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

BY EMAIL

March 24, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Long:

Re: Ontario Energy Board (OEB) Staff Submission
Burlington Hydro Inc.
Cost of Service
OEB File Number: EB-2020-0007

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1. Burlington Hydro Inc. and all intervenors have been copied on this filing.

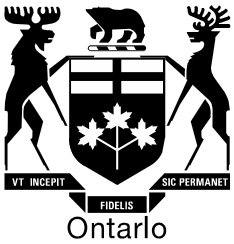
Yours truly,

Original Signed By Shuo Zhang Digitally signed by Shuo Zhang Date: 2021.03.24 10:37:27 -04'00'

Shuo Zhang
Project Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Encl.

cc: All parties in EB-2020-0007



ONTARIO ENERGY BOARD

OEB Staff Submission

Burlington Hydro Inc.

Cost of Service Application

EB-2020-0007

March 24, 2021

Introduction

Burlington Hydro Inc. (Burlington Hydro) filed a Cost of Service application with the Ontario Energy Board (OEB) on October 30, 2020, under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for the rates that Burlington Hydro charges for electricity distribution, effective May 1, 2021.

The OEB issued an approved issues list for this proceeding on February 12, 2021. A settlement conference took place on February 22, 23 and 24, 2021. Burlington Hydro filed a settlement proposal representing a complete settlement of all issues on March 17, 2021. The parties to the settlement proposal are Burlington Hydro and the approved intervenors in the proceeding: Consumers Council of Canada, Distributed Resource Coalition, Environmental Defence, Energy Probe Research Foundation, School Energy Coalition and Vulnerable Energy Consumers Coalition (the Parties).

For a typical residential customer with a monthly consumption of 750 kWh, the total bill impact if the settlement proposal is approved would be an increase of $2.35 per month before taxes, or 1.66%.

This submission is based on the status of the record at the time of the filing of Burlington Hydro's settlement proposal and reflects observations that arise from OEB staff's review of the evidence and the settlement proposal. It is intended to assist the OEB in deciding upon the settlement proposal.

Settlement Proposal

OEB staff has reviewed the settlement proposal in the context of the objectives of the *Renewed Regulatory Framework*[1] (RRF*)*, the *Handbook for Utility Rate Applications*[2], applicable OEB policies, relevant OEB decisions, and the OEB's statutory obligations. OEB staff submits that the settlement proposal reflects a reasonable evaluation of the distributor's planned outcomes in this proceeding, appropriate consideration of the relevant issues and ensures that there are sufficient resources to allow Burlington Hydro to achieve its identified outcomes in the five years of the plan from 2021 to 2025.

OEB staff further submits that the explanations and rationale provided by the Parties support the settlement proposal and that the outcomes arising from the OEB's approval of the settlement proposal would reflect the public interest and would result in just and reasonable rates for customers.

Below, OEB staff provides submissions on the following issues in the settlement proposal:

- Issue 1.1 – Capital
- Issue 1.2 – Operating, Maintenance and Administration
- Issue 1.3 – Distribution Losses
- Issue 2.0 – Revenue Requirement
- Issue 3.0 – Load Forecast, Cost Allocation and Rate Design
- Issue 4.0 – Accounting
- Issue 5.1 – Effective Date
- Issue 5.2 – Operational Effectiveness

Issue 1.1 – Capital

Burlington Hydro proposed a total net capital expenditure of $14.0 million for the 2021 test year. The largest area of capital investments is related to system access projects driven by third parties, followed by system renewal which focusses on distribution asset replacement as outlined in Burlington Hydro's Distribution System Plan (DSP).

For the purposes of the settlement of all issues in this proceeding, the Parties have agreed to a reduction of $0.5 million resulting in a 2021 test year net capital expenditure

[1] Report of the Board – Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, October 18, 2012
[2] Handbook for Utility Rate Applications, October 13, 2016

of $13.5 million. The rationale for the proposed reduction includes a more balanced pacing of capital expenditures through the DSP plan period.

The Parties agreed that Burlington Hydro will track specific reactive and proactive capital asset replacement separately, by quantity replaced and total expenditures. The System Renewal programs included in this tracking are pole replacement, underground rebuilds, switchgear replacement, station transformer replacement, municipal station feeders cable replacement, distribution transformer replacement, and switch replacement. OEB staff agrees with the Parties that tracking reactive and proactive replacement costs separately would be beneficial to the assessment of Burlington Hydro's capital plan in a future application.

The Parties agreed that Burlington Hydro will track five new metrics as shown in Table 1.1D – DSP Metrics. DSP implementation progress will be tracked by two reliability focused metrics, duration and frequency of outages caused by defective equipment, excluding major event days and loss of supply. The reliability metrics have a target for 2021 through 2023 of the previous 5-year rolling average, and for 2024 through 2025 of 5% reduction to the 5-year rolling average. Costs will be tracked by three unit-cost measures for wood poles, station primary switchgear, and underground cable. The cost metrics have no target at this time and will be monitored only. In OEB staff's view, these new metrics are consistent with the spirit of the OEB's RRF policy, which encourages utilities to achieve cost effectiveness and performance outcomes by establishing specific measures and targets.

Two large System Access projects, Dundas Street and Waterdown Road road widening projects, are driven by a third-party and have an inherent level of uncertainty with respect to their scope and scheduled completion in the test year. The settlement proposal includes the creation of two separate asymmetrical capital variance accounts to track the variance in the revenue requirement from the budgeted and actual net capital additions for these two System Access projects. The mechanics of these accounts are discussed under Issue 4.0. OEB staff supports the creation of these accounts and the accounting treatment of these two projects.

Issue 1.2 – Operation, Maintenance and Administration (OM&A)

Burlington Hydro proposed total OM&A spending of $21.5 million for the 2021 test year in its application. This represented an increase of 28% from 2014 actual OM&A spending, or a compound annual growth rate of 3.54%. Burlington Hydro stated that the OM&A increases are due to inflation, as well as policy, business environment, distribution operations and technology changes.

The Parties agreed to an OM&A envelope reduction of $0.9 million to Burlington Hydro's proposed OM&A for a revised budget of $20.6 million. The revised OM&A amount results in an increase of 22% from the 2014 OM&A spending or a compound annual growth rate of 2.89%. Burlington Hydro has been in Efficiency Assessment Cohort 2 (the second most efficient cohort) for 2016 through 2019.

OEB staff submits that the reduction of $0.9 million is reasonable. It is an overall envelope reduction and the Parties have provided a breakdown of the reduction in Table 1.2A – Summary of OM&A Expenses - Variance.

Issue 1.3 – Distribution Losses

Burlington Hydro agreed to target its five-year average total system losses at 3.4% over the period of 2021-2025. OEB staff notes that the target total loss factor (TLF) of 3.4% is lower than the current OEB-approved TLF of 3.73% for the 2014-2020 period. The agreed-upon TLF for the 2021-2025 period is 3.82%, however, the Parties noted that Burlington Hydro shall make best efforts to reduce its five-year average TLF to the target of 3.4% through cost-effective measures.

Burlington Hydro also agreed to prepare and file a plan to reduce distribution losses as much as reasonably possible though cost-effective measures over the course of 2021-2022, and to implement as many of these cost-effective measures as possible between 2022 to 2025. All other cost-effective measures to address reducing losses would be incorporated into Burlington Hydro's next rate application and DSP.

OEB staff submits that it is reasonable to create a plan to reduce distribution losses when it is cost-effective to do so.

Issue 2.0 – Revenue Requirement

The Parties agreed that the elements of the revenue requirement are reasonable and have been correctly determined in accordance with OEB policies and practices, subject to the adjustments identified in the settlement proposal.

The 2021 test year opening rate base has been updated through the settlement proposal to reflect the net book value of two Incremental Capital Module (ICM) projects by applying full-year depreciation in the year the projects entered service. OEB staff supports applying the full-year depreciation as it is consistent with the revenue collected from customers through the application of the ICM rate rider the year the assets entered service.

The Parties have agreed to a service revenue requirement of $37.0 million and a base revenue requirement of $33.9 million. This reflects a reduction of $0.5 million in net capital additions, a reduction of $0.9 million in OM&A and an increase of $0.2 million of other revenue. This also reflects updates to the depreciation, cost of capital, working capital allowance and payments in lieu of taxes. Table 2.2A – Revenue Requirement shows the change in revenue requirements between Burlington Hydro's application and the settlement proposal.

OEB staff takes no issues with the revenue requirements as presented in the settlement proposal.

PILS Expense – Accelerated Capital Cost Allowance

Bill C-97 introduced the Accelerated Investment Incentive Program (AIIP), which provides for a first-year increase in capital cost allowance (CCA) deductions on eligible capital assets acquired after November 20, 2018.

In its July 25, 2019 letter (CCA Letter) titled Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, the OEB provided accounting direction on the treatment of the impacts from accelerated CCA resulting from the AIIP. The OEB established a separate sub-account of Account 1592 - PILs and Tax Variances, Sub-account CCA Changes to track the impact of any differences that result from the CCA change to the tax rates or rules that were used to determine the tax amount that underpins rates.

Burlington Hydro proposes to calculate the revenue requirement impacts of the CCA changes in 2018 and 2019 using the capital additions approved in its last rebasing application and proposes sharing the impacts between the shareholders and ratepayers on 50/50 basis.

The Parties agreed that the revenue requirement impacts in Account 1592 sub-account CCA changes should be based on actual capital expenditures in 2018 and 2019, and forecasted capital expenditures in 2020, with 100% of the calculated revenue requirement impacts refunded to Burlington Hydro's ratepayers. OEB staff takes no issue with this approach, given the CCA Letter states that "determinations as to the appropriate disposition methodology will be made at the time of each Utility's cost-based application". In addition, OEB staff notes that in a number of 2021 rate proceedings, parties have agreed in settlement proposals on 100% of the revenue requirement impact of the CCA changes being refunded to ratepayers and the OEB has

issued decisions and orders approving those settlement proposals.[3]

The CCA Letter also indicated that utilities were to reflect any impacts arising from CCA rule changes in their cost-based applications for 2020 rates and beyond and that OEB may consider a smoothing mechanism to address any timing differences that could lead to volatility in tax deductions over the rate-setting term.

In the settlement proposal, the Parties agreed that there is no need for a smoothing mechanism to address the impacts of accelerated CCA over the rate-setting term. Instead, Burlington Hydro will use Account 1592 – PILS and Tax Variances, Sub-account CCA Changes to track the revenue requirement impacts during the IRM term, including the impacts of the phasing out of the AIIP. The balance in this sub-account is to be disposed of at Burlington Hydro's next rebasing application.

OEB staff does not object to this approach. The AIIP is to be phased out from 2024 to 2027. Burlington Hydro's continued use of the Account 1592 sub-account will capture the impact of differences that result from CCA rule changes, including the impacts of phasing out of the AIIP (which results in an increase in taxes payable over the PILs amounts assumed in rates). Using Account 1592 for this purpose will generally achieve the same intent as a smoothing mechanism.

Issue 3.0 Load Forecast, Cost Allocation and Rate Design

Load Forecast

The Parties agreed to six changes to the load forecast from Burlington Hydro's application as updated through the interrogatories:

1. Total class consumption per month be used as the dependent variable instead of consumption per customer per day in each regression model
2. The number of days in the month be used as an independent (explanatory) variable in each regression model
3. Customer counts be used as an independent variable in each of the General Service (GS) < 50 kW and GS > 50 kW rate classes
4. The Conservation and Demand Management (CDM) data (see below) and GS > 50 February 2020 customer counts be updated
5. The most current economic forecast (as of January 21, 2021) is incorporated for the GS < 50 kW and GS > 50 kW rate classes

[3] For example, Hydro Ottawa's 2021 Custom IR proceeding EB-2019-0261 and Waterloo North's 2021 cost of service proceeding EB-2020-0059.

6. The pre-COVID economic forecast (February 2020) is used to determine the residential forecast

The use of total class consumption per month as the dependent variable is consistent with the approach used by Burlington Hydro in its previous cost of service proceeding,[4] and with the methodology used by most Local Distribution Companies. By changing the dependent variable, in the first point, it became logical to consider adding number of days per month and number of customers as explanatory variables. This was done as detailed in the second and third points.

The Parties agreed that since Burlington Hydro is using economic forecasts that reflect the impact of COVID-19 in the GS < 50 kW and GS > 50 kW rate classes, it would not be allowed to include any lost revenue due to lower load resulting from COVID-19 in Account 1509 – Impacts arising from the COVID-19 Emergency, sub-account Lost Revenues.

The Parties agreed that a pre-COVID-19 economic forecast would be used for the residential rate class. The Parties believe this is more indicative of residential consumption over the five-year IRM term. OEB staff notes that as residential rates are fully fixed, any variance in load would not impact rate revenue for the class.

In the context of the settlement proposal, OEB staff does not have any concerns with the proposed load forecast of 1,547 GWh, 2,350 MW, and 86,461 customers and connections as shown in Tables 3.1A and 3.1B of the settlement proposal. OEB staff submits that the agreed-upon load and customer connection forecasts are reasonable.

CDM Adjustment to Load Forecast

Burlington Hydro originally requested approval of a CDM adjustment that consisted of both 2019 and 2020 forecast savings from programs approved as part of the Conservation First Framework. During this proceeding, Burlington Hydro removed the 2019 savings from the originally proposed CDM adjustment, as 2019 savings could be accounted for as actual values within the load forecast.

The Parties settled on the revised CDM adjustment. OEB staff submits that Burlington Hydro's revised CDM adjustment is consistent with the OEB's guidelines.[5] In addition, OEB staff supports the use of the CDM adjustment as the basis of the Lost Revenue

[4] EB-2013-0115.
[5] Chapter 2 Filing Requirements for Electricity Distributors, section 2.3.1.3

Adjustment Mechanism Variance Account threshold to calculate lost revenues for a future rate application.

Cost Allocation

The Parties agreed that the weighting factors for billing and collecting as well as services would be updated to reflect 2021 test year costs, as outlined in Table 3.2A. Burlington Hydro proposed demand allocators based on updated load profiles using weather-normalized 2018 hourly load data. The Parties noted that consumption patterns have changed since its previous load profiles were created, based on 2004 data. While the Parties agreed that the resulting demand allocators were reasonable, they did not come to an agreement on suitability of the methodology used to derive them. OEB staff agrees that it is reasonable to use weather normalized load profiles from a recent historic year to produce demand allocators. OEB staff also agrees that the demand allocators proposed are reasonable.

Revenue-to-cost ratios for the Street Lighting and Unmetered Scattered Load rate classes were initially above the OEB's target ranges of revenue-to-cost ratios for these two rate classes. The Parties proposed that these revenue-to-cost ratios be reduced to 120%, the upper end of the policy range, by increasing the class with the lowest revenue to cost ratio, GS 50 > kW to 94.42%. The agreed-upon revenue-to-cost ratios by rate classes are provided in Table 3.2B of the settlement proposal.

In the context of the settlement proposal, OEB staff does not have any concerns with the cost allocation agreed to by the Parties.

Rate Design

The Parties agreed that the fixed charge for the GS < 50 kW rate class be reduced from the current charge of $27.06 to $25.32 as this is the allocated cost of the Minimum System with Peak Load Carrying Capability adjustment (commonly referred to as the ceiling).

The proportion of revenue collected from the fixed and variable charges is proposed to be maintained for all other non-residential rate classes. This results in fixed charges within the guidance from the cost allocation model.[6]

OEB staff notes that Burlington Hydro would not normally be expected to reduce a fixed charge from its current level to the ceiling. However, in Burlington Hydro's past cost of

[6] Cost Allocation Model, Sheet O2 Fixed Charge|Floor|Ceiling, March 17, 2021.

service proceeding,[7] the fixed charge for GS < 50 kW was set below the ceiling at $24.77, and the GS > 50 kW fixed charge was reduced to its ceiling of $58.05.[8] As a result, all fixed charges in that proceeding were within the guidance from the cost allocation model.

In the context of the settlement proposal, OEB staff accepts the rate design proposal.

Specific Service Charges, Retail Service Charges, and Pole Attachment Charge

In its initial application, Burlington Hydro had used the 2020 Retail Service Charges as the annual adjustment factor was not yet available.[9] The Parties agreed that Burlington Hydro has adopted the latest Retail Service Charges[10] in the settlement proposal.

In its initial application as clarified through the interrogatories, Burlington Hydro requested to continue to apply the province-wide wireline pole attachment charge of $44.50 per pole per year on an interim basis for pole attachments used by communications carriers (carriers). For pole attachments that are not used by communications carriers (non-carriers), it proposed that a charge of $22.35 be added to its Tariff of Rates and Charges.[11] In interrogatories, Burlington Hydro stated that 5,126 pole attachments are used by non-carriers.[12]

The Parties agreed that Burlington Hydro would not include a separate pole attachment charge for non-carriers on its Tariff of Rates and Charges. The Parties also agreed to an envelope increase of $190,000 to its Other Revenue.

In the context of the settlement proposal, OEB staff does not have any concerns with the specific service charges including the pole attachment charge, or the retail service charges.

Issue 4.0 Accounting

Disposition of Deferral and Variance Accounts

In its pre-filed evidence, Burlington Hydro proposes to dispose of its Group 1 Deferral and Variance Account (DVA) balances (debit of $2,433,347) as at December 31, 2019

[7] EB-2013-0115.
[8] EB-2013-0115, Cost Allocation Model, May 1, 2014.
[9] Exhibit 8, page 12.
[10] EB-2020-0285 Decision and Rate Order, December 3, 2020.
[11] Exhibit 8, page 15.
[12] Interrogatory Response 8-Staff-71.

on an interim basis, and Group 2 and other (debit of $1,669,255) DVA balances on a final basis as at December 31, 2019 (and for several accounts, forecasted balances to April 30, 2021), including forecasted interest to April 30, 2021. All DVA balances are proposed for disposition over a two-year period. The Parties agreed to disposition of Burlington Hydro's as-filed Group 1 DVA balances, as well as disposition of revised Group 2 and other DVA balances totalling a debit amount of $733,207, reflecting a reduction of $936,048 from Burlington Hydro's original disposition request.

Group 1 DVAs

Burlington Hydro proposed to dispose of its Group 1 DVA balances in this application on an interim basis. Burlington Hydro also did not request that the 2018 balances, previously disposed on an interim basis in its 2020 IRM proceeding[13], be made final, because it has not implemented a new Customer Information System, which is anticipated to correct two systematic issues identified in its 2020 IRM proceeding related to commodity pass-through variance accounts 1588 and 1589.[14] OEB staff notes that the requested balance in Account 1588 RSVA Power of $572,229 represents less than 1% of total cost of power expense of $85,146,095 purchased in 2019.[15] OEB staff also notes from its review of the Global Adjustment (GA) analysis workform that the 2019 GA principal balance falls within the +/- 1% of the expected balance that the workform generates. Accordingly, OEB staff supports Burlington Hydro's request to dispose of Group 1 DVA balances as at December 31, 2019 on an interim basis.

Group 2 and Other DVAs

OEB staff notes that Burlington Hydro's proposed Group 2 and other DVA balances has decreased by $936,048 due to changes in the following three accounts:

- Account 1508 Sub-account Monthly Billing Incremental Costs
- Account 1592 Sub-account CCA Changes
- Account 1575 IFRS-CGAAP Transitional PP&E Amounts

In Burlington Hydro's 2017 IRM decision and order, the OEB approved the establishment of the Monthly Billing Incremental Costs deferral account, to record the incremental costs directly attributable to the transition to monthly billing with the associated offsetting benefits.[16]

[13] EB-2019-0023.
[14] Burlington Hydro stated, in its response to staff interrogatory 9-Staff-80, that it expects to go live with the new Customer Information System by June 30, 2021.
[15] The balance reported in USoA 4705 Cost of Power in 2019 RRR 2.1.7.
[16] EB-2016-0384 & EB-2016-0059.

The Parties agreed that the incremental costs associated with the transition to monthly billing should be offset by working capital allowance savings for the years 2017 to 2021. The annual savings of $173,488[17] are calculated based on the difference between the working capital allowance that was embedded in rates in Burlington Hydro's 2014 cost of service proceeding and the working capital allowance that would have been calculated had the monthly billing change been reflected in 2014 rates. After including the recalculated working capital allowance savings, the balance in Account 1508 sub-account Monthly Billing Incremental Costs decreased from $851,260 to $561,640. OEB staff notes that the calculation of the working capital allowance savings is consistent with the method approved by the OEB in Energy Plus' 2019 cost of service decision and order.[18] OEB staff supports the inclusion of the working capital allowance savings in the account, as well as the resulting revised balance.

The credit balance in Account 1592 sub-account CCA Changes increased from $192,553 to $749,060 because the Parties agreed to refunding 100% of the revenue requirement impacts to the ratepayers. The impacts were based on the 2018 to 2019 actual capital additions and 2020 forecasted capital additions. As explained in the PILs section of this submission, OEB staff has no concerns with the proposed disposition in this account.

As this proceeding involves Burlington Hydro's first cost-based rate application under Modified International Financial Reporting Standards (MIFRS), the balance in Account 1575 IFRS-CGAAP Transitional PP&E Amounts represents losses on disposals since Burlington Hydro's 2014 cost of service application.[19] The Parties agreed that losses on disposals for the stub period (January 1 – April 30, 2021) are not to be recorded in this account and the rate of return is to be updated to reflect the updated weighted average cost of capital of 5.13% as proposed in this settlement proposal. OEB staff notes that excluding the stub period loss in the account is consistent with the disposition approach in other distributors' first MIFRS-based cost of service proceedings. OEB staff submits that the principal balance in this DVA of $739,241, representing losses on disposals from January 1, 2014 to December 31, 2020, and the associated rate of return, is reasonable.

[17] Burlington Hydro's settlement proposal, Table 4.2B.
[18] EB-2018-0028, Decision and Order, dated June 18, 2019.
[19] Under IFRS, losses on disposals of pooled assets are recognized in the statement of profit and loss, while under Canadian General Accepted Accounting Standards (CGAAP), the losses on disposal of these assets are recorded in accumulated depreciation on the balance sheet. Account 1575 is used to record these losses incurred during the IRM period.

New Variance Accounts

The Parties agree to establish two separate asymmetrical capital variance accounts for two system access projects (the Dundas Street Road Widening Project and the Waterdown Rd Road Widening Project) to record the associated revenue requirement differences between the forecasted and the actual net capital additions in the 2021 test year, as well as the resulting impact throughout the IRM period. Any entries would result in a refund to ratepayers. The accounts are asymmetrical, in that there are to be no entries made in the account if the actual net capital additions for each project exceeds the associated forecasted net capital additions in the 2021 test year. The Parties agree that for each rate year from 2022 until its next rebasing application, Burlington Hydro will make further entries into the applicable variance account, equal to the revenue requirement impact in the 2021 test year, escalated annually by the OEB Price Cap IR annual adjustment (Inflation minus X-factor). Any balances in the two accounts will be disposed in Burlington Hydro's subsequent rebasing application. Burlington Hydro filed the relevant accounting orders in Appendix B to the settlement proposal.

OEB staff submits that the establishment of the two new variance accounts is appropriate. The settlement proposal states that there is an "inherent level of uncertainty with respect to both their scope and whether they will be completed in the test year".[20] OEB staff notes that the establishment of the asymmetrical variance accounts for the capital projects protects ratepayers from the risks of potentially inflated rates due to overstated capital forecasts for these projects. OEB staff further notes that the OEB has approved similar capital variance accounts in cost-based rate applications.[21] OEB staff also makes no objection to the associated draft accounting orders.

Disposition Period

Burlington Hydro proposed to dispose of its Group 1 and Group 2 DVAs over two years to mitigate bill impacts. The parties agree to a disposition period of two years for all Group 1 and Group 2 DVAs. OEB staff supports a two-year disposition period to reduce the bill impacts to the ratepayers given both Group 1, Group 2 and other DVAs are in relatively large debit balances.

[20] Settlement Proposal, page 12.
[21] For example, the OEB has approved a capital variance account in Kingston Hydro's 2019 Custom IR ApplicationEB-2018-0047.

Issue 5.1 – Effective Date

The Parties have agreed that an effective date of May 1,2021 is appropriate. Burlington Hydro filed this application on October 30, 2021, two months after the established deadline for May 1 filers. No other delays occurred during this proceeding.

OEB staff notes that the delay in filing the original application was due to the onset of the COVID pandemic. Burlington Hydro requested, and the OEB approved, an extension to the filing from August 31, 2020 to November 27, 2020. In its letter granting the extension, the OEB stated that it "… anticipates that the OEB panel hearing the application will take into consideration any COVID-19 related delays in setting the effective date".

OEB staff agrees with the Parties that an effective date of May 1, 2021 is appropriate. OEB staff submits that in the event that a decision and final rate order cannot be issued in time for May 1, 2021 implementation, Burlington Hydro should be allowed to recover any forgone revenue between its current rates and new rates effective May 1, 2021.

Issue 5.2 – Operational Effectiveness Initiatives

In its last rebasing application, Burlington Hydro agreed to "address the savings and/or other beneficial impacts resulting from these or other operational effectiveness initiatives, and the sustainability of savings and/or other beneficial impacts from those initiatives in its next Cost of Service or Custom IR application".[22]

In this proceeding Burlington Hydro provided examples how it has realized efficiencies and made improvements to its business processes, as well as provided plans for future initiatives. Efficiencies and Improvements made between 2014 and 2021 include:

- Mitigated cost of transition to monthly billing though implementation of e-billing
- Eliminated employee positions to mitigate headcount additions to meet evolving business needs
- Improved process for field collection services
- Realized efficiencies in benefits program
- Reduced vehicle operations and maintenance costs
- Maintained OM&A costs in some departments at lower than the cost of inflation
- Consolidated Payroll and Human Resource Information system into one system
- Implemented a new Geographic Information System

[22] EB-2013-1115, Settlement Proposal, Page 24.

Burlington Hydro estimated that an annual savings of approximately $1.3 million resulting from existing operational effectiveness improvements over the 2015-2021 period are embedded in the 2021 test year revenue requirement.[23]

Efficiencies and improvements planned for 2021 and beyond include implementing a new customer information system, implementing a new Enterprise Resource Planning System, leveraging asset condition assessment to mitigate outages due to equipment failure and introducing program evaluation and project prioritization tools.

For the purpose of settlement, OEB staff agrees with the Parties that Burlington Hydro has responded appropriately to the requirement to address savings and other beneficial impacts resulting from its operational effectiveness initiatives as outlined in the approved settlement of its last rebasing application.[24]

~All of which is respectfully submitted~

[23] Interrogatory Response 1-Staff-4.
[24] EB-2013-0115.