitioning from the GS<50kW rate class to the GS>50kW rate class were reclassified in October.
- b) No, BHI is unable to provide an update to historical actual load for December 2020 – the data is not available at this time.

7-Staff-91 (CQ-7-Staff-91)**Ref 1: 7-VECC-73 b)**

BHI indicated that some residential customers own their line transformer and secondary wiring, but the cost allocation model indicates that all residential customers and load are served by BHI owned line transformers and secondary wiring.

- a) How many customers, and how much residential load were served in the most recent year available
 - i) In total.
 - ii) To customers that own their own line transformers and their own secondary wiring.

Response:

Interrogatory 7.0–VECC–73 b) asked “*In those circumstances where a residential customer has a suite meter does BHI own the transformer, secondary facilities and services (Account 1855) servicing that customer?*”

BHI’s answer to 7.0-VECC-73 b) was not intended to imply that some residential customers own their own their line transformer and secondary wiring. BHI’s reference to “ownership” was to the condominium corporation who in some cases can own the transformer and secondary facilities and services.

BHI confirms that no residential customers own their own line transformers or secondary wiring; and are all served by BHI owned line transformers and secondary wiring. This is consistent with the cost allocation model.

1-Staff-92 (CQ-1-Staff-92)**Leased Assets****Ref 1: 1-Staff-8**

Regarding the leased vehicles and computer software, BHI stated that:

The leased assets are included as the rate base and the principal portion of the lease payment is included as depreciation expense in this rate application while only the lease payment was included as part of the operating expense in the last CoS application.

Question(s):

- a) Please quantify the revenue requirement difference between including the costs in OM&A versus capital in the 2021 test year.

Response:

- a) The revenue requirement from including lease payments in OM&A in the 2021 Test Year is approximately \$109K (operating expense and associated working capital allowance). The revenue requirement from including lease payments in Capital in the 2021 Test Year is approximately \$110k (depreciation expense, rate of return and PILs).

2-Staff-93 (CQ-2-Staff-93)**Asset Disposals****Ref 1: 2-Staff-32**

BHI provided Table 2 to reconcile the gross assets, accumulated depreciation and loss on disposal for the pooled assets (USoAs 1830 to 1860) from the fixed asset continuity schedule to the disposals that are recorded in the Account 1575.

Footnote 3 of Table 2 refers to an adjustment of (\$111,822) and BHI states that “Adjustment to Contributed Capital Amortization journal entry booked in 2015 to incorrect GLs on transition to IFRS”.

Question(s):

- a) Please provide further details for footnote 3 regarding the incorrect contributed capital amortization entry booked in 2015 that was corrected in 2021 and whether/how it impacts the Account 1575 balance.

Response:

- a) The adjustment in 2016 to Contributed Capital Amortization is a correction to 2015 in which incorrect accounts were used to record adjustments related to the transition to IFRS. It is not a correction in 2021 and there is no impact to the Account 1575 balance. The amounts in 2021 in the last three columns of Table 2 represent the loss on disposals from May 1 – December 31, 2021 which will not be recorded in Account 1575.

2-Staff-94 (CQ-2-Staff-94)**Opening Net Book Values of the ICM Assets****Ref 1: 2-Staff-33****Ref 2: Attachment_Main_OEB Chapter 2 Appendices_Revised excel file, Appendix 2-BA Fixed Assets Continuity Schedule**

Regarding the two ICM projects, BHI stated in its response to 2-Staff-33 that:

BHI has calculated the rate base impact between the half-year depreciation approach and the full-year depreciation approach as follows:

- i. ICM Project 1 – Tremaine TS CCRA – opening 2021 rate base is \$4,733 lower using the full-year depreciation approach
- ii. ICM Project 2— Tremaine TS Additional Breakers CCRA – opening 2021 rate base is \$16,667 lower using the full-year depreciation approach

BHI also stated that “When BHI calculated the ICM funding and corresponding rate riders for these two ICM projects, it applied the full-year depreciation approach but erroneously applied the halfyear depreciation approach to calculate the opening net book value for 2021”.

OEB staff notes that the ICM net book value in 2021 test year of the Appendix 2-BA fixed continuity schedule in the revised chapter 2 appendices has not been updated.

Question(s):

- a) Please update the ICM opening net book value in the Appendix 2-BA of the revised chapter 2 appendices to reflect the decreased net book value of the two ICM projects applying the full-year depreciation.

Response:

- a) BHI has updated the ICM opening net book value in Appendix 2-BA of the revised OEB Chapter 2 Appendices to reflect the decreased net book value of the two ICM projects as a result of applying the full-year depreciation. A revised Appendix 2-BA is filed as CQ_Attachment_2-Staff-94.

4-Staff-95 (CQ-4-Staff-95)**PILs Expense****Ref 1: 4-Staff-62**

In responding to OEB staff's interrogatory for the smoothing mechanism, BHI provided the calculation of the balance in Account 1592 that would have accumulated at the end of the next rebasing:

Assuming the current proposed capital additions are approved in this rate application, BHI provides the balance of (\$366,530) in Account 1592 sub-account for the CCA changes in Table 1 below, as at the end of the IRM term, i.e. 2025. This balance represents the full revenue impacts of the AIIP phase-out in 2024 and 2025.

when being asked of whether BHI has considered smoothing of accelerated CCA for all its capital additions and what its conclusion is, BHI stated that:

BHI originally intended to recover the actual difference in AIIP from ratepayers through Account 1592 in future years; however, BHI would consider including \$366,530 (\$269,400 grossed up) in Account 1592 and disposing of this balance in this Application, along with the remainder of that account, which relates to AIIP differences calculated from 2018-2020.

Question(s):

- a) Please clarify the sign (i.e. debit or credit) of the calculated full revenue requirement impacts of the AIIP phasing out for \$366,530 that would be in Account 1592 at the end of IR term (2025).
- b) Please provide the rationale/reference to any OEB's policy for BHI's proposal of including \$366,530 (\$269,400 grossed up) in Account 1592 and disposing of this balance in this application.
- c) OEB staff is of the view that a smoothing mechanism can be applied by increasing the test year's PILs expense by one fifth of the full revenue requirement of \$366,530, which results in a \$73,306 increase to the proposed PILs expense, and the unsmoothed approach is not to increase the test year's PILs expense and to use the Account 1592 sub-account CCA changes to track the revenue requirement impacts during the phasing out period of the AIIP. Please confirm whether BHI shares OEB staff's interpretation of the difference between a smoothing mechanism and the traditional use of Account 1592 for the phasing out of AIIP. If not, please explain.

Response:

- a) The sign (i.e. debit or credit) of the calculated full revenue requirement impacts of the AIIP phasing out for \$366,530 that would be in Account 1592 at the end of IR term (2025) is a debit. (BHI incorrectly showed this amount as a credit in 4-Staff-62d))
- b) To the best of BHI's knowledge the OEB has not issued a policy on a mechanism to smooth the tax impacts over the five-year IRM term. The OEB stated in the Chapter 2 filing requirements that applicants may propose a mechanism to smooth the tax impacts over the five-year IR term. BHI did not originally do so in its Application and Board Staff requested that it do so in 4-Staff-62c). Consequently, BHI calculated a smoothed CCA amount of \$269,400 (\$366,530 grossed up) and stated that it could record this amount in Account 1592 which it believed was consistent with the OEB's direction on where to record the impacts of CCA rule changes in Account 1592 - PILs and Tax Variances – CCA Changes for the period November 21, 2018 until the effective date of its next cost-based rate order.
- c) BHI agrees with Board Staff that another mechanism to smooth the tax impacts (from the AIIP phase-out in 2024 and 2025) over the five-year IRM term would be to increase the test year's PILs expense by $\frac{1}{5}^{\text{th}}$ of the full revenue requirement of \$366,530, which results in a \$73,306 increase to the proposed PILs expense. BHI agrees with Board Staff that the unsmoothed approach is not to increase the test year's PILs expense and to use Account 1592 sub account CCA changes to track the revenue requirement during the phasing out period of the AIIP.

9-Staff-96 (CQ-9-Staff-96)**Account 1575 IFRS-CGAAP Transitional PP&E Amounts****Ref 1: 9-Staff-72**

BHI provided a breakdown of the asset disposal loss in 2018 that is recorded in Account 1575. OEB staff notes that out of \$332,135 that is recorded in 2018, \$291,501 of this loss is related to meter disposals. BHI explained that “the disposition of meters in 2018 captured scrap disposals of meters for the years 2011 through to 2018”.

BHI also stated that:

The 2020 Bridge Year forecast loss of \$125,669 for scrap disposals of meters and transformers was derived using information available at the time of filing the Application. The 2021 Test Year forecast loss of \$27,669 was derived using the 2020 Bridge Year forecast loss of \$125,669 less an estimated loss of \$98,000 for transformer and meter scrap disposals for the period from May 1 to December 31, 2021.

Question(s):

- a) Please provide the loss on the scrap disposals of meters by year from 2011 to 2018.
- b) Please explain why BHI has recorded eight years' disposals in 2018.
- c) Please confirm that there are no other journal entries in Account 1575 reflecting multiple years of transactions.
- d) Please explain how BHI has come up with the estimated loss of \$98,000 for transformer and meter scrap disposals from May 1 to December 31, 2021.
- e) Please provide any supporting rationale that establishes BHI's confidence in, and capability to, accurately forecast the loss figures of \$125,669 and \$27,669 in 2020 and 2021, respectively, that are included in the disposition of Account 1575.

Response:

- a) BHI provides the loss on the scrap disposals of meters by year from 2011 to 2018 in Table 1 below.

Table 1

1860 Meter Scrap Disposals	Cost	Accumulated Depreciation	Net Book Value
2011	(\$8,485)	\$4,755	(\$3,730)
2012	(\$45,194)	\$24,880	(\$20,313)
2013	(\$48,521)	\$26,767	(\$21,754)
2014	(\$66,345)	\$36,598	(\$29,747)
2015	(\$91,945)	\$50,692	(\$41,253)
2016	(\$98,408)	\$54,255	(\$44,153)
2017	(\$155,899)	\$85,960	(\$69,939)
2018	(\$135,132)	\$74,521	(\$60,610)
	(\$649,928)	\$358,427	(\$291,500)

- b) BHI recorded eight years' disposals in 2018 because it erroneously omitted recording the disposals in prior years.
- c) BHI confirms that there are no other journal entries in Account 1575 reflecting multiple years of transactions.
- d) The estimated loss of \$98,000 for transformer and meter scrap disposals from May 1 to December 31, 2021 was based on the estimated losses for 2020. The estimated losses for 2020 of \$125,669 were based on 7 months of actuals from January 1 to July 31, 2021. (BHI did not forecast out to December 31, 2020 in error; and as such, based on seven months of actuals the estimated 2020 loss should have been approximately \$218k). The losses from January 1 to April 30, 2020 were \$27,669. The estimated loss of \$98,000 from May 1 to December 31, 2021 in the Application represents the difference between the original full year 2021 forecast and the actuals from January 1 to April 30, 2020 (i.e., \$98,000 = \$125,669 - \$27,669).
- e) BHI now has 2020 data available for the losses for transformer and meter scrap disposals which are \$190,221 and which should be recorded in Account 1575. BHI cannot accurately forecast the loss in 2021; however suggests that 4/12ths of the historical average from 2014 to 2021 could be used as a reasonable proxy. BHI provides a revised Table 7 from Exhibit 9, as Table 2 below, to correct for the following:
- Note #2 - remove the losses included in Account 1575 from 2011-2013 which were included in the account in error. As identified on page 17 of Exhibit 9, the balance included in Account 1575 should only represent the total loss on de-recognition of assets starting with the 2014 IFRS transition year.
 - Note #3 – correct the error in 2020 and update for 2020 actuals

- Note #4 - adjust the 2021 estimate from January 1 to April 30 to 4/12ths of the 7-year historical average.

Table 2 (revised Table 7 on page 17 of Exhibit 9)

Year	Original	Adjustment	Revised
2014 Actual ¹	\$82,451	\$0	\$82,451
2015 Actual	\$55,848	\$0	\$55,848
2016 Actual	\$33,021	\$0	\$33,021
2017 Actual	\$21,400	\$0	\$21,400
2018 Actual ²	\$332,135	(\$45,797)	\$286,338
2019 Actual	\$70,262	\$0	\$70,262
Total to December 31, 2019	\$595,117	(\$45,797)	\$549,320
2020 Bridge Year ³	\$125,669	\$64,552	\$190,221
2021 Test Year (4 months) ⁴	\$27,669	\$7,548	\$35,216
Total to April 30, 2021	\$748,454	\$26,303	\$774,757
Rate of Return	5.41%	5.41%	5.41%
Total Return	\$81,007	\$2,847	\$83,854
Total Amount for Disposition	\$829,462	\$29,150	\$858,611

1. 2014 recorded in 2015

2. remove 2011-2013 ineligible disposals

3. adjust to 2020 actuals

4. adjust to average disposals over 2014-2020

9-Staff-97 (CQ-9-Staff-97)

Account 1508 Other Regulatory Assets - Pole Attachment Charge Revenues Variance

Ref 1: 9-Staff-74

BHI has provided Table 1 below to break down the pole attachment revenue variances by year for the period September 1, 2018 to April 30, 2021 that are recorded in Account 1508 Other Regulatory Assets - Pole Attachment Charge Revenues Variance.

Table 1

Period	# of Pole Attachments	OEB- Approved Pole Attachment Rate	Rate Approved in Last COS Proceeding	Calculated Pole Attachment Revenue Variance	Principal Balance Recorded in Account 1508	Difference
Sept. 1 to Dec.31, 2018	16,265	\$28.09	\$22.35	\$31,120		
	(2,140)	\$34.42	\$27.39	(\$5,015)		
				\$26,106	\$26,106	-
Jan. 1 to Dec.31, 2019	16,265	\$43.63	\$22.35	\$346,119		
	(2,140)	\$53.47	\$27.39	(\$55,811)		
				\$290,308	\$290,308	-
Jan. 1 to Dec.31, 2020	16,265	\$44.50	\$22.35	\$360,270		
	(2,140)	\$54.53	\$27.39	(\$58,080)		
				\$302,190	\$302,190	-
Jan. 1 to Apr.30, 2021	16,265	\$44.50	\$22.35	\$120,090		
	(2,140)	\$54.53	\$27.39	(\$19,360)		
				\$100,730	\$100,730	-
Total Variance Account 1508 Forecasted to April 30, 2021				\$719,334	\$719,334	-

BHI stated that “the 2020 pole attachment revenue has been calculated using the actual number of pole attachments invoiced to the carriers and non-carriers”.

Question(s):

- Please explain what the negative figure of 2,140 poles each year represents.
- Please explain why the actual number of poles attached of 16,265 has not changed for the period of 2018 to 2020.

Response:

- The negative figure of 2,140 poles each year represents poles owned by a third-party carrier on which BHI has attachments. BHI pays a pole attachment fee for the use of these poles.
- The number of BHI-owned poles on which third-parties have attachments has not changed from 2018-2020.

9-Staff-98 (CQ-9-Staff-98)

Account 1508 Other Regulatory Assets - Monthly Billing Incremental Costs

Ref 1: 9-Staff-75

BHI has provided the table below for Postage/Mail/Stationery costs that are recorded in Account 1508 sub-account Monthly Billing Incremental Costs:

Table 2

Year	Paper Bills before Transition to e-billing			E-bills			Net Cost of Transition to Monthly Billing (as per Table 1 above for 2017-2019)
	Total # of Bills attributable to Monthly Billing	Total Cost per Paper Bill	Total Cost of Additional Bills (Monthly Billing)	Cumulative Paper Bills transitioned to E-bills	Total Avoided Cost per E-bill ¹	Savings due to Transition to E-billing	
	a	b	c = a x b	d	e	f = d x e	
2017	257,846	\$1.03	\$264,563	(10,374)	\$1.03	(\$10,644)	\$253,918
2018	288,255	\$1.03	\$296,650	(39,102)	\$1.03	(\$40,241)	\$256,409
2019	303,600	\$1.02	\$309,884	(69,624)	\$1.02	(\$71,065)	\$238,819
Total	849,701		\$871,097	(119,100)		(\$121,950)	\$749,146
2020 Estimate ¹	316,944	\$1.11	\$350,540	(89,406)	\$1.07	(\$95,307)	\$255,233
2021 Estimate ¹	325,315	\$1.13	\$366,995	(103,020)	\$1.09	(\$112,098)	\$254,896

1. Total avoided cost per e-bill in 2020/2021 = cost per paper bill less incremental cost to issue e-bill of \$0.04/bill

BHI stated that:

when BHI determines the net costs associated with the transition to monthly billing, it does not calculate the costs from the transition to monthly billing separately from the savings from the transition to e-billing. Specifically, net costs are calculated by month, using the incremental number of paper bills that were issued as a result of the transition to monthly billing. Using this number inherently captures the savings as a result of the transition to e-billing.

Question(s):

- a) Please explain how the incremental number of paper bills (i.e. column a in the table) were determined.

Response:

- a) BHI calculated the incremental number of paper bills in two steps:
- Calculated the total number of paper bills issued on a daily basis. BHI can identify which customers were billed on a bi-monthly basis prior to January 2017 and which customers were not, based on rate class. The number of total paper bills issued for customers who were billed on a bi-monthly basis prior to January 2017 is divided by two to determine the incremental number of paper bills. This



daily total is aggregated by month and then by year. (this number is equal to column a plus column d in Table 2 of 9-Staff-75 b) i.e., 247,472 bills in 2017)

- ii. Added back the number of e-bills issued in column d to determine the number of paper bills issued prior to e-billing (i.e., 247,472 plus 10,374 bills = 257,846 in 2017). The only reason this calculation was performed was to separately identify the savings from e-billing as requested in 9-Staff-75 b).

9-Staff-99 (CQ-9-Staff-99)**Account 1592 Sub-account CCA Changes****Ref 1: 9-Staff-79****Ref 2: Appendix E, 9-Staff-79 b)****Ref 3: Appendix F, 9-Staff-79 c)**

Regarding the calculation of full revenue requirement impact in Account 1592 sub-account CCA changes, BHI stated that:

The AIIP calculation as provided above and in Appendix F: 9-Staff-79 c) compares the Test Year additions from the last rate-setting Application, using the “half-year legacy rules”, to the amount of CCA that would otherwise have been calculated if the accelerated CCA rules were applied in the last rate-setting Application. The actual percentage of additions in 2018 that were eligible for AIIP in 2018 was applied to the Test Year Additions, to most accurately depict the pro-rata portion of Test Year additions that qualified for AIIP in 2018. This calculation is provided in Appendix E: 9-Staff-79 b).

OEB staff notes that the AIIP calculation in Appendix E did not include the UCC values that were approved in the BHI’s last CoS application. In addition, OEB staff notes that BHI has calculated the 2020 tax impact of the CCA difference in Appendix E.

Question(s):

- a) Please include the 2014 UCC that was approved in the 2014 cost of capital application into the AIIP calculation in Appendix E.
- b) Please provide an updated full revenue requirement impact in Account 1592 sub-account CCA changes by: i) including the 2020 full revenue requirement impact of the CCA difference; ii) incorporating the 2014 UCC that was approved in the 2014 CCA of the last cost of service application for all years.
- c) Please show the calculations for the CCA under the AIIP in Appendix E using one class of the asset (Class 10).
- d) From a cash flow perspective, what is actual benefit that BHI has realized through the claiming of CCA under the AIIP from 2018 to 2020.

Response:

- a) BHI provides CQ_Attachment_9-Staff-99 (1st tab) to include the 2014 UCC that was approved in BHI’s 2014 Cost of Service application into the AIIP calculation in Appendix E.
- b) BHI provided an updated full revenue requirement impact in Account 1592 sub-account CCA changes to include the 2020 full revenue requirement impact of the CCA difference in its response to 9-SEC-36. There is no difference in the revenue requirement impact of

the CCA difference as a result of incorporating the 2014 UCC approved in BHI's last Cost of Service application. The AIIP only impacts CCA in the year the asset is added commencing in 2018. BHI provides Table 1 below to include the UCC opening balances (as compared to Appendix E, 9-Staff-79 b) which included only the additions). There is no change to the difference in CCA, tax impact or grossed up PILs as compared to Table 1 in 9-SEC-36.

Table 1 (recast Table 1 in 9-SEC-36 to incorporate total CCA)

Description	2018 Actuals	2019 Actuals	2020 Forecast	Total
Old CCA Rules	\$8,468,621	\$8,210,324	\$8,119,915	\$24,798,861
Accelerated CCA	\$8,812,033	\$8,911,062	\$8,665,502	\$26,388,597
Difference in CCA	(\$343,411)	(\$700,737)	(\$545,587)	(\$1,589,735)
Tax Impact @ 26.5%	(\$91,004)	(\$185,695)	(\$144,581)	(\$421,280)
Grossed up PILs	(\$123,815)	(\$252,647)	(\$196,708)	(\$573,170)
Remove 50% of Principal Amount				\$286,585
Total Payable to Ratepayers - Principal				(\$286,585)

- c) BHI provides CQ_Attachment_9-Staff-99 (2nd tab) to show the calculations for the CCA under the AIIP in Appendix E using one class of the asset (Class 10). The calculation is provided below in Table 2 for ease of reference.

Table 2

Class 10	Old CCA Rules	AIIP Formula	AIIP	Change
CCA RATE 30%				
2018 Addition	50,000.00	a	50,000.00	-
2018 AIIP ¹	-	b = a x 8.49%	4,245.00	
2018 CCA	7,500.00	c = (a-b)/2 x 30% + b x 30%*1.5	8,773.50	1,273.50 ¹
2018 UCC - Ending	42,500.00	d = a - c	41,226.50	(1,273.50)
2019 UCC - Opening	42,500.00	e = d	41,226.50	
2019 Addition	50,000.00	f	50,000.00	
2019 AIIP	-	g = f	50,000.00	
2019 CCA	20,250.00	h = e x 30% + g x 30% x 1.5	34,867.95	14,617.95 ²
2019 UCC - Ending	72,250.00	i = e + g - h	56,358.55	(15,891.45)
2020 UCC - Opening	72,250.00	j = i	56,358.55	
2020 Addition	50,000.00	k	50,000.00	
2020 AIIP	-	l = k	50,000.00	
2020 CCA	29,175.00	m = j x 30% + l x 30% x 1.5	39,407.57	10,232.57 ³
2020 UCC - Ending	93,075.00	n = j + k - m	66,950.99	(26,124.02) ⁴ = -(1+2+3)
1. AIIP for 2018 pro-rated based on 2018 additions that qualified for AIIP.				

- d) From a cash flow perspective, the actual benefit that BHI originally calculated through the claiming of CCA under the AIIP from 2018 to 2019 is \$572,420 and the expected benefit for 2020 was \$146,928; for a total of \$719,249 as identified in Table 3 below. The

supporting calculations are provided on page 3 of CQ_Attachment-9-SEC-4. These calculations include additions for BHI's new CIS and GIS which are to be excluded from the amount recorded in Account 1592 as the OEB determined in BHI's 2020 IRM Application that BHI did "not have to record the effect of the AII for the CIS and GIS projects in Account 1592".¹

Table 3 (AIIP Cash Benefit from 2018 to 2020)

Description	2018 Actuals	2019 Actuals	2020 Forecast	Total
Prior CCA	\$7,468,431	\$8,493,882	\$9,438,531	\$25,400,844
Accelerated CCA	\$7,862,774	\$10,259,615	\$9,992,601	\$28,114,990
Difference in CCA	(\$394,343)	(\$1,765,733)	(\$554,070)	(\$2,714,146)
Tax Impact @ 26.5%	(\$104,501)	(\$467,919)	(\$146,829)	(\$719,249)

As stated in CQ-9-SEC-4, when BHI was preparing the calculations for its response to this clarifying question it identified that CCA was calculated on the CIS and GIS projects in 2019 in error – these were not available for use until 2020. This had no impact on accelerated CCA by the end of 2020, however it had the effect of overstating CCA under the old rules in 2019 and by the end of 2020. BHI is not able to update page 3 of CQ_Attachment_9-SEC-4 in time to submit this answer prior to the commencement of its settlement conference. However, it has recast Table 3 above to correct for this error to provide an updated benefit of claiming CCA under the AIIP from 2018 to 2020 in Table 4 below.

From a cash flow perspective, the updated benefit that BHI is expected to realize through the claiming of CCA under the AIIP from 2018 to 2020 is \$931,611 as identified in Table 4 below (as compared to \$719,249 in Table 3 above). BHI was not able to fully vet the correcting adjustments and they are subject to verification.

¹ EB-2019-0023, Decision and Rate Order, April 16, 2020, page 26

**Table 4 (recast of Table 3 above to correct CCA on BHI's CIS and GIS)**

Description	2018 Actuals	2019 Actuals	2020 Forecast	Total
Prior CCA	\$7,468,431	\$8,493,882	\$9,438,531	\$25,400,844
<i>Adjustment to Prior CCA ¹</i>	\$0	(\$801,369)	\$0	(\$801,369)
Adjusted Prior CCA	\$7,468,431	\$7,692,514	\$9,438,531	\$24,599,476
Accelerated CCA	\$7,862,774	\$10,259,615	\$9,992,601	\$28,114,990
<i>Adjustment to Accelerated CCA ¹</i>	\$0	(\$1,602,737)	\$1,602,737	\$0
Adjusted Accelerated CCA	\$7,862,774	\$8,656,878	\$11,595,338	\$28,114,990
Difference in CCA	(\$394,343)	(\$964,364)	(\$2,156,807)	(\$3,515,514)
Tax Impact @ 26.5%	(\$104,501)	(\$255,557)	(\$571,554)	(\$931,611)

1. Subject to verification