



Burlington**hydro**
inc.

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

February 6, 2023

Dear Ms. Marconi,

**Re: 2023 IRM Application for Electricity Distribution Rates (EB-2022-0018)
Reply Submission**

In accordance with the Ontario Energy Board's ("OEB's") Procedural Order No. 1 dated November 18, 2022, enclosed is Burlington Hydro's reply to submissions from OEB Staff and the Vulnerable Energy Consumers Coalition ("VECC").

Copies of the attached reply submission are being filed through the OEB's web portal ("RESS") and have been served on OEB Staff, VECC, and the Small Business Utility Alliance.

Yours truly,

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.

REPLY SUBMISSION

FILED: February 6, 2023

Applicant

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1 INTRODUCTION

2 Burlington Hydro Inc. ("Burlington Hydro") filed an Electricity Distribution Rates application
3 ("Application") on October 7, 2022 under the Incentive Rate-Setting Mechanism ("Price Cap IR")
4 to the Ontario Energy Board ("OEB") for electricity distribution rates and other charges effective
5 May 1, 2023.

6
7 The Vulnerable Energy Consumers Coalition ("VECC") and Small Business Utility Alliance
8 ("SBUA") requested intervenor status in relation to the Application, which was subsequently
9 granted by the OEB. The OEB issued Procedural Order No. 1 on November 18, 2022. In
10 accordance with the Procedural Order, OEB Staff, VECC and SBUA filed written interrogatories
11 on December 2, 2022. Burlington Hydro filed written responses to the interrogatories on
12 December 16, 2022. OEB Staff and VECC filed written submissions on January 23, 2022.

13
14 In its submission, OEB Staff identified no concerns with the price cap adjustment and updated
15 the 2023 inflation parameters in Burlington Hydro's 2023 Rate Generator Model. Burlington Hydro
16 agrees with and confirms the accuracy of the updates.

17
18 OEB staff identified no concerns with Burlington Hydro's requested adjustments to its Retail
19 Transmission Service Rates ("RTSRs") and has updated the 2023 Rate Generator Model to
20 reflect the approved 2023 Uniform Transmission Rates ("UTRs") as part of its submission.
21 Burlington Hydro agrees with and confirms the accuracy of the updates.

22
23 OEB staff also updated the 2023 Rate Generator Model to reflect the 2023 Wholesale Market
24 Service Charge ("WMSC") and Rural and Remote Rate Protection ("RRRP") charges as part of
25 its submission. Burlington Hydro agrees with and confirms the accuracy of the updates.

OEB Staff made detailed submissions on the following issues, which Burlington Hydro has responded to in its reply submission below:

- Group 1 Deferral and Variance Accounts (“DVAs”)
- Lost Revenues Adjustment Mechanism Variance Account (“LRAMVA”)
- Z-factor claim – May 2022 wind and thunderstorm (“Z-factor claim”)

VECC’s written submission was limited to Burlington Hydro’s Z-factor claim, which Burlington Hydro has responded to in its reply submission below.

REPLY SUBMISSION

Group 1 Deferral and Variance Accounts

Burlington Hydro originally requested to dispose of the balances of Group 1 deferral and variance accounts in the debit amount of \$1,409,641 on an interim basis as at December 31, 2021, including interest to April 30, 2023¹. As part of an interrogatory response², Burlington Hydro revised its request to seek approval to dispose these balances on a final basis, and confirmed:

- It has completed the implementation of its new Customer Information System ("CIS");
- It has aligned its processes and is in compliance with the OEB's Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589 ("Accounting Guidance"); and
- That the implementation of the CIS and related alignment with the Accounting Guidance has not resulted in adjustments to past balances.

In its submission, OEB staff supported Burlington Hydro's request to dispose of its December 31, 2021 Group 1 DVAs on a final basis and noted that Burlington Hydro has followed the OEB's direction in its 2022 IRM Decision and Order regarding the implementation of the CIS and compliance with the Accounting Guidance³.

The Group 1 account balances do not exceed the pre-set threshold of \$0.001/kWh for disposition. In accordance with the letter from the OEB dated July 25, 2014⁴, Burlington Hydro is seeking disposition of the balances in the current proceeding because the disposition amount of \$1,409,641 is material and rate riders are generated for all classes for both the DVA and Global

¹ Manager's Summary, pp. 12-13

² Interrogatory Responses, Staff-2

³ OEB Staff Submissions, p. 3

⁴ Process for 2015 Incentive Regulation Mechanism ("IRM") Distribution Rate Applications, July 25, 2014, p1

- 1 Adjustment ("GA") rate riders except the GA rate rider for the Unmetered Scattered Load class,
- 2 for which there are no non-Regulated Price Plan ("RPP") customers. OEB Staff noted no concerns
- 3 with the disposition of Group 1 DVA balances.

Lost Revenue Adjustment Mechanism Variance Account

In its Application, Burlington Hydro requested approval of its LRAMVA debit balance of \$169,106 related to lost revenues in 2021. OEB staff submitted that the 2021 LRAMVA balance has been calculated in accordance with the OEB's CDM Guidelines and supported Burlington Hydro's request to dispose of its 2021 LRAMVA balance of \$169,106 over a one-year period⁵.

As part of its interrogatory responses, Burlington Hydro explained that a request for disposition of LRAM-eligible amounts in future years was not submitted as part of its Application because Burlington Hydro has CDM projects subject to the CFF extension directive that had not come into service at the time of filing⁶. OEB Staff submitted that this is consistent with the OEB's CDM Guidelines, and that once all remaining CDM projects have come into service, Burlington Hydro should seek disposition of the remaining LRAM-eligible amounts on a final basis. Burlington Hydro agrees with this approach.

⁵ OEB Staff Submissions, p. 4

⁶ Interrogatory Responses, Staff-17 b)

Z-factor claim

In its Application, Burlington Hydro submitted a Z-factor claim for recovery of \$198,360 associated with the restoration of electricity service to its customers during a powerful wind and thunderstorm on May 21, 2022. The storm was severe, producing gusts of over 140 km/h, toppling trees and poles, and knocking out power for 24,566 or 35.7% of Burlington Hydro's customers. Burlington Hydro quickly responded and restored service to 90% of affected customers by 9:43 pm that day. Due to the extent of the outage and damage, the restoration efforts continued for four (4) days. The windstorm was one of the most severe storms in Burlington Hydro's history. Burlington Hydro submitted that this event was outside of its control, significantly impacted operations and resulted in Burlington Hydro incurring a material level of prudently incurred costs.

Z-factors provide for funding to cover costs of unforeseen events outside of a distributor's management control. The OEB has previously indicated that for Z-factor treatment to apply, generally, the cost to the distributor must be material and its causation clear. In order for amounts to be recoverable by way of a Z-factor, the amounts must satisfy the following three eligibility criteria:

- Causation – Amounts should be directly related to the Z-factor event. The amount must be clearly outside of the base upon which rates were derived.
- Materiality – The amounts must exceed the Board-defined materiality threshold and have a significant influence on the operation of the distributor; otherwise they should be expensed in the normal course and addressed through organizational productivity improvements.
- Prudence – The amounts must have been prudently incurred. This means that the distributor's decision to incur the amounts must represent the most cost effective option (not necessarily least initial cost) for ratepayers.

Burlington Hydro submits its reply to OEB Staff and VECC submissions on each of the three eligibility criteria below.

Causation

Amounts Directly Related to the Z-Factor Event

In its Application and interrogatory responses, Burlington Hydro confirmed that amounts incurred were directly related to the restoration of service as a result of the May 21st windstorm, and that if the windstorm had not occurred, it would not have incurred any of these costs.

OEB Staff and VECC submitted that Burlington Hydro has demonstrated that the amounts sought for recovery are directly related to the storm. Burlington Hydro agrees with these submissions.

Amounts Clearly Outside of the Base Upon Which Rates Were Derived

In its Application and interrogatory responses, Burlington Hydro explained it has several strategies for mitigating the impact of extreme weather events, however, it could not have foreseen, planned, or budgeted for the storm experienced on May 21, 2022. Burlington Hydro budgets for Emergency Response costs, but not for events of this magnitude as they have not occurred every year historically. Furthermore, Burlington Hydro had already exhausted its Emergency Response budget in 2022, as shown in its response to IR Staff-6b). Burlington Hydro submitted that the costs associated with this extreme weather event were not included in the rates approved in Burlington Hydro's 2021 Cost of Service.

In Table 1 of its response to IR Staff-12, Burlington Hydro provided annual budget and actual amounts for its vegetation management program for the period 2017 to date. On review of this table, when updating the figures for 2022 actuals, Burlington Hydro identified an error. The 2022 October YTD actuals of \$536,917 excluded internal Burlington Hydro labour associated with vegetation management expenditures and should not have. The correct amount, including internal Burlington Hydro labour, is \$674,462. Burlington Hydro internal labour was included in

the 2022 October YTD “approved in rates” figure of \$660,592. Burlington Hydro provides a revised Table 1 to its response to IR Staff-12 in Table 1 below.

Table 1 (Revised Table 1, IRR Staff-12): Vegetation Management Expenditures – Actual vs. Budget

Vegetation Management		
Year	Budget \$	Actual \$
2017	\$573,110	\$574,272
2018	\$579,128	\$494,106
2019	\$586,946	\$527,241
2020	\$597,805	\$667,962
2021	\$768,502	\$488,028
2022 YTD Oct	\$660,592	\$674,462
Total	\$3,766,083	\$3,426,071

VECC submitted that all of the costs included in the Z-factor claim are incremental and outside of the base upon which Burlington Hydro’s rates were set. OEB Staff submitted that Burlington Hydro had demonstrated that the actual OM&A cost from the Z-factor claim of \$177,695 in 2022 is outside of the budget underpinning rates for emergency response. Burlington Hydro agrees with these submissions.

Despite OEB Staff’s agreement that the Z-factor claim of \$177,695 is outside of the budget underpinning rates for emergency response, OEB Staff submitted that the vegetation management costs of the Z-factor claim, totaling \$88,845, should be disallowed for the following reasons:

- 1 1. "Budgeted costs for similar vegetation management activities have been approved in
2 Burlington Hydro's revenue requirement from its 2021 Cost of Service application to
3 rebase rates."⁷
4
- 5 2. Burlington Hydro's actual vegetation management costs in many recent years, including
6 2021 and 2022 (from January to October) show a material level of underspending from
7 what is funded through approved rates. As a result, in OEB Staff's view, "Burlington
8 Hydro's customers are paying more for vegetation management services through rates
9 than the utility is needing to spend for normal vegetation management service."⁸ OEB Staff
10 submit that Burlington Hydro could fund contracted vegetation management services –
11 excavation and tree removal costs through the underspend of its regular vegetation
12 management budget.⁹
13
- 14 3. "Storm-related vegetation management costs... should be accommodated through what
15 is funded through distribution rates."¹⁰
16

17 Burlington Hydro provides its response to each of the above OEB Staff submissions as follows:
18

- 19 1. The activities categorized as 'Contracted Services - Excavation and Tree Removal' in the
20 Z-factor claim are not similar to the activities in Burlington Hydro's vegetation management
21 program approved in its 2021 revenue requirement.
 - 22 • 'Contracted Services - Excavation and Tree Removal' are reactive, emergency
23 activities driven by entire trees being uprooted and falling on Burlington Hydro
24 infrastructure, resulting in fallen / snapped poles and broken wire. Crane services

⁷ OEB Staff Submission, p 6

⁸ Ibid, p11

⁹ Ibid, p 6

¹⁰ Ibid, p11

1 were required to assist with emergency excavation and tree removal in order to
2 safely repair infrastructure and restore power. Photographs from the May 21st
3 windstorm, as provided in Figures 1 and 2 on pages 20 and 21, are typical of the
4 damage caused, and required reparation beyond, and vastly different from, the
5 activities performed as part of the vegetation management program activities
6 included in rates. These costs are storm-related but they are not vegetation
7 management costs – they should be classified as “excavation and tree removal
8 costs” not “storm-related vegetation management costs”.

- 9 • In contrast, the activities in Burlington Hydro’s vegetation management program
10 are aimed at proactively preventing outages caused by tree branch contacts by
11 pruning branches or portions of a tree canopy, and removing dead wood which,
12 under normal wind conditions, could strike distribution system equipment when
13 falling.

14
15 The only budgeted costs for activities associated with reactive, emergency excavation and
16 tree removal costs approved in Burlington Hydro’s 2021 revenue requirement are \$14,000
17 of Emergency Response costs, which Burlington Hydro had already exhausted in 2022,
18 as identified in its response to IR Staff-6 b). As such, Burlington Hydro submits that
19 Contracted Services – Excavation and Tree Removal are clearly outside of the base upon
20 which rates were derived.

- 21
22 2. OEB Staff maintain that Burlington Hydro’s actual vegetation management costs in many
23 recent years, including 2021 and 2022 (from January to October) show a material level of
24 underspending from what is funded through approved rates and as such Burlington
25 Hydro’s customers are paying more for vegetation management services through rates
26 than the utility is needing to spend for normal vegetation management services.

27

Burlington Hydro respectfully submits that OEB Staff are conflating two separate rate setting periods, only one of which is relevant to this Application – the 2021 to 2025 rate setting period – which Burlington Hydro discusses in further detail below. That being said, Burlington Hydro would like to clarify the record for its previous rebasing period – OEB Staff state that Burlington Hydro “has shown years of underspending in vegetation management since 2018”. For 2017 to 2020, part of Burlington Hydro's previous rebasing period, the amount approved in rates for vegetation management services exceeded actuals by \$73,408 as identified in Table 2, which is an average of approximately \$18k/year and well below Burlington Hydro's materiality threshold of \$180k/year from its last Cost of Service application¹¹.

Table 2: 2017-2020 Vegetation Management Expenditures – Actual vs. Budget

Vegetation Management				
Year	Approved in Rates \$ *	Actual \$	Variance \$	Variance %
2017	\$573,110	\$574,272	\$ 1,162	0%
2018	\$579,128	\$494,106	\$ (85,022)	-15%
2019	\$586,946	\$527,241	\$ (59,705)	-10%
2020	\$597,805	\$667,962	\$ 70,157	12%
Total	\$2,336,989	\$2,263,581	\$ (73,408)	-3%
Average	\$584,247	\$565,895	\$ (18,352)	-3%

* Represents amounts approved in Burlington Hydro's 2014 Cost of Service application escalated by the OEB's approved annual rate adjustment

As identified by OEB Staff in its submission “utilities operating under incentive rate-adjustment mechanisms have some flexibility and are expected to manage their operations and cost management”¹². Burlington Hydro experienced many other cost pressures during this period as identified in its Cost of Service application. Favorability in

¹¹ EB-2020-0007, Exhibit 1, p. 54

¹² OEB Staff Submission, p 11

1 the vegetation management program was more than offset by higher, prudently incurred
2 expenditures in other programs. One cannot draw the conclusion that customers are
3 overpaying in rates because Burlington Hydro incurred a lower actual amount than that
4 approved in rates for one particular program. Total OM&A expenditures for the entire rate
5 basing period need to be taken into consideration, as well as Burlington Hydro's need to
6 manage its operations and costs to best meet the needs of ratepayers.

7
8 Burlington Hydro submits that the appropriate period, for this Application, to determine
9 whether customers are paying more for vegetation management services through rates
10 than the utility is needing to spend, is 2021 to 2025. To include years prior to 2021 in this
11 assessment and exclude future years (2023-2025) is not reflective of what customers are
12 paying for vegetation management over the relevant rate period. As identified in the
13 eligibility criteria for Z-factor recovery, distributors must satisfy that the amount is clearly
14 outside the base upon which rates were derived. The storm for which Burlington Hydro is
15 seeking recovery, occurred in 2022, and therefore, the rates which are applicable in this
16 Application are those set in May 2021 in Burlington Hydro's Cost of Service application
17 and which will continue until its next Cost of Service scheduled for May 2026. As such,
18 the appropriate comparison should be the amount approved in rates compared to the
19 actual/forecasted amounts for the 2021-2025 rate setting period.

20
21 Burlington Hydro provides Table 3 below which identifies its actual vegetation
22 management costs for 2021-2022 (Burlington Hydro has updated 2022 for actual costs
23 since its interrogatory responses); and its forecasted vegetation management costs for
24 2023 – 2025. Forecasted expenditures in 2023-2025 are based on bids in response to
25 Burlington Hydro's Request for Proposal ("RFP") for 2023-2025 vegetation management
26 services, and Burlington Hydro has awarded zones for 2023 and 2024 to the successful
27 proponents. Costs are significantly higher in 2023-2025 due to rising labour costs as a

result of a tight labour market, and increased costs associated with vegetation management in rear lot areas which are more costly to trim.

Table 3: 2021-2025 Vegetation Management Costs – Actual/Forecasted vs. Budget

Vegetation Management				
Year	Approved in Rates \$ *	Actual/Forecast \$	Variance \$	Variance %
2021 Cost of Service	\$ 768,502	\$ 488,028	\$ (280,474)	-36%
2022	\$ 792,710	\$ 811,142	\$ 18,432	2%
2023	\$ 820,851	\$ 3,454,613	\$ 921,210	36%
2024	\$ 844,245			
2025	\$ 868,306			
Total	\$ 4,094,615	\$ 4,753,783	\$ 659,168	16%

**2024-2025 Approved in Rates assumes an average inflation factor of 3% less Burlington Hydro's stretch factor of 0.15%.*

Burlington Hydro underspent its 2021 vegetation management budget due to factors outside of its control. It experienced staff shortages with one of its contractors due to labour supply shortages, which have been prevalent since the start of the COVID-19 pandemic in 2020 and continue today, not only in the electricity industry but across Ontario. Burlington Hydro did not choose to defer this work and did everything in its control to complete it as planned. Burlington Hydro has since awarded this work to a different contractor for completion in 2023. As such, the unspent portion of the 2021 vegetation management budget is not available to fund contracted services – excavation and tree removal costs in 2022.

Burlington Hydro's vegetation management expenditures vary from year-to-year based on the number and complexity (size, number of rear lot lines, vegetation density) of zones completed and market conditions. Burlington Hydro balances these considerations with

1 the need to maintain its assets and execute on its asset management strategy, among
2 other factors. Burlington Hydro's 2021 vegetation management budget approved in its
3 2021 Cost of Service application reflects the average annual cost over the 2021-25 period
4 at the time of filing, so although 2021 costs were less than the budget approved in rates,
5 over the 2021-2025 period Burlington Hydro submits that it does not expect that its
6 customers will pay more for vegetation management services through rates than the utility
7 will spend.

8
9 In fact, as illustrated in Table 3 above, Burlington Hydro's forecasted vegetation
10 management costs are projected to be \$659,168 or 16% higher than what is approved in
11 its rates over the 2021-2025 period. As stated above, the 2023-2025 costs are based on
12 bids in response to Burlington Hydro's Request for Proposal ("RFP") for 2023-2025
13 vegetation management services, which Burlington Hydro has awarded to the successful
14 proponents. Therefore, Burlington Hydro cannot accommodate its storm-related
15 excavation and tree removal costs through its vegetation management budget as it is
16 expected to incur \$659,168 in costs over and above that which is funded through
17 distribution rates.

- 18
19 3. OEB Staff maintains that customers are paying more in distribution rates (through
20 vegetation management services) than they are receiving benefit for, and as such, all else
21 being equal, the excess goes to the benefit of the shareholder. Burlington Hydro
22 respectively submits, as stated above, that one cannot draw the conclusion that customers
23 are overpaying in rates for services received because Burlington Hydro incurred a lower
24 actual amount than that approved in rates for one particular program in one particular year.
25 Total OM&A expenditures for the entire rate basing period need to be taken into
26 consideration. Burlington Hydro has demonstrated in Table 3 that customers will not be
27 overpaying for vegetation management services over the 2021 to 2025 period. The only
28 year for which actuals are lower than that which is approved in rates is 2021, and this

difference will be incurred in 2023-2025. In 2022, Burlington Hydro spent \$18,432 more on vegetation management services (per Table 3 above) and \$69,814 more on emergency response OM&A than that approved in rates, as identified in Table 4 below. Burlington Hydro also incurred \$60,474 of unbudgeted, non-Z-factor capital expenditures related to emergency response in 2022.

Table 4: Emergency Response (Storm) budgeted and actual amounts

Year	Emergency Response Costs					
	OM&A			Capital		
	Approved in Rates \$ *	Actual Non Z-factor \$	Variance \$	Approved in Rates \$ *	Actual Non Z-factor \$	Variance \$
2022	\$14,441	\$84,255	\$69,814	\$0	\$60,474	\$60,474

* Represents amounts approved in Burlington Hydro's 2021 Cost of Service application escalated by the OEB's approved annual rate adjustment

Burlington Hydro is expected to manage its operations and cost management effectively to adapt to changing circumstances. Burlington Hydro experienced such circumstances in 2021 with its vegetation management program (staff shortages with one of its contractors) and shifted uncompleted work from 2021 to 2023. Furthermore, Burlington Hydro incurred OM&A costs higher than that which was approved in rates in 2021. Table 5 below identifies that Burlington Hydro incurred an additional \$484,141 of OM&A costs in 2021 (as submitted in its RRR filing) compared to that which it recovered through rates, driven by factors such as increased trouble calls associated with underground cable failures, and higher than planned volume of metering service calls. Burlington Hydro is still finalizing its 2022 results, but also expects actual OM&A costs to be higher than what is approved in rates. Burlington Hydro submits that the difference between what customers are paying for in rates and its expenditures (for both vegetation management and overall OM&A) does not generate an excess to the benefit of its shareholder. Burlington Hydro is incurring/expects to incur additional costs, over and above what is/will be recovered in rates, which are borne by its shareholder. As such Burlington Hydro cannot accommodate

the excavation and tree removal costs included in its Z-factor claim within its overall OM&A envelope or its vegetation management program.

Table 5: 2021 OM&A Costs including Property Taxes – Actual vs. Budget

Operations, Maintenance and Administration			
Year	Approved in Rates \$	Actual \$	Variance \$
2021 Cost of Service	\$ 20,943,565	\$ 21,427,706	\$ 484,141

In summary, Burlington Hydro submits that the amounts requested in its Z-factor claim are clearly outside of the base upon which rates were derived for the following reasons:

- Excavation and Tree Removal activities are reactive, emergency activities driven by entire trees being uprooted and falling on Burlington Hydro infrastructure. These activities were not budgeted in rates and are very different from the vegetation management program activities included in rates.
- Burlington Hydro's actual vegetation management costs for 2022 are \$18,432 higher than that approved in rates. Burlington Hydro has exhausted its emergency response funding of \$14,441 and incurred an additional \$69,814 over that amount, which is also outside of the base upon which rates were derived. As such, Burlington Hydro does not have any excess amounts in its 2022 vegetation management or emergency response budgets to cover the cost of excavation and tree removal activities incurred during the May 21st windstorm;
- Over 2017-2025, Burlington Hydro materially underspent (or is forecasting to underspend) its vegetation management program in one year – 2021. This was due to circumstances outside of Burlington Hydro's control and Burlington Hydro has contracted to spend this amount in future years. In addition, due to escalating costs, over the 2021-2025 rate period Burlington Hydro expects to spend \$659,168 more on vegetation management activities than that approved in rates. As such, Burlington Hydro does not have any excess

1 amounts in its 2021-2025 vegetation management budgets to cover the cost of excavation
2 and tree removal activities incurred during the May 21st windstorm; and
3 • In 2021, the year that Burlington Hydro materially underspent its vegetation management
4 budget, it incurred \$484,141 more OM&A costs than it recovered through rates. Overall
5 ratepayers did not overpay for the services that they received, nor will they be overpaying
6 for vegetation management program activities over 2021-2025.
7

8 **Prudence**

9 In its application and interrogatory responses, Burlington Hydro provided the following comments
10 with respect to prudence¹³:

- 11 • Labour costs were incurred according to previously negotiated agreements;
 - 12 • Burlington Hydro relied on alliances and mutual aid agreements to restore power quickly
13 and safely;
 - 14 • Contractor costs were incurred according to previously negotiated agreements;
 - 15 • Repairs were made where appropriate and the portions of the system that were rebuilt
16 were constructed on a 'like for like' basis;
 - 17 • Burlington Hydro used materials available in stores and minimized the costs to procure
18 materials on an emergency basis;
 - 19 • Burlington Hydro prioritized and coordinated work to ensure restoration was completed
20 efficiently and power was restored to customers as quickly as possible;
 - 21 • Burlington Hydro followed its Emergency Response Plan¹⁴; and
 - 22 • The Z-factor labour costs did not include payments made to union employees at regular
23 rates of pay for work on pre-scheduled vacation days¹⁵.
- 24

¹³ Manager's Summary, p. 37

¹⁴ Interrogatory Responses, Staff-9 a) and b)

¹⁵ Interrogatory Responses, Staff-8 c)

OEB staff submitted that Burlington Hydro acted prudently and promptly to secure assistance to restore power quickly and safely and contractor costs were incurred according to previously negotiated agreements. Burlington Hydro agrees with this submission.

VECC submitted that Burlington Hydro acted promptly to restore power. However, VECC also submitted that the OEB should apply a penalty to Burlington Hydro's 2022 Z-factor claim because the damage caused by windstorm would not have been as extensive had zones 2 and 6 been maintained as planned in recent years. Burlington Hydro submits that the damage caused by a windstorm of this magnitude would not have been any less extensive had zones 2 and 6 been maintained as planned in recent years for the following reasons:

- As part of its vegetation management program, trees and branches are pruned according to minimum clearance standards based on the American National Standards Institute ("ANSI") *A300 – Standard Practices for Trees, Shrubs and other Woody Plant Maintenance*, and the City of Burlington's *Urban Forest Management Plan*, in order to reduce the likelihood that broken branches will make contact with lines. The minimum clearance standard is within 3 meters of distribution lines. The damage caused by the May 21st windstorm was a result of entire trees being uprooted and toppling distribution poles and lines. In some cases, these trees were over 10 meters away from Burlington Hydro's distribution lines and would not be included in Burlington Hydro's vegetation management program which incorporates the minimum clearance standard of 3 meters. Burlington Hydro provides pictures as Figure 1 and 2 below to illustrate the extent of the damage. Pruning branches or portions of a tree canopy would not have prevented these trees from being uprooted and toppling Burlington Hydro's infrastructure.
- In addition to the above, Burlington Hydro removes all dead wood, regardless of the location of the tree, which, under normal wind conditions, could strike distribution system equipment when falling. In the case of the May 21st windstorm the trees that became uprooted and toppled Burlington Hydro's infrastructure i) were not dead wood (trees had

1 green leaves on them and appeared healthy in Figures 1 and 2), and ii) would not be
2 expected to fall under normal wind conditions.

- 3 • There was no correlation between the damage caused by the storm and the completion
4 of vegetation management in certain zones. Burlington Hydro completed its planned
5 vegetation management in zones 1, 3, 4, 7 and 12 and these zones were equally and
6 significantly impacted by the May 21st windstorm, indicating that tree trimming activities
7 would not have mitigated damage due to the severity of the storm.

1

Figure 1 – Uprooted tree from May 21, 2022 windstorm causing two broken poles



2

1

Figure 2 – Uprooted tree from May 21, 2022 windstorm requiring crane to remove



2

1 Given the severity of the storm and extent of the damage caused, Burlington Hydro submits that
2 its decision to incur the costs to safely repair its distribution system and restore service
3 represented the most cost effective option for ratepayers.
4

5 As part of its submission on the penalty to Burlington Hydro's 2022 Z-factor claim, VECC
6 suggested the OEB should disallow 50% of the Z-factor costs related to tree trimming/removal
7 expenses and pole replacement. Burlington Hydro submits that the proposed 50% is an arbitrary
8 estimate. Zones 2 and 6 represent only 2 of the 8 zones (25%) impacted by the storm, and only
9 50% of these two zones were not completed as planned. Burlington Hydro submits that only
10 12.5% of the area impacted by the May 21st windstorm had outstanding vegetation management
11 compared to plan (25% of the zones impacted * 50% outstanding vegetation management
12 compared to plan). That being said, Burlington Hydro submits that there is no basis to apply any
13 penalty to its Z-factor claim for the reasons described on pages 18-19 above. Normal vegetation
14 management activities would not have reduced the damage or associated excavation and tree
15 removal cost during the May 21st windstorm.
16

17 With respect to VECC's comments on risk assessment and risk mitigation related to storm
18 damage, Burlington Hydro submits that any review of its approach to risk management should be
19 addressed in a Cost of Service application.
20

21 **Materiality**

22 In its Application, Burlington Hydro calculated a materiality threshold of \$169,585, which
23 represents 0.5% of its distribution revenue requirement of \$33,917,025, as approved in its 2021
24 Cost of Service application (EB-2020-0007). The relief requested of \$198,360 as a result of
25 expenditures incurred during the May 21st windstorm exceeds the materiality threshold.

1 OEB Staff and VECC submitted that Burlington Hydro's Z-factor claim of \$198,360 exceeds the
2 materiality threshold. OEB staff noted that this may change depending on the OEB's
3 determinations with respect to the concerns expressed by OEB staff in its submission on the cost
4 claim for the contracted services - excavation and tree removal. Burlington Hydro has responded
5 to OEB Staff's concerns regarding the cost claim for the contracted services - excavation and tree
6 removal above and submits that the excavation and tree removal costs should be included in the
7 Z-factor claim and as such the materiality criteria has been met.

9 **Allocation and Rate Design**

10 Burlington Hydro proposed to recover a total of \$198,360 through a fixed rate rider over a 12-
11 month period commencing May 1, 2023, consistent with the OEB's Decision on Burlington Hydro's
12 prior Z-factor claim for its 2019 rates¹⁶ and the OEB's Decision on CNPI's prior Z-factor claim for
13 its 2021 rates¹⁷.

15 OEB staff submitted that Burlington Hydro's proposal to allocate the costs associated with
16 the wind and thunderstorm on the basis of distribution revenue and the 2021 filed customer
17 numbers in the RRR filings as the billing determinant is reasonable, as is its request for a 12-
18 month recovery period.

20 Burlington Hydro agrees with OEB Staff's submission that the rate design and cost allocation
21 proposed are appropriate.

¹⁶ EB-2018-0021, Decision and Rate Order, March 28, 2019, p. 13-14

¹⁷ EB-2022-0019, Decision and Rate Order, December 8, 2022, p.17

CONCLUSION

For the reasons identified above, Burlington Hydro respectfully requests the following:

1. Approval for an Order or Orders approving the Tariff of Rates and Charges set out in the IRM Model filed by OEB Staff as “OEBstaff_2023 IRM Model_BHI_20230123_updated” on January 23, 2023.
2. Approval of updated Retail Transmission Service Rates set out in the IRM Model filed by OEB Staff as “OEBstaff_2023 IRM Model_BHI_20230123_updated” on January 23, 2023.
3. Approval for the clearance of the balances recorded in certain deferral and variance accounts by means of class-specific rate riders effective May 1, 2023 to April 30, 2024, as identified on page 19 of the Application.
4. Approval for the clearance of the balance in its Lost Revenue Adjustment Mechanism Variance Account resulting from its Conservation and Demand Management activities as of December 31, 2021 as identified on page 29 of the Application.
5. Approval of Burlington Hydro’s Z-factor claim and recovery of costs of \$198,360, and the proposed rate riders effective May 1, 2023 to April 30, 2024, as identified on page 38 of the Application.

All of which is respectfully submitted this 6th day of February, 2023.