Burlington hydro inc.

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

November 14, 2024

Dear Ms. Marconi,

Re: 2025 IRM Application for Electricity Distribution Rates (EB-2024-0010)
Reply Submission

In accordance with the Ontario Energy Board's ("OEB's") Procedural Order No. 1 dated September 24, 2024, enclosed is Burlington Hydro's reply to submissions from OEB Staff and the Vulnerable Energy Consumers Coalition ("VECC").

BHI also provides an updated live version of the following model:

- Attachment 1_2025 IRM Model_BHI_20241114

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

Yours truly,

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

Attachments

EB-2024-0010

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 January 1, 2025.

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BURLINGTON HYDRO INC.

REPLY SUBMISSION

FILED: November 14, 2024

Applicant

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INTRODUCTION

Burlington Hydro Inc. ("Burlington Hydro") filed an Electricity Distribution Rates application ("Application") on August 15, 2024 under the Incentive Rate-Setting Mechanism ("Price Cap IR") to the Ontario Energy Board ("OEB") for electricity distribution rates and other charges effective January 1, 2025.

Burlington Hydro's application requested the following:

1. Approval to adjust the monthly service charges and distribution volumetric rates based on the Price Cap adjustment formula during the incentive rate-setting year.
2. Approval of updated Retail Transmission Service Rates ("RTSRs").
3. Approval for the clearance of the balances recorded in certain deferral and variance accounts by means of class-specific rate riders effective January 1, 2025 to December 31, 2025.
4. Approval of rate riders for 2025 LRAM-eligible amounts, as previously approved by the OEB.
5. Approval for rate riders associated with funding under the OEB's Incremental Capital Module ("ICM") effective January 1, 2025 to December 31, 2025.

The Vulnerable Energy Consumers Coalition ("VECC") requested intervenor status in relation to the Application, which was subsequently granted by the OEB. The OEB issued Procedural Order No. 1 on September 24, 2024. In accordance with the Procedural Order, OEB Staff and VECC filed written interrogatories on October 4, 2024 and Burlington Hydro filed written responses to the interrogatories on October 18, 2024. OEB Staff filed its written submission on November 1, 2024. VECC filed its written submission on November 4, 2024.

In its submission, OEB Staff identified no concerns with Burlington Hydro's proposed price cap adjustment, disposition of Group 1 DVA balances, or rate riders for 2025 LRAM-eligible amounts.

OEB Staff identified no concerns with Burlington Hydro's requests regarding its RTSRs. In accordance with the OEB's guidance regarding 2025 Preliminary Uniform Transmission Rates[1] Burlington Hydro has filed an updated IRM Rate Generator Model to reflect the preliminary 2025 Uniform Transmission Rates, filed as Attachment 1_2025 IRM Model_BHI_20241114.

VECC identified no concerns with Burlington Hydro's proposed price cap adjustment, disposition of Group 1 DVA balances, rate riders for 2025 LRAM-eligible amounts, or RTSRs.

OEB Staff and VECC made detailed submissions on the ICM funding request, which Burlington Hydro has responded to in its reply submission below.

[1] EB-2024-0244, 2025 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, issued November 1, 2024

REPLY SUBMISSION

Incremental Capital Module (ICM)

Burlington Hydro is requesting Board approval for incremental capital funding pertaining to an externally driven and non-discretionary System Access project for a total estimated incremental capital expenditure of $5,120,792. The project involves relocating Burlington Hydro's electrical distribution assets on Dundas Street due to road widening work, as requested by Halton Region, the road authority under the *Public Service Work on Highway Act* ("PSWHA").

The Incremental Capital Module ("ICM") is available to electricity distributors filing under the Price Cap IR. Burlington Hydro submitted that it has capital investment requirements which are incremental to its capital requirements within the context of its financial capacities underpinned by existing rates and satisfies the eligibility criteria of materiality, need and prudence as set out in Section 4.1.5 of the *Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module* (EB-2014-0219) issued on September 18, 2014 ("the ACM report").

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

Materiality

Materiality Threshold

In its Application and interrogatory responses, Burlington Hydro used the OEB-approved materiality threshold formula to arrive at a threshold capital expenditure value of $11,771,200. Burlington Hydro's 2025 capital forecast is $16,891,993. The total net cost of the project, not including capital contributions, is $5,563,693. Based on the 2025 capital forecast and the calculated materiality threshold, the maximum eligible incremental capital amount is $5,120,792.

OEB Staff and VECC submitted that Burlington Hydro's 2025 capital forecast exceeds the OEB-defined materiality threshold and acknowledges that Burlington Hydro is requesting to recover only the maximum eligible incremental capital amount of $5,120,792. Burlington Hydro agrees with these submissions.

Project-Specific Materiality Threshold

In its Application and interrogatory responses, Burlington Hydro explained that the project cost of $5,563,693 is significant in relation to its overall capital expenditure of $16,891,993 and materiality threshold of $11,771,200. The project is equal to 33% of Burlington Hydro's total 2025 capital expenditure forecast.

OEB Staff and VECC submitted that Burlington Hydro's ICM project constitutes a significant portion of its overall capital expenditure forecast and therefore satisfies the project-specific materiality threshold. Burlington Hydro agrees with these submissions.

Significant Influence on Operations

In its Application and interrogatory responses, Burlington Hydro stated that the road widening project makes up a significant portion of its total capital expenditure forecast and will have a significant influence on company operations.

OEB Staff and VECC submitted that this project will have a significant influence on Burlington Hydro's operations. Burlington Hydro agrees with these submissions.

Need

Means Test

In its Application and interrogatory responses, Burlington Hydro confirmed that its 2023 actual ROE was 8.11%, which is 0.23% (23 basis points) lower than its deemed ROE of 8.34%.

Burlington Hydro also provided its forecasted ROE for 2024 (7%) and 2025 (5%), both of which are lower than its deemed ROE of 8.34%.

OEB Staff and VECC submitted that Burlington Hydro has not exceeded its deemed rate of return by 300 basis points and, therefore, passes the Means Test for the 2025 ICM. Burlington Hydro agrees with these submissions.

Discrete Project

In its Application, Burlington Hydro confirmed that the relocation project is a distinct, non-discretionary System Access project, and is unrelated to Burlington Hydro's recurring annual capital projects.

OEB Staff and VECC submitted that the proposed ICM project is discrete and unrelated to ongoing capital programs. Burlington Hydro agrees with these submissions.

Directly Related to the Claimed Driver

In its Application, Burlington Hydro confirmed that the relocation project is in response to road widening work along Dundas Street and is non-discretionary due to Burlington Hydro's statutory obligations in the PSWHA.

OEB Staff and VECC submitted that the proposed ICM project directly relates to the claimed drivers identified by Burlington Hydro. Burlington Hydro agrees with these submissions.

Outside of Base Upon Which Rates Were Derived

In its Application, Burlington Hydro confirmed that the ICM project was not included in the capital expenditures approved in Burlington Hydro's Cost of Service application (EB-2020-0007) and as such is not funded through existing rates.

OEB Staff submitted that the ICM amounts are not fully outside of the base upon which rates were derived and that the OEB should reduce the ICM amount by the estimated value of replacing the four poles and one transformer denoted to be in Poor condition ($197,757) for the following reasons:

1. Despite submitting that the proposed ICM project is discrete and is not related to ongoing capital programs[2], OEB Staff submitted that the four poles and one transformer in Poor condition within the ICM project's scope should be accounted for as part of base rates in Burlington Hydro's 2021 Distribution System Plan.

2. OEB Staff also submitted that the four poles and one transformer in Poor condition would be expected to be replaced in the near-term, referencing a Z-factor application where the OEB reduced Elexicon Energy's Z-factor cost claim in the Poles and Overhead Conductor category on the basis that the poles classified as Poor and Fair-Poor would have been replaced within one to two years[3].

VECC's submission, received after OEB Staff's submission was on the public record, supported OEB Staff's reduction of $197,757 in the ICM amount, submitting that assets in poor condition would be accounted for in Burlington Hydro's annual pole and transformer replacement programs.[4] Burlington Hydro's response below addresses VECC's comments in addition to the submission by OEB Staff.

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

[2] OEB Staff submission, p. 5
[3] EB-2022-0317, Decision and Order, June 15, 2023, p. 12
[4] VECC submission, p. 5

1. Burlington Hydro submits that a project cannot be discrete and unrelated to ongoing capital programs, as submitted by OEB Staff[5], and at the same time be accounted for as part of the pole replacement or transformer replacement programs underpinning base rates. Burlington Hydro's pole replacement program targets poles in the worst condition and most at risk of failure, not poles that must be replaced due to road widening work. Similarly, Burlington Hydro's transformer replacement program targets transformers that become inoperable, leak oil, or are no longer adequate to accommodate new load in the area. These ongoing capital programs have completely different cost drivers than the ICM project and are therefore budgeted separately through Burlington Hydro's capital planning process.

2. Burlington Hydro submits that the four poles and one transformer in Poor condition would not have been replaced in the near-term for several reasons:

    i. Asset condition assessments inform the capital planning process to manage the identified risk of asset failure. This does not necessarily guarantee that an asset in poor or very poor condition will be replaced or fail in a specified period of time. That determination is made by ongoing asset inspections, which identify critical assets for immediate remediation or replacement.

    ii. In Burlington Hydro's 2021 Distribution System Plan, it identified 650 poles in Poor (412) or Very Poor (238) condition plus 2,739 in Fair condition, some of which were expected to degrade to Poor or Very Poor condition over the DSP horizon[6]. In that same application, Burlington Hydro proposed to replace 100 poles per year (500 over the DSP horizon) to mitigate the risk of failure, operate safely and balance

[5] OEB Staff submission, p. 5
[6] EB-2020-0007, Distribution System Plan, App. 10: 2019 Asset Condition Assessment, November 11, 2019

customers preferences to maintain reliability and pay reasonable distribution rates[7]. This pacing is evidence that Burlington Hydro does not expect to replace poles in Poor condition in the near-term – it would typically address the 238 poles in Very Poor condition first, in addition to failures and poles at risk of failure, which would take in excess of two years based on the pacing underlying its existing rates. Further, some of the poles in Poor or Very Poor condition in the 2021 Distribution System Plan will not be replaced at all over the 2021-2025 DSP period as Burlington Hydro did not receive funding in rates to replace 650+poles over a 5-year period.

iii. Burlington Hydro was made aware of the Dundas St Road Widening in 2015 and received preliminary plans from the Region about the road improvements in 2018[8], prior to filing its 2021 Cost of Service rate application. Poles which would be required to be replaced as part of a future relocation project are not included in BHI's proactive pole replacement program and therefore are not included in the base upon which rates were derived.

iv. Burlington Hydro replaces distribution transformers whenever they fail, leak oil, or require upgrading to accommodate load growth. The transformer referenced in OEB Staff's submission does not exhibit any of these characteristics, and as such Burlington Hydro would not have replaced this in the near-term.

OEB Staff submits that their recommended approach is similar to one taken by the OEB in Elexicon Energy's Z-factor application[9]. Burlington Hydro submits that this approach is

[7] EB-2020-0007, Distribution System Plan, p. 147
[8] EB-2024-0010, BHI Interrogatory Responses, Staff-15 a)
[9] EB-2022-0317, Decision and Order, June 15, 2023, p. 12

not applicable in its situation or for this Application. The two applications are not comparable and have dissimilar eligibility requirements and underlying factors, as follows:

i. Elexicon Energy indicated in their Reply Submission that their practice is to replace poles with Poor or Fair-Poor classification within 1-2 years of identification[10]. The OEB's decision to reduce Elexicon Energy's Z-factor cost claim for Poles and Overhead Conductor in Poor and Fair-Poor classification was on the basis that Elexicon Energy's stated practice was to replace these assets within 1 to 2 years. This is not Burlington Hydro's practice. As stated above and in Burlington Hydro's 2021 Distribution System Plan, the pacing of its pole replacement program does not allow for the replacement of poles in Poor condition within 1-2 years. In addition, BHI does not proactively replace poles which are designated for future relocation.

ii. The OEB also disallowed a portion of the claimed cost associated with poles due to the number of poles for which there were no records of asset condition[11]. This is not the case in Burlington Hydro's Application. Burlington Hydro has records of the condition of its assets.

iii. In Elexicon Energy's decision, the OEB noted significant underspending in the 2022 capital plan, and encouraged Elexicon Energy to meet their planned capital program on an annual basis[12]. Burlington Hydro is forecasting to exceed its planned capital program in 2025, and over the 2021-2025 DSP period, with and

[10] EB-2022-0317, Reply Submission, p. 7, April 27, 2023
[11] EB-2022-0317, Decision and Order, p. 12, June 15, 2023
[12] EB-2022-0317, Decision and Order, p. 11, June 15, 2023

without the ICM project[13]. This indicates that the base upon which rates were set does not include any available amounts to fund the ICM project.

iv. For these reasons, Burlington Hydro submits that a similar approach to the one taken by the OEB in Elexicon Energy's Z-factor Application is not appropriate in this Application.

VECC also submitted that a portion of the ICM project costs are not outside of the base upon which rates were derived, because of the inclusion of certain approved road widening funding in base rates[14]. These projects are the Dundas St Road Widening Project (Walkers Line to Appleby Line) and the Waterdown Rd Road Widening project.

VECC submits that although the Dundas St Road Widening Project (Walkers Line to Appleby Line) was not completed in 2021, the revenue requirement impact of not proceeding with the project will be returned to rate payers[15] through a variance account, and therefore is not recommending an adjustment to the 2025 ICM request for this project. VECC submits that since the Waterdown Rd Road Widening project proceeded at a higher cost than budgeted, there will be no entry to the variance account[16]. Burlington Hydro agrees with this as it has not collected revenue requirement over and above base rates for this project.

VECC also submits that Burlington Hydro's ICM request should be reduced by $1,500,000 to account for the amount included in base rates for the 2021 Waterdown Rd Road Widening project. Burlington Hydro disagrees with the reduction in the ICM request of $1,500,000. It submits that

[13] EB-2024-0010, BHI Interrogatory Responses, Staff-14 a)
[14] VECC Staff submission, p. 4
[15] Ibid

[16] Ibid

the 2021 Waterdown Rd Road Widening project is a discrete project, distinct from the Dundas St Road Widening Project (Guelph Line to Kerns Road and Northhampton to Guelph Line). Further, the full $1,500,000 included in base rates for the 2021 Waterdown Rd Road Widening project was spent. As such, Burlington Hydro does not have any excess amounts from the 2021 Waterdown Rd Road Widening project to fund the ICM project and a reduction based on road widening projects included in 2021 base rates is not relevant or appropriate.

Prudence

In its Application and interrogatory responses, Burlington Hydro explained how it considered different alternatives and the process it followed for arriving at the recommended solution. This included a thorough design and methodology review in accordance with O. Reg. 22/04 and current Burlington Hydro standards, as well as loading calculations using non-linear design analysis as per Canadian Standards Association (CSA) requirements. As a result of this analysis, Burlington Hydro and Halton Region identified the recommended solution as the only viable option for relocation work.

Burlington Hydro also described its process for arriving at the cost estimate, which was based on the road widening design from Halton Region. The estimate was prepared in accordance with O. Reg. 22/04, Canadian Standards Association (CSA) standards, and Burlington Hydro standards and specifications. Material costs were estimated using updated purchase prices for items listed on the relocation design's bill of materials. Labour and equipment costs were estimated based on rates from one of Burlington Hydro's past successfully completed relocation projects.

OEB Staff acknowledged Burlington Hydro's consideration of alternatives, but submitted that the OEB should reduce the requested ICM amount by $160,692 due to concerns about the cost estimate provided by Burlington Hydro, as follows:

1. OEB Staff agreed that each relocation project is unique, with varying design and scope differences that inherently affect the costs, but questioned the 254% increase in cost per transformer replaced when compared to the Waterdown Rd Road Widening project.

2. OEB Staff submitted that the cost per transformer for the ICM project Burlington Hydro is requesting funding for is 195% higher than the inflated cost calculated based on the Statistics Canada Power, Distribution and Other Transformers Price Index[17].

3. OEB Staff submitted that the OEB should reduce the cost per transformer replaced to $35,089 to more closely reflect the inflation assumptions provided as part of their Submission, while also acknowledging the varying design and scope differences of each project.

4. Lack of prudence in the cost estimate process and the resulting requested costs.

VECC's submission, received after OEB Staff's submission was on the public record, supported OEB Staff's reduction of $160,692 in the ICM amount, submitting that Burlington Hydro exhibited lack of prudence in the cost estimate process due to the following:[18]

5. Lack of clarity in the evidence about how Burlington Hydro derived the estimates in the requested ICM for each section of the project.

6. The split in costs between the two sections of the project are significantly different – the section with 23 km in overhead work and 1 km of underground is three times more than the section with 20 km of overhead and 4 km of underground.

[17] OEB Staff Submission, p. 9
[18] VECC submission, p. 7

Burlington Hydro provides its response to each of the above submissions as follows:

1. Burlington Hydro submits that total costs and costs per transformer for the 2021 Waterdown Rd Road Widening project can not be compared to those of the 2025 Dundas St Road Widening project. Staff-15 requested unit costs for "any previous comparable relocation project", which Burlington Hydro interpreted to mean comparable for project type i.e. both projects are road widening projects initiated by a road authority, requiring relocation of distribution system infrastructure. For the most part, this is where the similarity ends. As explained in Burlington Hydro's response to Staff-15, each relocation project is unique, with varying design and scope differences that inherently affect the project and unit costs. Compared to the 2021 Waterdown Rd Road Widening project, the 2025 Dundas St Road Widening project involves relocating more feeders (which impacts the class and height of poles required), has more circuit kms of 27.6kV feeders, and supplies significantly more customers (resulting in the relocation of a higher number of transformers with higher nameplate rating, and consequently higher cost). The following differences directly affect and account for the difference in costs per transformer of the two projects:

    i. **Pad-mount vs. Pole-mount Transformers**: The transformers are different types based on unique project requirements, with materially different costs. The 2025 Dundas St Road Widening project requires replacing two pad-mount transformers to provide service to existing customers with underground service. The 2021 Waterdown Rd Road Widening project required replacing only pole-mount transformers as existing customers were supplied via overhead transformers, which are significantly less expensive than pad-mount transformers. In addition, more civil work is required when replacing a pad-mount transformer in order to connect to the underground cables, which increases the unit cost substantially.

ii. **Nameplate rating**: The 2025 Dundas St Road Widening project requires replacing three transformers with a nameplate rating of 150kVA and two transformers with a nameplate rating of 500kVA to provide service to existing customers. None of the transformers replaced on the 2021 Waterdown Rd Road Widening project had a nameplate rating above 100kVA. The two 500kVA transformers requiring replacement on the 2025 Dundas St Road Widening project are approximately 15x more expensive than a 50kVA pole-mount transformer (the most commonly replaced transformer on the 2021 Waterdown Rd Road Widening project), which results in a much higher average transformer cost.

iii. **Transformer banks:** The 2025 Dundas St Road Widening project requires replacing three transformers installed as banks, where each bank has three (3) 50kVA transformers grouped together (nine transformers in total) in order to achieve the required capacity to supply customers connected to each transformer. For the purposes of responding to Staff-15 d), Burlington Hydro considered these as three transformers, not nine, which results in a higher average transformer cost.

A list of transformers used on each project is provided in Table 1 below.

Table 1: Transformers Replaced, by Road Widening Project

Assets	Count
Waterdown Road Widening	
50 kVA Pole-mount Transformers	14
75 kVA Pole-mount Transformers	2
100 kVA Pole-mount Transformers	2
Total	**18**
2025 Dundas St Road Widening	
50 kVA Pole-mount Transformers	16
150 kVA Pole-mount Transformer Bank (3 Tx per bank)	3
500 kVA Pad-mount Transformers	2
Total	**21**

To quantify these differences, Burlington Hydro provides the average cost per transformer for the 2025 Dundas St Road Widening project in 2021 dollars in Table 2 below. The costing of the individual transformers used for the 2025 Dundas St Road Widening project results in an average cost of $26,175 as compared to $12,062 for the 2021 Waterdown Rd Road Widening project. The design and scope differences inherently affect the transformer costs on the two projects.

Table 2: Estimated Cost per Transformer Replaced (in 2021 dollars)

Project	Cost per transformer (2021 $)
2025 Dundas St Road Widening	$26,175
2021 Waterdown Rd Road Widening	$12,062
Variance ($)	**$14,112**

Burlington Hydro submits that $26,175 per transformer is the appropriate comparison and starting point when accounting for the inflationary increases from 2021 to 2025, as it reflects the cost of the individual transformers listed on the relocation design's bill of materials, which are different transformers than those used for the Waterdown Rd Road Widening project.

2. Burlington Hydro submits that OEB Staff's calculation to determine the recoverable cost per transformer should not have been based on the Waterdown Rd Road Widening project's cost per transformer replaced of $12,062. As stated above, Burlington Hydro is not relocating the same types of assets it did on the 2021 Waterdown Rd Road Widening project and inflation does not account for the cost differential. The reason the estimated cost per transformer is 195% higher than the inflated cost calculated based on the Statistics Canada Power, Distribution and Other Transformers Price Index is because the starting point (average cost/transformer in 2021 dollars for the Dundas St Road Widening project) is based on a completely different mix of transformers. Burlington Hydro submits that a base price of $26,175 per transformer, as described above, more appropriately reflects the mix of transformers requiring replacement on the ICM project. Burlington Hydro provides the following table to account for the inflationary increases from 2021 to 2025 using $26,175 as a starting point and based on the Statistics Canada Power, Distribution and Other Transformers Price Index.

Table 3: Inflationary Increases on Average Cost Per Transformer (2021 to 2025)

Year	Quarter	Index	Change	Cost per transformer
2021	Q1	106.1		$26,175
	Q2	104.6	-1.4%	$25,804
	Q3	110.1	5.3%	$27,161
	Q4	121.1	10.0%	$29,875
2022	Q1	125.5	3.6%	$30,960
	Q2	138.9	10.7%	$34,266
	Q3	145.4	4.7%	$35,870
	Q4	152.3	4.7%	$37,572
2023	Q1	158.6	4.1%	$39,126
	Q2	159.1	0.3%	$39,249
	Q3	159	-0.1%	$39,225
	Q4	157.9	-0.7%	$38,953
2024	Q1	169.5	7.3%	$41,815
	Q2	169.5	0.0%	$41,815
2025 Dundas St Widening cost per transformer				$42,741
Difference				**$926**
% Difference				**2%**

Using a starting point that reflects the mix of transformers being replaced on the ICM project ($26,175) and the Statistics Canada Power, Distribution and Other Transformers Price Index proposed by OEB Staff, the average cost per transformer is within 2% of the average cost per transformer in Burlington Hydro's cost estimate, not including inflation in Q3 and Q4 of 2024. Burlington Hydro submits that its estimated cost for the ICM project appropriately reflects the items listed on the relocation design's bill of materials and actual inflationary increases since 2021.

3. As far as Burlington Hydro can determine, there is no basis provided within OEB Staff's submission that supports an average cost per transformer of $35,089. Burlington Hydro

submits that OEB Staff does not have the required information to develop an average cost per transformer for this project, nor is using an average unit cost on one project an accurate or prudent way to estimate another project's costs, particularly when the projects differ materially in scope and design. Burlington Hydro's submits that the average cost per transformer of $42,741 underlying its estimate of the ICM project's costs is based on a prudent estimating process.

4. Burlington Hydro respectfully disagrees with OEB Staff's submission that there was a lack of prudence in Burlington Hydro's cost estimate process for the following reasons:

   i. OEB Staff's submission is based on an inappropriate comparison of average transformer costs between two projects with materially different designs and cost structures. Burlington Hydro would also like to reiterate that its cost estimate was not developed using average unit costs for transformers, poles, or cable. As described in its response to Staff-15 c), material costs were estimated by referencing the bill of materials from the utility relocation design and Burlington Hydro's most recent purchase prices. This bottom-up approach helps ensure the cost estimate reflects the unique scope and design of the ICM project as opposed to an "average" road widening project.

   ii. It is in Burlington Hydro's best interest to ensure a thorough and accurate cost estimate to ensure the right materials are ordered and the project can be completed on schedule, on budget and according to the design. During interrogatories, Burlington Hydro updated its cost estimate for the ICM project from $5,800,709 to $5,563,693 (decrease of $237,016)[19], demonstrating its

[19] Staff-13 a)

commitment to improving the accuracy of cost estimates when more recent information became available.

iii. As a member of the GridSmartCity co-operative, Burlington Hydro collaborates with 15 other Ontario LDCs to achieve scale efficiencies and purchasing power, including on poles and transformers. Burlington Hydro sources other hardware and equipment from multiple suppliers to ensure competitive pricing is embedded in all its projects (and project estimates).

iv. Burlington Hydro engages in competitive procurement processes when contracting labour for large projects like this one. It has not completed that process for the Dundas St Road Widening project yet, as a decision on whether to construct internally or externally is still pending. The estimate it received from a contractor and built into the overall project cost estimate was reviewed against other past projects for reasonableness and prudence.

5. Burlington Hydro described how it derived the cost estimate for the ICM project in *Appendix D – ICM Project Summary* of its Application. Burlington Hydro provided clarity on the derivation of its cost estimates for the ICM project through its interrogatory responses. OEB Staff specifically requested more detail on how Burlington Hydro arrived at the ICM cost estimate, which Burlington Hydro provided in its response to Staff-15 c). VECC did not ask for additional clarity on how Burlington Hydro derived its cost estimate in its interrogatories.

Burlington Hydro submits that it clearly described the process it followed in deriving the cost estimate for the ICM project and provided additional detail regarding the cost estimate in response to Staff-15 a), b) and c) and VECC-7 a) and m). This included, but was not limited to:

i. A detailed breakdown of the material, labour, and equipment costs by project section;

ii. A breakdown of costs based on the units of each major distribution asset for each project section;

iii. The number of overhead and underground km for each project section;

iv. A breakdown of internal and external labour, non-labour, materials and equipment costs for each project section;

v. The number of contractors and suppliers contacted for price estimates; and

vi. Burlington Hydro's expected cost certainty level for this estimate.

6. Burlington Hydro clarifies that the number of kilometers (kms) referenced in VECC's submission are circuit kms, not linear kms, as labelled in Burlington Hydro's response to VECC-7 a). The cost estimate for the section from Guelph Line to Kerns Rd is more than the section from Northampton Blvd to Guelph Line for the following reasons:

i. The linear kms of the section from Northampton Blvd to Guelph Line is approximately 1.5 kms, whereas the linear kms of the section from Guelph Line to Kerns Rd is approximately 3.5 kms (2.33x longer).

ii. The reason the circuit kms are similar even though the linear kms are different is because the section from Northampton Blvd to Guelph Line has an additional circuit running along it due to a higher density of customers in this section.

iii. The longer linear kms of the section from Guelph Line to Kerns Rd results in more than twice as many assets (e.g. poles) being installed in this section of the project, which in turn increases the labour and equipment cost to install these assets.

Burlington Hydro submits that there was no lack of prudence in its cost estimate process, and respectfully requests that the total estimated incremental capital expenditure of $5,120,792 be approved.

CONCLUSION

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

1. Approval to adjust the monthly service charges and distribution volumetric rates based on the Price Cap adjustment formula during the incentive rate-setting year.

2. Approval of updated Retail Transmission Service Rates ("RTSRs").

3. Approval for the clearance of the balances recorded in certain deferral and variance accounts by means of class-specific rate riders effective January 1, 2025 to December 31, 2025.

4. Approval to record the 2025 LRAM-eligible amounts (in 2025 $) in Account 1595 for disposition in a future rate-setting proceeding.

5. Approval for rate riders associated with $5,120,792 funding under the OEB's Incremental Capital Module ("ICM") effective January 1, 2025 to December 31, 2025.

All of which is respectfully submitted this 14th day of November, 2024.