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BY EMAIL

January 17, 2025

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

Dear Nancy Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission on Draft Rate Order
Burlington Hydro Inc. (Burlington Hydro)
Application for 2025 Rates
OEB File Number: EB-2024-0010**

Please find attached OEB staff's submission regarding Burlington Hydro's Draft Rate Order in the above referenced proceeding, pursuant to the Decision and Order issued December 17, 2024.

Yours truly,

Yaroslav Paliy
Advisor, Generation & Transmission

Encl.

cc: All parties in EB-2024-0010



ONTARIO ENERGY BOARD

OEB Staff Submission on Draft Rate Order

Burlington Hydro Inc.

Application for 2025 Rates

EB-2024-0010

January 17, 2025

Introduction

Burlington Hydro Inc. (Burlington Hydro) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on August 15, 2024, under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to its electricity distribution rates to be effective January 1, 2025. Burlington Hydro also requested approval for Incremental Capital Module (ICM) funding for the relocation of electrical distribution assets required for road widening work on Dundas Street (from Guelph Line to Kerns Road and from Northampton Boulevard to Guelph Line).

On December 17, 2024, the OEB issued its Decision and Order approving electricity distribution rates effective January 1, 2025. With respect to the request for ICM funding, the OEB directed Burlington Hydro to file a Draft Rate Order with a proposed Tariff of Rates and Charges reflecting the OEB's findings. A revised ICM model was also to be filed by Burlington Hydro reflecting the ICM funding amounts, as approved by the OEB, offset by the 2023 balance, including carrying charges up to Q4 2024, in Account 1508 Sub-account - Capital Additions Dundas Street Road Widening Project - Revenue Requirement Differential Variance Account (CVA). Burlington Hydro was also required to show the calculation of the balance in the CVA and provide customer rate impacts and detailed information supporting the calculation of final rates in the Draft Rate Order.

In accordance with the Decision and Order, Burlington Hydro filed a Draft Rate Order and revised ICM and IRM models on January 9, 2025.

OEB Staff Submission

OEB staff has reviewed the Draft Rate Order and revised ICM and IRM models filed by Burlington Hydro, and the staff submissions are set out below.

Capital Variance Account:

The purpose and mechanics of the CVA were approved as part of Burlington Hydro's 2021 cost of service application¹ and were considered as part of OEB staff's review.²

Burlington Hydro stated that the 2021 Dundas Street Road Widening Project was not completed in 2021 or subsequent years as it was delayed by the road authority, the Regional Municipality of Halton.³ Table 1 illustrates the variance between the budgeted and actual net capital additions from the project.

¹ EB-2020-0007

² Accounting Order #1, Account 1508 sub account – Capital Additions Dundas Street Road Widening Project – Revenue Requirement Differential Variance Account

³ Burlington Hydro Draft Rate Order, p. 2

Table 1 – 2021 Dundas Street Road Widening Project Net Capital Additions⁴

Net Capital Additions	Overhead	Underground	Total
Budgeted	\$1,632,513	\$1,403,435	\$3,035,948
Actual	\$486,136	\$31,179	\$517,315
Variance	(\$1,146,377)	(\$1,372,257)	(\$2,518,633)

OEB staff notes that Burlington Hydro calculated the balance and carrying charges in the CVA based on the variance between the actual capital expenditure and the approved budgeted amount embedded in 2021 rates, as illustrated in Table 2.

Table 2 – Capital Variance Account Balance and Carrying Charges

Year	2021 Revenue Requirement	Escalation Factor (I-X)	Escalation Amount (\$)	CVA Annual Entry DR/(CR)	Carrying Charges⁵	Total Principal & Carrying Charges
2021	(\$10,119)			(\$10,119)		(\$10,119)
2022	(\$10,119)	3.15%	(\$319)	(\$10,438)	(\$195)	(\$10,633)
2023	(\$10,119)	3.55%	(\$371)	(\$10,808)	(\$1,037)	(\$11,845)
2024					(\$1,613)	(\$1,613)
Total				(\$31,365)	(\$2,845)	(\$34,210)

In Burlington Hydro's 2021 cost of service proceeding, as part of the settlement proposal, the parties⁶ agreed to establish an asymmetrical variance account to track the revenue requirement associated with the difference between the budgeted and actual net capital additions of the Dundas Street Road Widening Project in the 2021 Test Year and the resulting impact through the IRM period.⁷ The settlement proposal also stated that the Dundas Street Road Widening Project was driven by a third-party and that there was an inherent level of uncertainty with respect to both the scope and whether the project would be completed in the test year. However, it appears that the parties clearly expected that the project would be completed.

OEB staff calculated the revenue requirement of the original 2021 budgeted amount and identified the revenue requirement of the unspent portion as well as the actual expenditures made in 2021. OEB staff estimates the revenue requirement impact of the actual expenditures to be approximately \$2,000. OEB staff has shown its calculation in

⁴ Burlington Hydro Draft Rate Order, p. 2

⁵ *Ibid.*, p. 6

⁶ Burlington Hydro, Consumers Council of Canada, Distributed Resource Coalition, Environmental Defence, Energy Probe Research Foundation, School Energy Coalition, Vulnerable Energy Consumers Coalition

⁷ EB-2020-0007, Decision and Order, p. 12

Attachment 1 – OEB Staff Dundas Project CVA Revenue Requirement Impact Calculation to this submission. OEB staff invites Burlington Hydro to review that calculation and confirm its accuracy in its reply.

OEB staff submits that Burlington Hydro should return the full revenue requirement of the Dundas Street Road Widening Project to ratepayers. The expenditures claimed by Burlington Hydro failed to create the capital assets that the funding intended to support. By retaining the revenue requirement related to the expenditures on the Dundas Street Road Widening Project, Burlington Hydro violates the principle of including only “used and useful” capital assets in rate base for earning returns. OEB staff notes that Burlington Hydro’s practice of retaining the revenue requirement of the actual expenditure on the incomplete capital project is not fair to its customers because the intention of the established variance account is to reconcile timing differences and uncertainties of a capital project with anticipated completion in the rate term – not to subsidize an incomplete project.

Further to the above, OEB staff was not able to reproduce the long-term interest value of \$21,419 using the 3.07% interest rate. OEB staff submits that Burlington Hydro should review all calculations in Attachment 1 and submit its final calculation in Excel format with formulas as part of its reply.

Burlington Hydro stated that the incremental revenue requirement associated with the approved ICM funding of \$4,762,343 is \$140,643.⁸

OEB staff submits that the incremental revenue requirement of \$140,643 should be reduced by the revenue requirement impact of the full budgeted amount of the Dundas Street Road Widening Project. Burlington Hydro should file a revised calculation of its CVA balance, addressing OEB staff’s comments, updating the annual entries in the account and updating the carrying charges.

Revised ICM and IRM Models:

Burlington Hydro filed revised ICM and IRM models in accordance with the OEB’s findings in its Decision and Order.

OEB staff notes that in Tab 11 of the revised ICM model, Burlington Hydro included \$140,643 as the calculated revenue requirement, reflecting the reduced ICM funding of \$4,762,343. However, Burlington Hydro did not reduce the revenue requirement by the 2023 balance, including carrying charges up to Q4 2024, in the CVA.

⁸ Burlington Hydro Draft Rate Order, p. 7

Burlington Hydro also proposed in its Draft Rate Order filing that the ICM rate riders be prorated over 10 months, effective March 1, 2025.⁹ The revised ICM model filed by Burlington Hydro does not show a proration of the Service Charge Rate Rider, Distribution Volumetric Rate kWh Rate Rider, and Distribution Volumetric Rate kW Rate Rider over 10 months.

OEB staff also notes that in Tab 20 of the revised IRM model, there is no indication that the ICM rate riders will be effective March 1, 2025.

OEB staff submits that Burlington Hydro, in its reply, should file updated ICM and IRM models in Excel format reflecting the reduction in the revenue requirement by the 2023 balance, including carrying charges up to Q4 2024, in the CVA, and the prorated ICM rate riders effective March 1, 2025.

OEB staff also submits that Burlington Hydro should file updated monthly bill impacts by rate class due to the incremental funding request.

~All of which is respectfully submitted~

⁹ Burlington Hydro Draft Rate Order, p. 9