



Burlingtonhydro inc.

Registrar
Ontario Energy Board
27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

October 7, 2022

Dear Ms. Marconi,

**Re: Electricity Distribution License ED-2003-0004
2023 IRM Application for Electricity Distribution Rates (EB-2022-0018)**

Burlington Hydro Inc. (“BHI”) is submitting its Electricity Distribution Rates application under the Fourth Generation Incentive Rate-Setting Mechanism (“Price Cap IR”) to the Ontario Energy Board (“OEB”) for electricity distribution rates and other charges effective May 1, 2023.

The Application includes a Z-factor claim for recovery of costs related to the May 21, 2022 windstorm. It notified OEB on September 1, 2022 that the event had occurred and requested that the Z-factor application be combined with its IRM proceeding which was approved by the OEB on September 7, 2022.

The Filing includes the Application; the Manager’s Summary; and live versions of the following models or files:

1. 2023 IRM Rate Generator Model
2. GA Analysis Workform
3. LRAMVA Workform
4. 2023 IRM Checklist

The Filing and supporting materials are being filed through the OEB’s web portal (“RESS”).

Yours truly,

A handwritten signature in black ink, appearing to read 'A. Pappas'.

Adam Pappas
Director, Regulatory Affairs, Supply Chain & Capital Planning
Email: apappas@burlingtonhydro.com
Tel: 905-332-2341

Attachments

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

AND IN THE MATTER OF an Application by Burlington Hydro Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2023.

BURLINGTON HYDRO INC.

**2023 RATE APPLICATION UNDER THE FOURTH GENERATION INCENTIVE
RATE-SETTING MECHANISM (“PRICE CAP IR”)**

FILED: October 07, 2022

Applicant

Burlington Hydro Inc.
1340 Brant Street
Burlington, Ontario
L7R 3Z7
Website: www.burlingtonhydro.com

Adam Pappas

Director, Regulatory Affairs, Supply Chain and Capital Planning
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Table of Contents

Application 1

 Relief Requested..... 2

 Proposed Effective Date of Rate Order..... 3

 Certification of Evidence 3

 Form of Hearing Requested 3

 Website Address 3

 Contact Information 4

 Manager’s Summary 5

 Electronic Models 6

 Price Cap IR Annual Adjustment 6

 Inflation Factor 6

 X-Factor 7

 Distribution Rates 7

 Revenue-to-Cost Ratio Adjustments..... 8

 Electricity Distribution Retail Transmission Service Rates 8

 Other Rates and Charges..... 9

 Disposition of Group 1 Deferral and Variance Account Balances..... 11

 Wholesale Market Participants 21

 Global Adjustment..... 21

 Commodity Accounts 1588 and 1589..... 23

 Capacity Based Recovery (“CBR”)..... 25

Application of Recoveries in Account 1595	25
Lost Revenue Adjustment Mechanism Variance Account	26
Tax Changes	32
Z-Factor Claim.....	33
Overview.....	33
Background.....	33
Eligibility Criteria	34
Materiality	34
Causation.....	36
Prudence	37
Recoverability of Z-Factor Costs.....	37
Conclusion	38
Bill Impacts.....	39
Conclusion	39
Appendices	40
Appendix A – Current Tariff of Rates and Charges.....	41
Appendix B – Proposed Tariff of Rates and Charges.....	42
Appendix C – Certification of Evidence.....	43
Appendix D – Bill Impacts.....	44

1 **APPLICATION**

- 2
- 3 1. Burlington Hydro Inc. (“BHI” or “the Applicant”) is a corporation incorporated pursuant to the
4 Ontario Business Corporations Act with its head office in the City of Burlington, Ontario.
- 5
- 6 2. BHI carries on the business of distributing electricity to approximately 68,700
7 customers within the City of Burlington pursuant to Electricity Distribution License No. ED-
8 2003-0004 issued by the Ontario Energy Board (“OEB” or “Board”).
- 9
- 10 3. Pursuant to Section 78 of the Ontario Energy Board Act, 1998, BHI seeks an order or orders
11 of the Board establishing distribution rates and other charges, effective May 1, 2023, including
12 disposition of amounts accumulated in certain Deferral and Variance Accounts, as identified
13 on page 11.
- 14
- 15 4. This Application (the “Application”) is prepared in accordance with: the OEB’s *Filing*
16 *Requirements for Electricity Distribution Rate Applications, 2022 Edition for 2023 Rate*
17 *Applications – Chapter 3 Incentive Rate-Setting Applications*, dated May 24, 2022; the July
18 31, 2009 *Report of the Board on Electricity Distributors’ Deferral and Variance Account*
19 *Review Initiative* (the “EDDVAR Report”); the letter from the Board dated May 23, 2017 re:
20 Guidance on Disposition of Accounts 1588 and 1589; and is supported by written evidence
21 that may be amended from time to time, prior to the Board’s final decision on this Application.
22 BHI has completed the 2023 IRM Check List, filed as Attachment 4_2023 IRM Check
23 List_BHI_20221007.

- 1 5. BHI has calculated its distribution rates and other charges using the Board's 2023 IRM Rate
2 Generator Model updated on July 21, 2022. This model is filed as a live excel file: Attachment
3 1_2023 IRM Model_BHI_20221007.

4 **Relief Requested**

5

- 6 6. BHI requests the following relief:

7

- 8 1. Approval for an Order or Orders approving the Tariff of Rates and Charges set out in
9 Appendix B of this Application as just and reasonable rates and charges pursuant to
10 section 78 of the OEB Act, to be effective May 1, 2023.

11

- 12 2. Approval of updated Retail Transmission Service Rates ("RTSRs"), as identified on page
13 9.

14

- 15 3. Approval for the clearance of the balances recorded in certain deferral and variance
16 accounts by means of class-specific rate riders effective May 1, 2023 to April 30, 2024, as
17 identified on page 19.

18

- 19 4. Approval for the clearance of the balance in its Lost Revenue Adjustment Mechanism
20 Variance Account ("LRAMVA") resulting from its Conservation and Demand Management
21 ("CDM") activities as of December 31, 2021 as identified on page 29.

22

- 23 5. Approval of BHI's Z-factor claim and recovery of costs, and the proposed rate riders
24 effective May 1, 2023 to April 30, 2024, as identified on page 38.

1 **Proposed Effective Date of Rate Order**

2

3 7. BHI proposes that the Board make its Rate Order effective May 1, 2023. The proposed Tariff
4 of Rates and Charges is provided as Appendix B.

5

6 8. BHI requests that its current (i.e., 2022) rates provided in Appendix A be declared interim
7 effective May 1, 2023, as necessary, if the preceding approvals cannot be issued by the OEB
8 in time to implement final rates effective May 1, 2023; and that it be permitted to establish an
9 account to recover any differences between the interim rates and the actual rates effective
10 May 1, 2023 based on the OEB's Decision and Order.

11 **Certification of Evidence**

12

13 9. BHI provides a Certification of Evidence as Appendix C.

14 **Form of Hearing Requested**

15

16 10. BHI requests that this Application be disposed of by way of a written hearing.

17 **Website Address**

18

19 11. BHI's website address is www.burlingtonhydro.com

1 **Contact Information**

2

3 12. BHI requests that all documents filed with the OEB in this proceeding be served on the
4 undersigned.

5

6 All of which is respectfully submitted this 7th day of October, 2022.

7

8

9 Adam Pappas

10 Director, Regulatory Affairs, Supply Chain and Capital Planning

11 Burlington Hydro Inc.

12 1340 Brant Street

13 Burlington, Ontario

14 L7R 3Z7

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16 Tel: 905-332-2341

1 **Manager's Summary**

2

3 BHI filed a Cost of Service ("CoS") application (EB-2020-0007) with the Board on October 30,
4 2020 under Section 78 of the OEB Act seeking approval for changes to the rates that BHI charges
5 for electricity distribution effective May 1, 2021. The OEB issued its Decision and Rate Order on
6 April 15, 2021 which resulted in final distribution rates for 2021.

7

8 BHI is now seeking approval to set distribution rates and other charges under the Price Cap IR,
9 to be effective May 1, 2023. This Application is BHI's second incentive rate-setting mechanism
10 (IRM) application under the Price Cap IR since it last rebased.

11

12 BHI has completed the 2023 IRM Rate Generator Model updated on July 21, 2022 ("the IRM
13 Model") by the Board. This Application has been prepared in accordance with the *OEB's Filing
14 Requirements for Electricity Distribution Rate Applications, 2022 Edition for 2023 Rate
15 Applications – Chapter 3 Incentive Rate-Setting Applications*, dated May 24, 2022 (the "Chapter
16 3 Filing Requirements") including the key OEB reference documents listed therein; and other
17 guidelines and directions from the Board.

18

19 A detailed explanation of the rate adjustments is set out below on pages 6 to 39.

1 **Electronic Models**

2

3 BHI has calculated its distribution rates and other charges using the IRM Model; and confirms
 4 that the billing determinants pre-populated in this model are accurate. Table 1 below provides
 5 BHI's actual 2021 load data, in kWh and kW, by customer class; this data is not loss adjusted.

6

7 **Table 1 – 2021 Consumption and Demand by Rate Class**

Rate Class	2021 Consumption and Demand	
	Non-Uplifted kWh	kW
RESIDENTIAL	550,878,085	-
GENERAL SERVICE LESS THAN 50 kW	156,917,865	-
GENERAL SERVICE 50 TO 4,999 kW	797,368,548	2,160,312
UNMETERED SCATTERED LOAD	3,135,180	-
STREET LIGHTING	5,543,827	15,456
TOTAL	1,513,843,505	2,175,768

8

9 **Price Cap IR Annual Adjustment**

10

11 The annual adjustment follows an OEB-approved formula that includes components for inflation
 12 and the OEB's expectations of efficiency and productivity gains. The components in the formula
 13 are approved by the OEB annually. The formula is an inflation minus *X-factor* rate adjustment.

14 **Inflation Factor**

15 In its Report of the Board: Rate Setting Parameters and Benchmarking under the Renewed
 16 Regulatory Framework for Ontario's Electricity Distributors the OEB adopted a 2-factor industry-
 17 specific price index methodology. The inflation factor is based on two weighted price indicators
 18 (labour and non-labour) which provide an input price that reflects Ontario's electricity industry.

19 BHI has used the inflation factor populated in the IRM model by the Board which represents the
 20 Board's 2022 inflation factor of 3.30%, issued by the OEB on November 18, 2021. BHI will make

1 a subsequent update for the 2023 inflation factor which is expected to be available prior to the
2 Board rendering its Decision on this Application.

3 **X-Factor**

4 The X-factor has two parts: a productivity factor and a stretch factor. The OEB has determined
5 that the appropriate value for the productivity factor (industry total factor productivity) for the Price
6 Cap IR and Annual IR Index is zero. For the stretch factor, distributors are assigned into one of
7 five groups ranging from 0.0% to 0.6%. BHI was assigned to Group 2, corresponding to a stretch
8 factor of 0.15% as identified in the Board's *2021 Benchmarking Update for Determination of 2022*
9 *Stretch Factor Assignments*, dated July 18, 2022. Therefore, the X-factor to be deducted from the
10 inflation factor is 0.15%; and the annual adjustment to be applied to BHI's rates is 3.15% as
11 identified in Table 2 below:

12

13 **Table 2 - Annual Adjustment to Distribution Rates**

Factor	%
Inflation Factor	3.30%
Less: Productivity Factor	0.00%
Less: Stretch Factor	-0.15%
Annual Adjustment	3.15%

14

15 **Distribution Rates**

16

17 The annual adjustment mechanism applies to distribution rates (fixed and variable charges)
18 uniformly across customer rate classes and is applied to BHI's current Board approved rates. BHI
19 seeks Board approval for the proposed distribution rates identified in Table 3 below, effective May
20 1, 2023. The derivation of BHI's proposed 2023 Electricity Distribution Rates is provided in Tab
21 "16. Rev2Cost_GDPIPI" of the IRM Model.

1 **Table 3 – 2022 Board Approved and 2023 Proposed Distribution Rates**

Rate Class	2022 Board Approved Distribution Rates		Annual Adjustment	2023 Proposed Distribution Rates	
	Fixed Charge	Variable Charge		Fixed Charge	Variable Charge
RESIDENTIAL	\$29.12	\$0.0000	3.15%	\$30.04	\$0.0000
GENERAL SERVICE LESS THAN 50 kW	\$26.12	\$0.0173	3.15%	\$26.94	\$0.0178
GENERAL SERVICE 50 TO 4,999 kW	\$70.17	\$3.4377	3.15%	\$72.38	\$3.5460
UNMETERED SCATTERED LOAD	\$9.65	\$0.0168	3.15%	\$9.95	\$0.0173
STREET LIGHTING	\$0.58	\$4.1662	3.15%	\$0.60	\$4.2974

2
3

4 **Revenue-to-Cost Ratio Adjustments**

5

6 The Revenue-to-Cost Ratios approved by the Board in BHI’s last CoS application (EB-2020-0007)
 7 were within the Board’s target ranges; therefore, BHI is not applying for any adjustments to its
 8 Revenue-to-Cost Ratios in this Application.

9 **Electricity Distribution Retail Transmission Service Rates**

10

11 BHI seeks Board approval for its proposed RTSRs as identified in Table 4 below. The proposed
 12 RTSRs were computed using the Board approved methodology in Tabs 10 to 15 of the IRM
 13 Model; and the OEB’s *Guideline G-2008-0001: Electricity Distribution Retail Transmission Service
 14 Rates (RTSR), Revision 4.0*, issued June 28, 2012. The IRM Model incorporates the most recent
 15 Hydro One Uniform Transmission Rates (“UTRs”) approved by the OEB, as identified in Table 5
 16 below.

1 **Table 4 – 2022 Approved and 2023 Proposed RTSRs**

Rate Class	\$ Per	RTSRs		2023 Proposed RTSRs	
		Network	Connection	Network	Connection
RESIDENTIAL	kWh	0.0101	0.0079	0.0107	0.0076
GENERAL SERVICE LESS THAN 50 kW	kWh	0.0096	0.0071	0.0101	0.0069
GENERAL SERVICE 50 TO 4,999 kW	kW	3.9746	3.1078	4.1995	3.0058
UNMETERED SCATTERED LOAD	kWh	0.0096	0.0071	0.0101	0.0069
STREET LIGHTING	kW	2.9046	2.2117	3.0690	2.1391

2
3

4 **Table 5 – Current Board Approved UTRs**

Uniform Transmission Rates	\$/kWh
Network	\$5.46
Line Connection	\$0.88
Transformation Connection	\$2.81

5
6

7 The proposed RTSR Network rates for all rate classes exceed the 4% threshold in the 2023 IRM
 8 Model. The increase is attributable to the increase in the Network Service UTR in 2022 of 4.7%
 9 and 6.4% in January and April of 2022 respectively.

10 **Other Rates and Charges**

11

12 BHI is not seeking Board approval to change any of the rates or charges set out in the list below
 13 and proposes that the currently approved rates and charges apply throughout the 2023 rate year;
 14 with the exception of any rates which require updating subsequent to the submission of this
 15 Application, as directed by the OEB.

16

- 17 • Smart Metering Entity Charge;
- 18 • Transformer Ownership Allowance;
- 19 • Primary Metering Allowance;
- 20 • Wholesale Market Service Charge;
- 21 • Rural and Remote Rate Protection;

- 1 • Standard Supply Service Administrative charge;
- 2 • Capacity Based Recovery;
- 3 • microFIT service charge;
- 4 • Loss Factor

1 **Disposition of Group 1 Deferral and Variance Account Balances**

2
3 BHI seeks Board approval to dispose of the balances of Group 1 deferral and variance accounts
4 on an interim basis as at December 31, 2021, including interest to April 30, 2023. As discussed
5 in the *Report of the Board on the Electricity Distributors' Deferral and Variance Account Review*
6 *Initiative* (EB-2008-0046), (the "EDDVAR Report"), issued July 31, 2009, under the Price Cap IR
7 or the Annual IR Index, the distributor's Group 1 account balances will be reviewed and disposed
8 if the pre-set disposition threshold of \$0.001 per kWh (debit or credit) is met; subject to an initiative
9 announced by the OEB on July 20, 2018, discussed below. Consistent with a letter from the Board
10 on July 25, 2014, distributors may also elect to dispose of Group 1 account balances below the
11 threshold.

12
13 On July 20, 2018, the OEB issued a letter "*OEB's Plan to Standardize Processes to Improve*
14 *Accuracy of Commodity Pass-Through Variance Accounts*" in which it announced an initiative to
15 standardize the accounting processes used by distributors relating to Regulated Price Plan
16 ("RPP") wholesale settlements and accounting procedures (including the treatment of unbilled
17 revenue) to improve the accuracy of the Retail Settlement Variance Accounts: RSVA_{POWER} and
18 RSVA_{GA}. The OEB stated that it would not approve Group 1 rate riders on a final basis pending
19 the development of this further guidance. Whether the riders will be approved on an interim basis
20 or not approved at all (i.e. no disposition of account balances) would be determined on a case by
21 case basis, until such time as the OEB finalized the new standardized requirements for regulatory
22 accounting and RPP settlements.

23
24 On February 21, 2019, the OEB finalized the new standardized requirements for regulatory
25 accounting and RPP settlements and issued its letter entitled "*Accounting Guidance related to*
26 *Accounts 1588 Power, and 1589 RSVA Global Adjustment*" as well as the related accounting
27 guidance. LDCs can still avail themselves of the option to dispose of Group 1 balances on an
28 interim basis.

1 In BHI's 2022 IRM application (EB-2021-0010), the OEB approved BHI's proposal to dispose of
2 its Group 1 account balances on an interim basis given that it was implementing new processes
3 with its new Customer Information System ("CIS"). BHI committed to address two issues with its
4 calculation of its Group 1 DVA balances during that time¹:

5

- 6 i) not recording different rates for RPP and non-RPP cost of power; and
- 7 ii) not re-estimating unbilled revenue at the end of each month;

8

9 BHI confirms that it has implemented the above exceptions to the accounting guidance in Q1 of
10 2022. This is discussed in further detail on pages 22-24 of this Application.

11

12 The Group 1 balances have been calculated in accordance with the EDDVAR Report and the
13 letter from the Board dated May 23, 2017 re: *Guidance on Disposition of Accounts 1588 and*
14 *1589*. The Group 1 balances as of December 31, 2021, in the amount of \$5,845,665 have been
15 adjusted for certain items to determine the amount for disposition of \$1,409,641 as identified in
16 Table 6 below. The interest rates used to record carrying charges are 0.57% for Q1 2021 to Q1
17 2022, 1.02% for Q2 2022, 2.20% for Q3 2022, and 3.87% for Q4 2022. The interest rate used for
18 January to April 2022 is 3.87% per year. These interest rates are consistent with the Board's
19 prescribed interest rates.

¹ EB-2021-0010, Decision and Rate Order, March 24, 2022, p9

1 **Table 6 – Group 1 Account Balances for Disposition**

Description	Formula	Amount
Group 1 Balances as at December 31, 2021	A	\$5,845,665
Subtract: 2022 IRM Filing Disposition	B	\$1,391,424
Subtract: 1595 Unaudited Balances not Requested for Disposition	C	\$3,083,123
Add: 2022 Projected Carrying Charges	D	\$23,193
Add: 2023 Projected Carrying Charges	E	\$15,331
Adjusted Group 1 Balances for Disposition - Recovery from Customers	F = A-B-C+D+E	\$1,409,641

2
3

4 BHI has calculated the disposition threshold, based on the adjusted Group 1 balances to be
 5 \$0.0009/kWh, as identified in Table 7 below, which does not meet the threshold of \$0.001/kWh.
 6 However, in accordance with the letter from the Board dated July 25, 2014², BHI is electing to
 7 dispose of its Group 1 balances in this Application for the following reasons:

8
9
10
11
12
13

- The disposition threshold is within \$105,000 of the pre-set disposition threshold of \$0.001 per kWh and the disposition amount of \$1,409,641 is material; and
- Rate riders are generated for all classes for both the DVA and GA rate riders, with the exception of a GA rate rider for the Unmetered Scattered Load class, for which there are no non-RPP customers.

² Process for 2015 Incentive Regulation Mechanism (“IRM”) Distribution Rate Applications, July 25, 2014, p1

1 **Table 7 – Calculation of Disposition Threshold**

Variance Account	USoA	Amount
Low Voltage	1550	\$0
Smart Metering Entity Charge	1551	(\$36,970)
RSVA - Wholesale Market Service Charge	1580	\$1,415,597
RSVA - Wholesale Market Service Charge - Capacity Based Recovery - Class B	1580	(\$158,204)
RSVA - Retail Transmission Network Charge	1584	\$1,742,141
RSVA - Retail Transmission Connection Charge	1586	\$539,657
RSVA - Power	1588	(\$1,015,302)
RSVA - Global Adjustment	1589	(\$1,148,461)
Disposition and Recovery of Regulatory Balances	1595	\$71,184
Adjusted Group 1 Balances for Disposition		\$1,409,641
2021 kWh		1,513,843,505
Threshold Test \$/kWh		\$0.0009

2

3

4 BHI confirms that no adjustments have been made to any deferral and variance account balances
 5 previously approved by the OEB on a final basis. BHI also confirms that the last OEB-Approved
 6 balance of \$1,391,424 has been transferred to Account 1595 (as identified in BHI's 2022 IRM
 7 application EB-2021-0010³).

8

9 BHI has completed and filed Tabs 3 to 7 of the IRM Model. Table 8 below provides a summary
 10 of the Continuity Schedule in Tab 3.

11

12 There is a variance of (\$195,797) in Tab “3. Continuity Schedule” of the IRM Model for the RSVA
 13 – Wholesale Market Service Charge. This is not a difference between the continuity and the RRRs
 14 – the IRM Model is double counting the CBR Class B balance of (\$195,797) in the RSVA –
 15 Wholesale Market Service Charge in column BV. It is included in the main account and the sub-
 16 account.

³ EB-2021-0010, Decision and Order, March 24, 2022, p9

1 There is a variance of (\$171,979) in Tab “3. Continuity Schedule” of the IRM Model for the LRAM
2 Variance Account, as the lost revenue associated with 2020 and 2021 programs filed in BHI’s
3 2021 RRR filing was an estimate. The difference between this estimate and the final LRAMVA
4 balance based on actual results for 2021 is (\$171,979).

5
6 BHI filed a revision to its 2021 LRAMVA balance in October 2022 for \$171,979. This revision is
7 in compliance with the OEB’s requirement (as per APH FAQs July 2012 Q5) to update LRAM
8 variance account balances based on results of the reported information in the annual evaluation
9 for all CDM programs.

10
11 All other balances in Tab “3. Continuity Schedule” of the IRM Model agree to the RRR balances
12 filed for December 31, 2021.

1 **Table 8 – Group 1 and LRAMVA Continuity Schedule**

Variance Account	USoA	Principal as at Dec 31, 2021 (as per RRRs)	Carrying Charges to Dec 31, 2021 (as per RRRs)	Principal Disposition (EB-2021-0010)	Carrying Charges Disposition (EB-2021-0010)	Carrying Charges to December 31, 2022	Carrying Charges to Jan 1, 2023 to Apr 30, 2023	Carrying Charges to April 30, 2023	2023 Disposition
Low Voltage	1550	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Smart Metering Entity	1551	(\$36,625)	\$570	\$604	(\$367)	(\$693)	(\$458)	(\$1,152)	(\$36,970)
RSVA - Wholesale Market Service Charge	1580	\$647,715	(\$9,945)	\$719,568	\$14,544	\$26,318	\$17,396	\$43,714	\$1,415,597
RSVA - Wholesale Market Service Charge - CBR B	1580	(\$195,284)	(\$513)	\$41,930	\$565	(\$2,952)	(\$1,951)	(\$4,903)	(\$158,204)
RSVA - Retail Transmission Network Charge	1584	\$1,992,330	\$7,261	(\$308,367)	(\$2,922)	\$32,413	\$21,426	\$53,839	\$1,742,141
RSVA - Retail Transmission Connection Charge	1586	\$1,072,207	\$7,186	(\$549,147)	(\$7,312)	\$10,068	\$6,655	\$16,723	\$539,657
RSVA - Power	1588	(\$560,194)	\$15,842	(\$427,162)	(\$12,221)	(\$19,005)	(\$12,562)	(\$31,567)	(\$1,015,302)
Sub-total excluding RSVA - Global Adjustment		\$2,920,151	\$20,400	(\$522,575)	(\$7,712)	\$46,149	\$30,505	\$76,654	\$2,486,918
RSVA - Global Adjustment	1589	(\$265,831)	\$13,971	(\$843,404)	(\$17,733)	(\$21,351)	(\$14,113)	(\$35,464)	(\$1,148,461)
Sub-total including RSVA - Global Adjustment		\$2,654,319	\$34,372	(\$1,365,979)	(\$25,445)	\$24,798	\$16,392	\$41,190	\$1,338,457
Disposition and Recovery of Regulatory Balances (2018)	1595	(\$83,414)	\$157,265	\$0	\$0	(\$1,606)	(\$1,061)	(\$2,667)	\$71,184
Total Group 1 Balances for Disposition		\$2,570,905	\$191,637	(\$1,365,979)	(\$25,445)	\$23,193	\$15,331	\$38,523	\$1,409,641
LRAMVA Variance Account	1568	\$163,478	\$388	\$0	\$0	\$3,131	\$2,109	\$5,239	\$169,106
Total Balances for Disposition		\$2,734,383	\$192,025	(\$1,365,979)	(\$25,445)	\$26,323	\$17,439	\$43,763	\$1,578,747
Disposition and Recovery of Regulatory Balances (2019)	1595	\$12,057	\$20,288	\$0	\$0	\$602	\$153		
Disposition and Recovery of Regulatory Balances (2020)	1595	(\$519,911)	\$669,425	\$0	\$0	(\$10,007)	(\$6,615)		
Disposition and Recovery of Regulatory Balances (2021)	1595	\$2,692,724	\$208,540	\$0	\$0	\$41,925	\$27,713		
Total Balances per Tab 3. Continuity		\$4,919,254	\$1,090,278	(\$1,365,979)	(\$25,445)	\$58,844	\$38,691	\$43,763	

2

1 Table 9 summarizes the allocation of Group 1 balances to rate class. BHI proposes to dispose
2 of the Group 1 Account balance of \$1,409,641, payable to BHI, as follows: \$1,459,355 via rate
3 riders effective May 1, 2023 to April 30, 2024; and (\$49,715) through billing adjustments to
4 transition customers as described in the Global Adjustment and Capacity Based Recovery
5 sections below.

6

7 Table 10 provides the calculation of the Group 1 rate riders by rate class. BHI is seeking a one-
8 year disposition period for the Group 1 balances. This approach is consistent with the EDDVAR
9 Report which states on page 6 that “the default disposition period used to clear the account
10 balances through a rate rider should be one year”.

1 **Table 9 – Allocation of Group 1 Balances to Rate Class**

Variance Account	USoA	Residential	GS<50 kW	GS>50 kW	USL	Streetlighting	Total
Low Voltage	1550	\$0	\$0	\$0	\$0	\$0	\$0
Smart Metering Entity Charge	1551	(\$33,782)	(\$3,188)	\$0	\$0	\$0	(\$36,970)
RSVA - Wholesale Market Service Charge	1580	\$515,127	\$146,734	\$745,620	\$2,932	\$5,184	\$1,415,597
RSVA - Wholesale Market Service Charge - CBR B	1580	(\$66,882)	(\$19,051)	(\$68,727)	(\$381)	(\$673)	(\$155,714)
RSVA - Retail Transmission Network Charge	1584	\$633,954	\$180,582	\$917,617	\$3,608	\$6,380	\$1,742,141
RSVA - Retail Transmission Connection Charge	1586	\$196,378	\$55,938	\$284,247	\$1,118	\$1,976	\$539,657
RSVA - Power	1588	(\$369,462)	(\$105,241)	(\$534,778)	(\$2,103)	(\$3,718)	(\$1,015,302)
Disposition and Recovery of Regulatory Balances (2018)	1595	\$23,614	\$7,307	\$39,695	\$135	\$432	\$71,184
Sub-total excluding RSVA - Global Adjustment		\$898,946	\$263,082	\$1,383,674	\$5,309	\$9,581	\$2,560,592
RSVA - Global Adjustment	1589	(\$11,777)	(\$50,944)	(\$1,025,861)	\$0	(\$12,655)	(\$1,101,237)
Total Group 1 Balances for Disposition via Rate Rider effective May 1, 2023		\$887,169	\$212,138	\$357,813	\$5,309	(\$3,074)	\$1,459,355
Add: WMS Charge - CBR B to be Recovered via Bill Adjustment	1580						(\$2,490)
Add: GA Balance to be Recovered via Bill Adjustment	1589						(\$47,225)
Total Group 1 Balances for Disposition							\$1,409,641

2

1 **Table 10 – Calculation of Group 1 Rate Riders by Rate Class**

Rate Class	DVA Rate Rider			
	Unit	Consumption/ Demand	\$ Variance Account	\$ per unit
RESIDENTIAL	kWh	550,878,085	\$965,828	\$0.0018
GENERAL SERVICE LESS THAN 50 kW	kWh	156,917,865	\$282,133	\$0.0018
GENERAL SERVICE 50 TO 4,999 kW	kW	2,160,312	\$1,452,401	\$0.6723
UNMETERED SCATTERED LOAD	kWh	3,135,180	\$5,690	\$0.0018
STREET LIGHTING	kW	15,456	\$10,254	\$0.6634
TOTAL			\$2,716,306	
Rate Class	CBR Rate Rider			
	Unit	Consumption/ Demand	\$ Variance Account	\$ per unit
RESIDENTIAL	kWh	550,878,085	(\$66,882)	(\$0.0001)
GENERAL SERVICE LESS THAN 50 kW	kWh	156,917,865	(\$19,051)	(\$0.0001)
GENERAL SERVICE 50 TO 4,999 kW	kW	1,606,506	(\$68,727)	(\$0.0428)
UNMETERED SCATTERED LOAD	kWh	3,135,180	(\$381)	(\$0.0001)
STREET LIGHTING	kW	15,456	(\$673)	(\$0.0435)
TOTAL			(\$155,714)	
Rate Class	GA Rate Rider			
	Unit	non-RPP Consumption	\$ Variance Account	\$ per unit
RESIDENTIAL	kWh	5,115,698	(\$11,777)	(\$0.0023)
GENERAL SERVICE LESS THAN 50 kW	kWh	22,128,807	(\$50,944)	(\$0.0023)
GENERAL SERVICE 50 TO 4,999 kW	kWh	445,607,829	(\$1,025,861)	(\$0.0023)
UNMETERED SCATTERED LOAD	kWh	-	-	n/a
STREET LIGHTING	kWh	5,496,829	(\$12,655)	(\$0.0023)
TOTAL			(\$1,101,237)	

2

1 A comparison of the current approved rate riders to the proposed rate riders effective from May
 2 1, 2023 to April 30, 2024 is provided in Table 11 below.

3

4 **Table 11 – Comparison of Current Approved to Proposed Rate Riders**

Rate Class	DVA Rate Rider			
	Unit	Current Effective May 1, 2021 to April 30, 2023	Current Effective May 1, 2022 to April 30, 2023	Proposed New May 1, 2023 to April 30, 2024
RESIDENTIAL	kWh	\$0.0002	\$0.0004	\$0.0018
GENERAL SERVICE LESS THAN 50 kW	kWh	\$0.0002	\$0.0004	\$0.0018
GENERAL SERVICE 50 TO 4,999 kW	kW	\$0.0585	\$0.1272	\$0.6723
UNMETERED SCATTERED LOAD	kWh	\$0.0002	\$0.0004	\$0.0018
STREET LIGHTING	kW	\$0.0577	\$0.1234	\$0.6634
Rate Class	CBR Rate Rider			
	Unit	Current Effective May 1, 2021 to April 30, 2023	Current Effective May 1, 2022 to April 30, 2023	Proposed New May 1, 2023 to April 30, 2024
RESIDENTIAL	kWh	\$0.0000	\$0.0000	(\$0.0001)
GENERAL SERVICE LESS THAN 50 kW	kWh	\$0.0000	\$0.0000	(\$0.0001)
GENERAL SERVICE 50 TO 4,999 kW	kW	\$0.0000	\$0.0000	(\$0.0428)
UNMETERED SCATTERED LOAD	kWh	\$0.0000	\$0.0000	(\$0.0001)
STREET LIGHTING	kW	\$0.0000	\$0.0000	(\$0.0435)
Rate Class	GA Rate Rider			
	Unit	Current Effective May 1, 2021 to April 30, 2023	Current Effective May 1, 2022 to April 30, 2023	Proposed New May 1, 2023 to April 30, 2024
RESIDENTIAL	kWh	\$0.0017	\$0.0017	(\$0.0023)
GENERAL SERVICE LESS THAN 50 kW	kWh	\$0.0017	\$0.0017	(\$0.0023)
GENERAL SERVICE 50 TO 4,999 kW	kWh	\$0.0017	\$0.0017	(\$0.0023)
UNMETERED SCATTERED LOAD	kWh			
STREET LIGHTING	kWh	\$0.0017	\$0.0017	(\$0.0023)

5

1 **Wholesale Market Participants**

2 A Wholesale Market Participant (“WMP”) refers to any entity that participates directly in any of the
 3 Independent Electricity System Operator (“IESO”) administered markets; and therefore should
 4 not be allocated balances related to transmission network and connection charges and
 5 disposition/refund of regulatory balances. BHI confirms that none of its customers are WMPs and
 6 therefore separate rate riders do not apply.

8 **Global Adjustment**

9 **Class B and A Customers**

10 BHI settles GA costs with Class A customers on the basis of actual GA prices and therefore has
 11 not allocated any of the GA variance balance to these customers for the period that they were
 12 designated Class A.

13
 14 For non-RPP Class B customers, the $RSVA_{GA}$ captures the difference between the amounts billed
 15 (or estimated to be billed) by the distributor and the actual amount paid by the distributor to the
 16 IESO for those customers. The manner in which the balance in the $RSVA_{GA}$ is disposed of is
 17 dependent on whether a customer was a non-RPP Class B customer for the full year the $RSVA_{GA}$
 18 balance relates to or whether they transitioned between Class A and Class B during that year.

19 The customers who transitioned between Class A and Class B in 2021 are identified in Table 12
 20 below.

21
 22 **Table 12 – Class A/B Customer Transition**

Description	2017	2018	2019	2020	2021
Class A to Class B	0	5	5	3	7
Class B to Class A	24	4	4	7	6
Class A since ICI inception	2	2	2	2	2
Total Class A at July 1	26	25	24	28	27

23
 24
 25 These transition customers are responsible for the GA variance balance which accrued during
 26 the period for which they were non-RPP Class B customers. BHI completed tabs “6. Class A
 27 Consumption Data”, “6.1a GA Allocation” and “6.1 GA” in the IRM Model to allocate the applicable

1 portion of $RSVA_{GA}$ to these customers, based on customer specific consumption levels. This
 2 amount represents (\$47,225) of the total $RSVA_{GA}$ balance which will be recovered from these
 3 transition customers in 12 equal monthly payments. The remaining balance of (\$1,101,237) will
 4 be recovered from customers who were non-RPP Class B customers for all of 2021 through a
 5 separate rate rider. Rate riders for the GA are calculated on a consumption basis (kWhs).

6
 7 **GA Analysis Workform**

8 The GA Analysis Workform (“GA Workform”) for 2021 is filed as a live excel file: Attachment 2_GA
 9 Analysis Workform_BHI_20221007.

10
 11 The GA Workform compares the principal activity in the general ledger for the $RSVA_{GA}$ to the
 12 expected principal balance based on monthly GA volumes, revenue and costs. The GA Workform
 13 provides a tool to assess if the principal activity in the $RSVA_{GA}$ in a specific year is reasonable.

14
 15 The principal activity in the $RSVA_{GA}$ recorded in 2021 was (\$1,226,944) excluding dispositions,
 16 as identified in Table 13 below. The principal activity, adjusted for known adjustments of \$83,678
 17 was (\$1,143,266). This is compared to the expected principal balance in the $RSVA_{GA}$ of
 18 (\$1,330,810) calculated in the GA Workform, which results in an unreconciled difference of
 19 \$187,543. This represents 0.5% of BHI’s 2021 IESO purchases which is within the OEB’s
 20 threshold (+/- 1% of IESO purchases).

21 **Table 13 – GA Workform Summary**

Description	2021
Principal Activity in $RSVA_{GA}$ excluding dispositions	(\$1,226,944)
Add Known Adjustments	\$83,678
Adjusted Principal Activity in $RSVA_{GA}$	(\$1,143,266)
Expected Principal Activity in $RSVA_{GA}$	(\$1,330,810)
Variance \$	\$187,543
Total IESO Purchases	\$41,019,446
Absolute Variance as a % of IESO Purchases	0.5%

22
 23
 24 BHI has performed a reasonability test for Account 1588, identified in Tab “Account 1588” of the
 25 GA Analysis Workform and in Table 14 below. The principal activity in the $RSVA_{POWER}$ recorded
 26 in 2021 was (\$858,893) excluding dispositions, as identified in Table 14 below. The principal

1 activity, adjusted for known adjustments of (\$128,463) was (\$987,356). This represents (0.9%) of
 2 BHI's 2021 IESO purchases which is within the OEB's threshold (+/- 1% of IESO purchases).

3

4 **Table 14 – Account 1588 Summary**

Description	2021
Principal Activity in RSVA_{POWER} excluding dispositions	(\$858,893)
Add Known Adjustments	(\$128,463)
Adjusted Principal Activity in RSVA_{POWER}	(\$987,356)
Account 4705 - Power Purchased	\$105,226,413
Adjusted Principal Activity in RSVA_{POWER} as % of Power Purchased	-0.9%

5

6

7 **Commodity Accounts 1588 and 1589**

8 On February 21, 2019, the OEB issued its letter entitled *Accounting Guidance related to Accounts*
 9 *1588 Power, and 1589 RSVA Global Adjustment* as well as the related accounting guidance.⁴

10 This accounting guidance was effective January 1, 2019 and was to be implemented by August
 11 31, 2019. The OEB expects that all transactions recorded to these accounts during 2019 will have
 12 been accounted for in accordance with this guidance. BHI confirmed in its 2020 IRM application⁵
 13 that it has fully implemented the OEB's February 21, 2019 guidance effective from January 1,
 14 2019; specifically:

15

- 16 • RPP settlement true-up claims are conducted on a monthly basis;
- 17 • The balances in RSVA_{POWER} and RSVA_{GA} that are requested for disposition in this
 18 Application reflect the RPP settlement amounts pertaining to the period that is being
 19 requested for disposition i.e. 2020;
- 20 • BHI has no true-up claims for 2020 which have not already been reflected in the 2020
 21 audited financial statements.

⁴ *Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589*, February 21, 2019.

⁵ EB-2019-0023, p30

1 BHI considered this accounting guidance in the context of pre-2019 historical balances that have
2 yet to be disposed of on a final basis. In its 2020 IRM application BHI provided confirmation that
3 these historical balances were considered and provided a summary of the review performed.⁶

4 BHI identified the following exceptions to the implementation of the guidance⁷:

5

- 6 • BHI does not record different rates for RPP and non-RPP cost of power
- 7 • BHI does not re-estimate unbilled revenue at the end of each month; it does so at the
8 end of the fiscal year. This approach has no impact to the RPP vs. Market Price Claim
9 with the IESO (revenue for the purposes of calculating the RPP vs. Market Price Claim
10 is based on the best estimate of actuals at the 2nd true-up); nor does it have an impact
11 to the balances in the DVA accounts since these are disposed at the end of the fiscal
12 year. BHI updated unbilled revenue at year end.

13

14 BHI confirms that it has implemented the above exceptions to the accounting guidance in Q1 of
15 2022.

16 BHI confirms that 2020 was the year in which Accounts 1588 and 1589 were last approved for
17 disposition on an interim basis. The last year that Accounts 1588 and 1589 were disposed of on
18 a final basis was 2016. BHI is not seeking final disposition of its 2017-2021 commodity pass
19 through accounts in this Application.

20

21 **Certification of Evidence**

22 BHI provides CFO certification that it has robust processes and internal controls in place for the
23 preparation, review, verification and oversight of the deferral and variance account balances being
24 disposed of in Appendix C.

⁶ EB-2019-0023, p34

⁷ Ibid, p30-31

1 **Capacity Based Recovery (“CBR”)**

2 BHI confirms that it has followed the OEB’s accounting guidance on the disposition of CBR
 3 variances. BHI confirms that it had Class A customers during 2021, the period for which the
 4 Account 1580 CBR Class B Sub-account balance requested for disposition accumulated.

5
 6 BHI completed tab “6.2a CBR B_Allocation” in the IRM Model to allocate the applicable portion of
 7 Account 1580 CBR Class B Sub-account balance to customers who transitioned between Class
 8 A and Class B during 2021. This amount represented (\$2,490) of the total balance of (\$158,204).

9 **Application of Recoveries in Account 1595**

10 BHI is seeking disposition of the audited account balances in the Account 1595 sub-account
 11 related to the disposition of 2018 regulatory balances. The total claim for which BHI is seeking
 12 disposition is \$71,184 as identified in Table 8 which is the residual balance for 2018 as identified
 13 in Table 15 below.

14 The total Group 1 and Group 2 balances generate a variance of 3%. This represents an immaterial
 15 residual balance and BHI proposes that this account balance be approved for disposition.

16 **Table 15 – Account 1595 Residual Balances**

Description	2018 Balances		
	Total Original Balances Approved for Disposition	Residual Balances	Collections/ Returns Variance
Total Group 1 and Group 2 Balances excl Account 1589	\$2,344,524	\$71,184	3.0%
Account 1589 - Global Adjustment	\$0	\$0	0.0%
Total Group 1 and Group 2 Balances	\$2,344,524	\$71,184	3.0%

17
 18
 19 BHI confirms that residual balances in Account 1595 Sub-accounts for each vintage year have
 20 only been disposed once.

1 **Lost Revenue Adjustment Mechanism Variance Account**

2
3 The Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”) is a retrospective
4 adjustment designed to account for differences between forecast revenue loss attributable to
5 Conservation and Demand Management (“CDM”) activity embedded in rates and actual revenue
6 loss due to the impacts of CDM programs. The OEB established Account 1568 as the LRAMVA
7 to capture the lost revenues associated with the difference between the OEB-approved CDM
8 forecast and actual results at the customer rate class level.

9
10 At a minimum, a distributor must apply for the clearance of its energy and/or demand related
11 LRAMVA balances attributable to energy efficiency programs in a CoS application. Distributors
12 may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their
13 IRM rate applications, if the balance is deemed significant by the applicant.

14
15 BHI was approved to dispose of the balance in its 2020 LRAMVA account resulting from CDM
16 activities in 2013-2020 as part of its 2021 CoS application⁸. BHI is applying for disposition of the
17 balance in its 2021 LRAMVA account, which includes (i) persistence of 2013-2019 programs to
18 April 30, 2021 and (ii) results from 2020-2021 CDM programs and their persistence to December
19 31, 2021.

20
21 The total amount requested for disposition, identified in Table 16 below, is a debit of \$169,106
22 including carrying charges of \$5,628 through to April 30, 2023.

23
24 **Table 16 – LRAMVA Claim**

Year	Principal	Carrying Charges	Total
2021	\$163,478	\$5,628	\$169,106
Total	\$163,478	\$5,628	\$169,106

25

⁸ EB-2020-0007

1 There is a difference of \$171,979 in the LRAMVA Variance account as compared to the RRRs as
 2 identified in Table 17 below and on Tab “3. Continuity Schedule” of the IRM Model.

3

4 **Table 17 – Explanation of Difference between LRAMVA and RRR balance**

Description	Amount
2021 RRR Balance	(\$8,113)
RRR Revision - difference between estimate and final 2021 LRAMVA balance	\$171,979
2021 Balance per Tab 3. Continuity Schedule	\$163,867

5

6

7 The difference of \$171,979 is driven by a true-up of estimated lost revenues to actual lost
 8 revenues. The lost revenue associated with 2020 and 2021 programs filed in BHI’s 2021 RRR
 9 filing was an estimate. The difference between this estimate and the final LRAMVA balance
 10 based on actual results for 2021 is \$171,979.

11

12 BHI filed a revision to its 2021 LRAMVA balance in October 2022 for \$171,979. This revision is
 13 in compliance with the OEB’s requirement (as per APH FAQs July 2012 Q5) to update LRAM
 14 variance account balances based on results of the reported information in the annual evaluation
 15 for all CDM programs.

16

17 BHI has determined lost revenue in accordance with the Board’s 2021 CDM Guidelines and the
 18 2023 Chapter 3 Filing Requirements. BHI has completed the 2023 LRAMVA Work form Version
 19 1.1 provided by the OEB to calculate the variance between actual CDM savings and forecast
 20 CDM savings. The LRAMVA Workform is filed as a live excel file: Attachment 3_LRAMVA
 21 Workform_BHI_20221007. In accordance with the Chapter 3 Filing Requirements, BHI confirms
 22 that it is seeking recovery of lost revenues for the period January 1, 2020 to December 31, 2021
 23 resulting from the following:

24

- 25 a. Incremental savings from CDM programs implemented in 2020 and their
 26 persistence through 2021
- 27 b. Incremental savings from CDM programs implemented in 2021
- 28 c. Prior year savings persistence related to 2013 to 2019 programs

1 The lost revenue amounts by rate class were determined by multiplying the CDM verified savings,
 2 incremental to the LRAMVA threshold, by the calendar year adjusted Board approved variable
 3 distribution rates for 2021 as identified in Table 18 below and Tab "3. Distribution Rates" of the
 4 LRAMVA Workform.

5

6 **Table 18 – Distribution Volumetric Rates**

Year	Residential (kWh)	GS<50 kW (kWh)	GS>50 kW (kW)	Unmetered Scattered Load (kWh)	Streetlighting (kW)
2021	\$0.0000	\$0.0160	\$3.2628	\$0.0165	\$4.2606

7

8 The 2011-2014 IESO Final Savings Report, 2015-2017 IESO Final Savings Report and April 2019
 9 IESO Participation and Cost Report ("P&C Report") are the sources of the CDM savings used to
 10 calculate LRAMVA amounts related to IESO programs. Some projects in 2018 and 2019 were
 11 completed subsequent to the P&C Report. These savings were converted to net values using the
 12 most recent verified net-to-gross ("NTG") and Realization Rate ("RR") factors for BHI which are
 13 included in the 2017 final results reports.

14

15 The LRAMVA claim is based on the most recent and appropriate final CDM evaluation reports
 16 from the IESO for results through 2017. The most recent IESO Participation and Cost report was
 17 used to determine savings for 2018, Q1 2019, and 2015-2017 adjustments. These reports were
 18 filed as live excel files in EB-2020-0007.

19 Post-project Submissions were used to calculate net savings for 2018-2021 CDM projects, which
 20 were not captured in the April 2019 P&C Report. These projects are identified in Tab "3-a. Rate
 21 Class Allocations" of the LRAMVA Workform. All projects included were undertaken as part of the
 22 Conservation First Framework.

23

24 BHI has relied on the most recent input assumptions available at the time of program evaluation.
 25 Table 19 below identifies the principal and carrying charge amounts by rate class of \$169,106 as
 26 calculated in Tab "1. LRAMVA Summary" of the LRAMVA Workform. BHI confirms that projected

1 carrying charges related to the disposition are calculated in the LRAMVA Workform in Tab “6.
 2 Carrying Charges”.

3 **Table 19 – Lost Revenue Principal and Carrying Charges**

Year	Residential (kWh)	GS<50 kW (kWh)	GS>50 kW (kW)	Unmetered Scattered Load (kWh)	Streetlighting (kW)	Total
Principal 2021 Actuals	\$0	\$73,968	\$111,641	\$0	\$16,232	\$201,840
Principal 2021 Forecast	\$0	(\$11,962)	(\$25,989)	(\$199)	(\$212)	(\$38,362)
Net Principal	\$0	\$62,006	\$85,652	(\$199)	\$16,020	\$163,478
Carrying Charges 2019 - 2023	\$0	\$2,135	\$2,949	(\$7)	\$551	\$5,628
Total Disposition Requested	\$0	\$64,140	\$88,600	(\$206)	\$16,572	\$169,106

4
 5
 6 Table 20 below identifies the rate riders which result from the disposition of the LRAMVA balance
 7 of \$169,106 as calculated in Tab “7. Calculation of Def-Var RR” in the IRM Model.

8 **Table 20 – LRAMVA Rate Riders**

Year	Residential (kWh)	GS<50 kW (kWh)	GS>50 kW (kW)	Unmetered Scattered Load (kWh)	Streetlighting (kW)
Volumetric Rate Rider	\$0.0000	\$0.0004	\$0.0410	(\$0.0001)	\$1.0722

9
 10
 11 BHI proposes recovery of the LRAMVA balance over a 1 year period. There is no rate rider for
 12 the residential rate class as there is no longer a volumetric rate for this class.

13 The LRAMVA threshold resulting from the forecast CDM savings included in the LRAMVA
 14 calculation are identified in Table 21 below. The savings in 2021 are based on one-third (1/3) of
 15 the savings approved in BHI’s 2014 Cost of Service Application (EB-2013-0115) for the four
 16 months from January to April when the old forecast was in effect, and two-thirds (2/3) of the
 17 savings approved in BHI’s 2021 Cost of Service Application (EB-2020-0007) for May to
 18 December, when the new forecast came into effect.

19
 20 **Table 21 – LRAMVA Threshold for CDM Savings**

Year	Residential (kWh)	GS<50 kW (kWh)	GS>50 kW (kW)	Unmetered Scattered Load (kWh)	Streetlighting (kW)
2021	2,121,490	747,621	7,965	12,073	50

21

1 BHI determined the rate class allocations for actual CDM savings from 2020 to 2021 based on
2 project specific information for that program, and the rate classes of the customers undertaking
3 the project. Depending on the rate class, distribution revenue is based on either kilowatt-hours
4 used, or the customer's monthly peak kilowatt use. The allocation was calculated according to
5 the billing determinant of the relevant rate class. That is, for GS<50 projects, their allocation is the
6 percentage of total kWh for projects in that rate class; for GS>50, their allocation is the percentage
7 of total kW for projects in that rate class.

8
9 BHI confirms that there is no additional documentation or data provided in support of projects that
10 were not included in its Final CDM Annual Report with the exception of Streetlighting as identified
11 below.

12
13 BHI has not included peak demand (kW) savings from Demand Response programs in its lost
14 revenue calculation in accordance with Board's 2016 Updated Policy on the calculation of peak
15 demand savings.

17 **Streetlighting Project**

18
19 Starting in 2017, the City of Burlington undertook a series of projects under the Retrofit Program
20 to retrofit streetlights to a more energy efficient light emitting diode (LED) technology. In 2017, the
21 result was a net reduction of 906 kW. The persistence from this project continues into future years,
22 with net reductions of 6,278 kW yearly. The 2018 the project resulted in a net reduction of 5,416
23 kW, which persists into future years with net reductions of 7,842 kW each year.

- 24
- 25 • BHI forecast demand savings of 149 kW in its load forecast in its 2014 CoS Application.
26 No additional streetlight savings were forecast in its 2021 load forecast (EB-2020-0007).
 - 27 • The street light upgrades that contributed to these savings represent incremental savings
28 attributable to participation in the IESO program and do not include other savings that may
29 have occurred outside of the IESO program.
 - 30 • The street lighting upgrade projects were undertaken as part of the Retrofit program, and
31 energy savings were reported within results for that program. Because street lighting is
32 not used during peak periods, the IESO reported zero peak demand savings from street

1 lighting projects. As the street lighting rate class is billed by kW, the calculated net kWh
2 savings from the Retrofit LED upgrade projects do not impact BHI's revenue, but the
3 demand reductions that result from CDM initiatives do, even if they occur during off-peak
4 periods. BHI confirms that the calculated kWh of savings have been manually removed
5 from the 2017 and 2018 Retrofit program results each year. The actual lost revenue from
6 the street lighting retrofit project has been calculated directly by multiplying the reduction
7 in the demand billed by the appropriate rate.

- 8 • BHI has received reports from the City of Burlington that validate the number and type of
9 bulbs replaced or retrofitted through the IESO program. The street lighting account is billed
10 based on kilowatts (kW) of demand. The street lighting retrofit project was implemented in
11 stages and kW reductions were applied to the municipality's street lighting account starting
12 in October 2017. Billed demand, calculated reductions and quantity and types of fixtures
13 changed are reported on Tab 8 of the LRAMVA Workform.
- 14 • Since streetlights are unmetered and billed by demand, a load profile was not used to
15 determine the demand reduction. The revenue impact is based on actual billed wattages
16 by bulb type before and after the conversions.
- 17 • BHI did not receive funding from the IESO for the street lighting projects. The net-to-gross
18 ratio provided by the IESO for the 2017 streetlighting projects is 0.88 as identified on Tab
19 8 of the LRAMVA Workform.

1 **Tax Changes**

2

3 OEB policy, as described in the OEB's 2008 report entitled *Supplemental Report of the Board on*
4 *3rd Generation Incentive Regulation for Ontario's Electricity Distributors* ("the Supplemental
5 Report"), prescribes a 50/50 sharing of impacts of legislated tax changes from distributors' tax
6 rates embedded in its OEB approved base rate known at the time of application. These amounts
7 will be refunded to or recovered from customers over a 12-month period.

8

9 BHI rebased effective May 2021 and since that time there have been no legislative tax changes.
10 Therefore, it is not seeking Board approval of any Shared Tax Savings ("STS") Adjustment as
11 part of this Application.

1 **Z-Factor Claim**

2

3 **Overview**

4 BHI experienced a Z-factor event on May 21, 2022 as a result of a powerful wind and
5 thunderstorm. This event was outside BHI's control, significantly impacted operations and
6 resulted in BHI incurring a material level of prudently incurred costs. This event meets the Z-factor
7 eligibility criteria as set out in Section 2.6 of the *Board's Report on 3rd Generation Incentive*
8 *Regulation for Ontario's Electricity Distributors dated July 14, 2008* ("the Incentive Regulation
9 Report") and Section 3.2.8 of the *Board's Chapter 3 Filing Requirements for Electricity Distribution*
10 *Rate Applications*, dated May 24, 2022 ("Chapter 3 Filing Requirements").

11

12 BHI is seeking recovery of \$198,360 associated with the restoration of electricity service to its
13 customers during this event and proposes to recover this amount from rate payers through a 12-
14 month fixed rate rider effective May 1, 2023.

15

16 **Background**

17 On May 21, 2022, parts of Southern Ontario experienced a powerful destructive wind and
18 thunderstorm. BHI did not receive advance warning of this major event - Environment Canada did not issue warnings
19 until that day of the potential for strong winds and thunderstorms to cause power outages across Southern
20 Ontario. The storm was severe, producing gusts of over
21 140 km/h, toppling trees and poles, knocking out power for
22 hundreds of thousands of customers across the Province
23 and briefly grounding flights at Toronto Pearson
24 International Airport.



1 The windstorm first impacted BHI's customers at around 12:30 pm on May 21, 2022, with a total
2 of 24,566 or 35.7% of BHI's customers affected. BHI
3 quickly responded and restored service to 90% of
4 affected customers by 9:43 pm that day. Due to the
5 extent of the outage and damage, the restoration
6 efforts continued for four (4) days. The windstorm was
7 one of the most severe storms in BHI's history.



8 **Eligibility Criteria**

9 Z-factors are unforeseen events that are not within
10 management's control. The eligibility criteria for applications to recover amounts in the Z-factor
11 are set out in the Incentive Regulation Report. In order for amounts to be considered for recovery
12 in the Z-factor, the amounts must satisfy all three criteria as follows:

13

14 **Materiality:** The amounts must exceed the Board-defined materiality threshold and have
15 a significant influence on the operation of the distributor; otherwise they should be
16 expensed in the normal course and addressed through organizational productivity
17 improvements.

18

19 **Causation:** Amounts should be directly related to the Z-factor event. The amount must be
20 clearly outside of the base upon which rates were derived.

21

22 **Prudence:** The amount must have been prudently incurred. This means that the
23 distributor's decision to incur the amount must represent the most cost-effective option
24 (not necessarily least initial cost) for ratepayers.

25

26 **Materiality**

27 The total incremental operating costs and capital expenditures associated with the restoration of
28 electricity service to BHI's customers during the May 21 windstorm were \$177,695 and \$314,975,
29 respectively, as identified in Table 22 below.

1 **Table 22 – Z-Factor Event Costs**

Category	Operating \$	Capital \$	Total \$
Incremental Labour/Material/Vehicle Costs	\$47,568	\$128,373	\$175,941
3rd Party Contractors	\$109,135	\$127,402	\$236,537
Grid Smart City Partners	\$20,991	\$59,199	\$80,191
Total	\$177,695	\$314,975	\$492,669

2
3

4 BHI is seeking cost recovery of \$198,360, comprised of \$177,695 in operating costs, \$15,101 in
 5 revenue requirement associated with capital expenditures and \$5,564 in carrying charges, as
 6 identified in Table 23 below. The calculation of the revenue requirement associated with capital
 7 expenditures of \$314,975 is identified in Table 24 below.

8

9 **Table 23 – Relief Requested**

Category	Amount \$
Operating Costs	\$177,695
Capital Expenditures	\$15,101
Total before Carrying Charges	\$192,795
Carrying Charges	\$5,564
Total Z-Factor Claim	\$198,360

10

1 **Table 24 – Revenue Requirement Impact of Capital Expenditures**

Description	%	Amount
Incremental Capital		\$314,975
Depreciation Expense		(\$6,562)
Incremental Capital to be included in Rate Base		\$308,413
Deemed Short Term Debt (4%)	1.75%	\$216
Deemed Long Term Debt (56%)	3.07%	\$5,302
Deemed Equity (40%)	8.34%	\$10,289
Amortization Expense		\$6,562
Grossed up PILs		(\$7,268)
Revenue Requirement		\$15,101
PILs Calculation		
Deemed Equity		\$10,289
Add Back Amortization Expense		\$6,562
Deduct CCA	12.0%	(\$37,010)
Taxable Income		(\$20,159)
PILs Before Gross Up	26.5%	(\$5,342)
Incremental Grossed Up PILs		(\$7,268)

2
3

4 BHI's materiality threshold is defined as 0.5% of distribution revenue requirement which is the
5 threshold applicable for distributors with a revenue requirement greater than \$10MM and less
6 than or equal to \$200MM. BHI's materiality threshold is \$169,585 which represents 0.5% of its
7 distribution revenue requirement of \$33,917,025, as approved in its 2021 Cost of Service
8 application (EB-2020-0007). The relief requested of \$198,360 as a result of expenditures incurred
9 during the May 21 windstorm exceeds the materiality threshold.

10

11 BHI confirms that its achieved Regulatory Return on Equity (ROE) in the most recently completed
12 fiscal year does not exceed 300 basis points above the deemed ROE embedded in its base. The
13 achieved regulatory ROE for 2021 was 5.84%, which is 2.5% less than the 8.34% approved in its
14 2021 Cost of Service application (EB-2020-007).

15 **Causation**

16 The amounts incurred were directly related to the restoration of service as a result of the May 21
17 windstorm – specifically, if the windstorm had not occurred, BHI would not have incurred any of
18 these costs. The amounts incurred are outside of the base upon which BHI's rates were derived.

1 BHI has several strategies for mitigating the impact of extreme weather events, however it could
2 not have foreseen, planned or budgeted for the storm experienced on May 21. Therefore, the
3 costs associated with this extreme weather event were not included in the rates approved in BHI's
4 2021 Cost of Service.

5 **Prudence**

6 The amounts associated with restoring service to customers during the May 21 windstorm were
7 incurred prudently. BHI's decision to incur these amounts represented the most cost-effective
8 option for rate payers.

- 9
- 10 • Labour costs were incurred according to previously negotiated agreements;
 - 11 • BHI relied on alliances and mutual aid agreements to restore power quickly and safely;
 - 12 • Contractor costs were incurred according to previously negotiated agreements;
 - 13 • Repairs were made where appropriate and the portions of the system that were rebuilt
14 were constructed on a 'like for like' basis;
 - 15 • BHI used materials available in Stores and minimized the costs to procure materials on
16 an emergency basis;
 - 17 • BHI prioritized and coordinated work to ensure restoration was completed efficiently and
18 power was restored to customers as quickly as possible

19 **Recoverability of Z-Factor Costs**

20 BHI proposes to recover a total of \$198,360 through a fixed rate rider over a 12-month period
21 commencing May 1, 2023 as set out in Table 25 below. In its decision on BHI's 2019 IRM
22 Application, which included a Z-factor claim (EB-2018-0021), the Board found it appropriate to
23 recover the Z-factor claim across all rate classes based on BHI's 2014 Board-approved
24 distribution revenue by rate class; and to calculate the rate riders based on its most recent actual
25 customer count data⁹. Consistent with that decision, BHI has allocated the Z-factor event costs to
26 all rate classes based on its last Board-approved distribution revenue. The monthly rate rider is
27 calculated using the number of customers as of December 31, 2021 as submitted in its RRR filing.

⁹ EB-2018-0021, Decision and Rate Order, March 28, 2019, p14

1 **Table 25 – Determination of Proposed Z-Factor Rate Riders**

Rate Class	2021 CoS (EB-2020-0007) Revenue Requirement	Allocation of Revenue Requirement	# of customers/ connections as at Dec 31, 2021	Monthly Rate Rider
Residential	\$21,025,663	\$122,966	61,915	\$0.1700
GS < 50kW	\$4,529,682	\$26,491	5,842	\$0.3800
GS > 50kW	\$8,070,531	\$47,200	985	\$3.9900
Unmetered Scattered Load	\$178,478	\$1,044	572	\$0.1500
Street Lighting	\$112,671	\$659	17,201	\$0.0000
Total	\$33,917,025	\$198,360		

2
3 **Conclusion**

4 BHI respectfully requests recovery of \$198,360 associated with the restoration of electricity
 5 service to its customers during the May 21 windstorm. This event meets the Z-factor amount
 6 eligibility criteria as set out in the Incentive Regulation Report and the Chapter 3 Filing
 7 Requirements. It proposes to recover this amount from rate payers through a 12-month fixed rate
 8 rider effective May 1, 2023.

1 **Bill Impacts**

2

3 All rate payers in BHI's service area will be affected by this Application. A summary of the bill
 4 impacts by rate class is provided in Tables 26 and 27 below. A detailed summary of the bill
 5 impacts for each rate class is provided as Appendix D.

6 **Table 26 – Bill Impacts - Distribution Rates (excluding Pass-through)**

Rate Class	RPP/ non-RPP	kWh	kW	Total Incr/(Decr) (\$)	Total Incr/(Decr) (%)
RESIDENTIAL	RPP	750		\$ 1.06	3.6%
GENERAL SERVICE LESS THAN 50 kW	RPP	1,500		\$ 0.90	1.7%
GENERAL SERVICE 50 TO 4,999 kW	non-RPP	36,700	200	\$ (14.62)	-1.8%
UNMETERED SCATTERED LOAD	RPP	2,000		\$ 1.65	3.9%
STREET LIGHTING (1 CONNECTION)	non-RPP	175	0.22	\$ (0.66)	-26.9%

7

8

9 **Table 27 – Bill Impacts – Total Bill including HST**

Rate Class	RPP/ non-RPP	kWh	kW	Total Incr/(Decr) (\$)	Total Incr/(Decr) (%)
RESIDENTIAL	RPP	750		\$ 2.03	1.7%
GENERAL SERVICE LESS THAN 50 kW	RPP	1,500		\$ 2.90	1.2%
GENERAL SERVICE 50 TO 4,999 kW	non-RPP	36,700	200	\$ (124.83)	-1.8%
UNMETERED SCATTERED LOAD	RPP	2,000		\$ 4.29	1.5%
STREET LIGHTING (1 CONNECTION)	non-RPP	175	0.22	\$ (1.74)	-6.8%

10

11

12 **CONCLUSION**

13 BHI respectfully requests that the Board approve the relief sought in this Application.

APPENDICES

Appendix A – Current Tariff of Rates and Charges

Appendix B – Proposed Tariff of Rates and Charges

Appendix C – Certification of Evidence

Appendix D – Bill Impacts