



Burlington **hydro** inc.

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

January 24, 2025

Dear Ms. Marconi,

**Re: 2025 IRM Application for Electricity Distribution Rates (EB-2024-0010)
Reply Submission on Draft Rate Order**

In accordance with the Ontario Energy Board's ("OEB's") Decision and Order, dated December 17, 2024, enclosed is Burlington Hydro's reply to submissions from OEB Staff on the Draft Rate Order.

Burlington Hydro also provides updated live versions of the following models:

- Attachment 1_2025 IRM Model_BHI_20250124
- Attachment 2_2025 ICM Model_BHI_20250124
- Attachment 3_DRO Tables_20250124

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,

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

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

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.

BURLINGTON HYDRO INC.

REPLY SUBMISSION ON DRAFT RATE ORDER

FILED: January 24, 2025

Applicant

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Burlington, Ontario
L7R 3Z7
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1 **INTRODUCTION**

2 Burlington Hydro Inc. (“Burlington Hydro”) filed an Electricity Distribution Rates application
3 (“Application”) on August 15, 2024 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 January 1, 2025.

6
7 On December 17, 2024, the OEB issued a Decision and Order¹ approving:

- 8 1. The annual adjustment to distribution rates using the OEB-approved Price Cap IR
9 formula.
- 10 2. The updated RTSRs calculated using the OEB-approved methodology.
- 11 3. The disposition of the \$2,179,551 balance in its Group 1 Deferral and Variance
12 Accounts on an interim basis as at December 31, 2023, including interest projected
13 to December 31, 2024.
- 14 4. 2025 LRAM-eligible amounts to be recorded in Account 1595 for disposition in a
15 future-rate setting proceeding.
- 16 5. ICM funding of \$4,762,343 and the associated incremental revenue requirement
17 to be calculated by Burlington Hydro.

18
19 With respect to Burlington Hydro’s ICM request and consequent rate riders, the OEB directed
20 Burlington Hydro to file with the OEB and forward to intervenors a Draft Rate Order (“DRO”) with
21 a proposed Tariff of Rates and Charges attached that reflects the OEB’s findings in its Decision
22 and Order², no later than January 9, 2025. Burlington Hydro was also directed to file a revised
23 ICM model, supported by the revised ICM funding, offset by the 2023 balance including carrying
24 charges up to Q4 2024 in the variance Account 1508 Sub-account - Capital Additions Dundas

¹ EB-2024-0010, Decision and Order, December 17, 2024

² *ibid*

1 Street Road Widening Project - Revenue Requirement Differential Variance Account ("CVA1").
2 Burlington Hydro was directed to show the calculation of the balance in the variance account and
3 file customer rate impacts and detailed information in support of the calculation of final rates in
4 the DRO.

5

6 In accordance with the Decision and Order, Burlington Hydro filed a DRO, proposed Tariff of
7 Rates and Charges, and revised ICM model reflecting the OEB's findings, in addition to the
8 calculation of the balance in CVA1 on January 9, 2025.

9

10 In accordance with the Decision and Order, OEB Staff submitted comments on Burlington Hydro's
11 DRO on January 17, 2025. OEB Staff made detailed submissions on the DRO, which Burlington
12 Hydro has responded to in its reply submission below.

1 **REPLY SUBMISSION ON DRAFT RATE ORDER**

2 **Capital Variance Account**

3 In accordance with Accounting Order #1 (“Accounting Order”) in its 2021 Cost of Service Decision
4 and Rate Order³, Burlington Hydro established a new variance account effective May 1, 2021:
5 Account 1508 Sub-account - Capital Additions Dundas Street Road Widening Project - Revenue
6 Requirement Differential Variance Account (“CVA1”). The purpose of this sub-account was to
7 record the revenue requirement associated with the difference between budgeted and actual
8 capital additions, net of capital contributions, in the 2021 Test Year for the Dundas Street Road
9 Widening Project and the resulting impact during the IRM period.

10

11 In its Decision and Order, the OEB approved ICM funding of \$4,762,343 and directed Burlington
12 Hydro to offset the associated revenue requirement by the 2023 balance including carrying
13 charges up to Q4 2024 in CVA1.

14

15 **Capital Additions**

16 As explained in its interrogatory responses⁴ and DRO⁵, the 2021 Dundas Street Road Widening
17 project was not completed in 2021 or subsequent years as it was delayed by the road authority.
18 BHI provided the budgeted and actual net capital additions from the 2021 Dundas Street Road
19 Widening project in its evidence which is reproduced in Table 1 below.

³ EB-2020-0007, Decision and Rate Order, Schedule C

⁴ Burlington Hydro Interrogatory Responses, VECC – 4, f)

⁵ Burlington Hydro Draft Rate Order, p.2

1 **Table 1 – 2021 Dundas Street Road Widening Project Net Capital Additions**

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)

2
3

4 OEB Staff submitted that Burlington Hydro should return the full revenue requirement of the 2021
5 Dundas Street Road Widening Project to ratepayers for the following reasons:

6

7 1. The expenditures claimed by Burlington Hydro failed to create the capital assets that the
8 funding intended to support, violating the principle of including only “used and useful”
9 capital assets in rate base for earning returns.

10

11 2. Burlington Hydro’s practice of retaining the revenue requirement of the actual expenditure
12 on the incomplete capital project is not fair to its customers because the intention of the
13 established variance account is to reconcile timing differences and uncertainties of a
14 capital project with anticipated completion in the rate term – not to subsidize an incomplete
15 project.

16

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

18

19 1. Burlington Hydro submits that the net capital additions incurred on the 2021 Dundas Street
20 Road Widening Project did create the capital assets that the funding intended to support
21 because part of the project was completed. Burlington Hydro’s statement that “the project
22 was not completed” should have stated that “the entire scope of the project, as budgeted
23 in 2021 rates, was not completed”. Burlington Hydro confirms that the assets (including
24 20 poles and 2 transformers) associated with the actual expenditures of \$517,315 were
25 constructed and energized, and therefore meet the “used and useful” principle as they are

1 being physically used and are useful to current ratepayers. As such ratepayers can be
2 asked to pay the costs associated with these assets.

3
4 The actual capital expenditures reflect the cost of relocating Burlington Hydro's assets, in
5 accordance with its statutory obligations under the *Public Service Work on Highway Act*
6 (*"PSWHA"*). The section of Dundas Street requiring Burlington Hydro to relocate its assets
7 has been widened by the road authority. This line is in use and is critical infrastructure
8 supplying power (2 x 27.6 kV circuits from Palermo TS) to the northeast section of
9 Burlington. Burlington Hydro provides Figures 1-3 below as further evidence that these
10 assets are "used and useful".

1

Figure 1 – 2021 Dundas Street Road Widening Project



2

3

4

Tremaine Road, looking South towards Dundas Street. New corner poles and transitioning around intersection.

1

Figure 2 – 2021 Dundas Street Road Widening Project



2

3

4

New poles and conductors (two circuits) looking west along Dundas Street.

1

Figure 3 – 2021 Dundas Street Road Widening Project



2

3

4

5

New poles looking further west along Dundas Street. Two circuits cross (dip underground with new primary conductors, switches and under road crossings) from the north side of Dundas Street to south side.

1 2. It is not Burlington Hydro’s practice to retain the revenue requirement associated with
2 actual expenditures on incomplete projects and it did not do so for the Dundas Road
3 Widening project. It is Burlington Hydro’s practice to follow the OEB’s Accounting
4 Procedures Handbook for Electricity Distributors and International Financial Reporting
5 Standards’ capitalization accounting requirements.
6

7 The section of the project associated with the \$517,315 was completed and capitalized in
8 2021. The purpose of the CVA1 sub-account, per the approved Accounting Order⁶, is to
9 record the revenue requirement associated with the difference between budgeted and
10 actual capital additions in the 2021 Test Year and the resulting impact during the IRM
11 period, which is how Burlington Hydro has been recording transactions into CVA1 i.e. the
12 revenue requirement recorded in CVA1 was based on the variance between budgeted
13 amounts included in rates and actual capital additions associated with a completed section
14 of the Dundas Road Widening project, that were and are both “used” and “useful”.
15 Burlington Hydro submits that there is no subsidization of incomplete projects occurring
16 as a result of the transactions recorded in CVA1.
17

18 Burlington Hydro submits that the actual capital expenditures of \$517,315 meet the “used and
19 useful” principle and should be included in the CVA1 calculation. As such, the incremental
20 revenue requirement of \$140,643 should only be offset by the revenue requirement impact of the
21 underspent capital expenditures (\$2,518,633) on the 2021 Dundas Street Road Widening Project,
22 which equates to the CVA1 Principal Balance at Dec 31, 2023 of (\$31,292), plus CVA1 Carrying
23 Charges to Dec 31, 2024 of (\$2,839) for a total offset of (\$34,131).

⁶ EB-2020-0007, Decision and Rate Order, Schedule C

1 **Calculation of Revenue Requirement Recorded in CVA1**

2 OEB Staff estimated the revenue requirement impact of the actual expenditures to be
3 approximately \$2,000 and invited Burlington Hydro to review that calculation and confirm its
4 accuracy in its reply. They further submitted that Burlington Hydro should review all calculations
5 in Attachment 1 of OEB Staff's submission and provide its final calculation in Excel format with
6 formulas as part of its reply. They also submitted that they were not able to reproduce the long-
7 term interest value of \$21,419 shown in Table 2 of Burlington Hydro's DRO⁷.

8

9 **Revenue Requirement Impact of Actual Expenditures**

10 Burlington Hydro has reviewed OEB Staff's calculation and calculates the correct 2021 revenue
11 requirement impact of the actual expenditures to be \$2,367 as shown in the Actual columns of
12 Table 2 below. The difference is driven by OEB Staff's use of a blended depreciation rate as
13 compared to Burlington Hydro's use of specific depreciation rates for the underground and
14 overhead assets. Burlington Hydro provides its calculation in Table 2 and in Excel format with
15 formulas in Tab 2 of Attachment 3_DRO Tables_20250124.

⁷ Burlington Hydro Draft Rate Order, p.3

1 **Table 2 – Revised 2021 Revenue Requirement of Actual Expenditures**

Incremental Additions/(Reductions) vs. Budget		Budget			Actual			Variance		
		Overhead	Underground	Total	Overhead	Underground	Total	Overhead	Underground	Total
Net Capital Expenditure Variance vs. Board Approved		\$ 1,632,513	\$ 1,403,435	\$ 3,035,948.33	\$ 486,136	\$ 31,179	\$ 517,314.90	\$ (1,146,377)	\$ (1,372,257)	\$ (2,518,633.43)
Depreciation Expense		\$ 19,990	\$ 15,947	\$ 35,937	\$ 5,953	\$ 354	\$ 6,307	\$ (14,037)	\$ (15,593)	\$ (29,630)
CCA		\$ 195,902	\$ 168,412	\$ 364,314	\$ 58,336	\$ 3,741	\$ 62,078	\$ (137,565)	\$ (164,671)	\$ (302,236)
Incremental/(Reduced) Revenue Requirement Recorded in Capital Variance Account										
Return on Rate Base										
Incremental Additions/(Reductions)		\$ 1,632,513	\$ 1,403,435	\$ 3,035,948	\$ 486,136	\$ 31,179	\$ 517,315	\$ (1,146,377)	\$ (1,372,257)	\$ (2,518,633)
Depreciation Expense		\$ 19,990	\$ 15,947	\$ 35,937	\$ 5,953	\$ 354	\$ 6,307	\$ (14,037)	\$ (15,593)	\$ (29,630)
Incremental Capital to be included in Rate Base		\$ 806,262	\$ 693,744	\$ 1,500,006	\$ 240,092	\$ 15,412	\$ 255,504	\$ (566,170)	\$ (678,332)	\$ (1,244,502)
	<i>% of capital structure</i>									
Deemed Short-Term Debt	4.0%	E \$ 32,250	\$ 27,750	\$ 60,000	\$ 9,604	\$ 616	\$ 10,220	\$ (22,647)	\$ (27,133)	\$ (49,780)
Deemed Long-Term Debt	56.0%	F \$ 451,507	\$ 388,497	\$ 840,003	\$ 134,451	\$ 8,631	\$ 143,082	\$ (317,055)	\$ (379,866)	\$ (696,921)
	<i>Rate (%)</i>									
Short-Term Interest	1.75%	I \$ 564	\$ 486	\$ 1,050	\$ 168	\$ 11	\$ 179	\$ (396)	\$ (475)	\$ (871)
Long-Term Interest	3.07%	J \$ 13,861	\$ 11,927	\$ 25,788	\$ 4,128	\$ 265	\$ 4,393	\$ (9,734)	\$ (11,662)	\$ (21,395)
Return on Rate Base - Interest		\$ 14,426	\$ 12,412	\$ 26,838	\$ 4,296	\$ 276	\$ 4,571	\$ (10,130)	\$ (12,137)	\$ (22,267)
	<i>% of capital structure</i>									
Deemed Equity %	40.00%	N \$ 322,505	\$ 277,498	\$ 600,002	\$ 96,037	\$ 6,165	\$ 102,202	\$ (226,468)	\$ (271,333)	\$ (497,801)
Return on Rate Base -Equity	8.34%	O \$ 26,897	\$ 23,143	\$ 50,040	\$ 8,009	\$ 514	\$ 8,524	\$ (18,887)	\$ (22,629)	\$ (41,517)
Return on Rate Base - Total		\$ 41,323	\$ 35,556	\$ 76,878	\$ 12,305	\$ 790	\$ 13,095	\$ (29,017)	\$ (34,766)	\$ (63,783)
Amortization Expense										
Amortization Expense - Incremental		C \$ 19,990	\$ 15,947	\$ 35,937	\$ 5,953	\$ 354	\$ 6,307	\$ (14,037)	\$ (15,593)	\$ (29,630)

2

Grossed up Taxes/PILs		Overhead	Underground	Total	Overhead	Underground	Total	Overhead	Underground	Total
Regulatory Taxable Income	O	\$ 26,897	\$ 23,143	\$ 50,040	\$ 8,009	\$ 514	\$ 8,524	\$ (18,887)	\$ (22,629)	\$ (41,517)
Add Back Amortization Expense	S	\$ 19,990	\$ 15,947	\$ 35,937	\$ 5,953	\$ 354	\$ 6,307	\$ (14,037)	\$ (15,593)	\$ (29,630)
Deduct CCA		\$ 195,902	\$ 168,412	\$ 364,314	\$ 58,336	\$ 3,741	\$ 62,078	\$ (137,565)	\$ (164,671)	\$ (302,236)
Incremental Taxable Income		\$ (149,015)	\$ (129,322)	\$ (278,337)	\$ (44,374)	\$ (2,873)	\$ (47,247)	\$ 104,641	\$ 126,449	\$ 231,089
Current Tax Rate	26.5% X									
Taxes/PILs Before Gross Up		\$ (39,489)	\$ (34,270)	\$ (73,759)	\$ (11,759)	\$ (761)	\$ (12,521)	\$ 27,730	\$ 33,509	\$ 61,239
Grossed-Up Taxes/PILs		\$ (53,726)	\$ (46,626)	\$ (100,353)	\$ (15,999)	\$ (1,036)	\$ (17,035)	\$ 37,728	\$ 45,590	\$ 83,318

Ontario Capital Tax									
Incremental Capital CAPEX									
Less : Available Capital Exemption (if any)									
Incremental Capital CAPEX subject to OCT									
Ontario Capital Tax Rate (F1.1 Z-Factor Tax Changes)	AD								
Incremental Ontario Capital Tax									

Incremental/(Reduced) Revenue Requirement										
Return on Rate Base - Total	Q	\$ 41,323	\$ 35,556	\$ 76,878	\$ 12,305	\$ 790	\$ 13,095	\$ (29,017)	\$ (34,766)	\$ (63,783)
Amortization Expense - Total	S	\$ 19,990	\$ 15,947	\$ 35,937	\$ 5,953	\$ 354	\$ 6,307	\$ (14,037)	\$ (15,593)	\$ (29,630)
Grossed-Up Taxes/PILs	Z	\$ (53,726)	\$ (46,626)	\$ (100,353)	\$ (15,999)	\$ (1,036)	\$ (17,035)	\$ 37,728	\$ 45,590	\$ 83,318
Incremental/(Reduced) Revenue Requirement		\$ 7,586	\$ 4,877	\$ 12,463	\$ 2,259	\$ 108	\$ 2,367	\$ (5,327)	\$ (4,769)	\$ (10,095)

1 **Long Term Interest Value**

2 Burlington Hydro submits it made a rounding error on the long-term interest rate used to calculate
3 the long-term interest value and confirms the correct value is \$21,395. Burlington Hydro submits
4 it has reviewed all calculations and provides the updated CVA1 revenue requirement calculation
5 in Table 3 below and in Excel format with formulas in Tab 3 of Attachment 3_DRO
6 Tables_20250124.

8 **Table 3 – Revised Revenue Requirement from Capital Expenditure Variance vs. Budget**

Incremental Additions/(Reductions) vs. Budget						
			Overhead	Underground	Total	
Net Capital Expenditure Variance vs. Board Approved			\$ (1,146,377)	\$ (1,372,257)	\$ (2,518,633.43)	B
Depreciation Expense			\$ (14,037)	\$ (15,593)	\$ (29,630)	C
CCA			\$ (137,565)	\$ (164,671)	\$ (302,236)	V

Incremental/(Reduced) Revenue Requirement Recorded in Capital Variance Account						
Return on Rate Base						
Incremental Additions/(Reductions)			\$ (1,146,377)	\$ (1,372,257)	\$ (2,518,633)	B
Depreciation Expense			\$ (14,037)	\$ (15,593)	\$ (29,630)	C
Incremental Capital to be included in Rate Base			\$ (566,170)	\$ (678,332)	\$ (1,244,502)	D = B - C/2
	<i>% of capital structure</i>					
Deemed Short-Term Debt	4.0%	E	\$ (22,647)	\$ (27,133)	\$ (49,780)	G = D * E
Deemed Long-Term Debt	56.0%	F	\$ (317,055)	\$ (379,866)	\$ (696,921)	H = D * F
	<i>Rate (%)</i>					
Short-Term Interest	1.75%	I	\$ (396)	\$ (475)	\$ (871)	K = G * I
Long-Term Interest	3.07%	J	\$ (9,734)	\$ (11,662)	\$ (21,395)	L = H * J
Return on Rate Base - Interest			\$ (10,130)	\$ (12,137)	\$ (22,267)	M = K + L
	<i>% of capital structure</i>					
Deemed Equity %	40.00%	N	\$ (226,468)	\$ (271,333)	\$ (497,801)	P = D * N
	<i>Rate (%)</i>					
Return on Rate Base -Equity	8.34%	O	\$ (18,887)	\$ (22,629)	\$ (41,517)	Q = P * O
Return on Rate Base - Total			\$ (29,017)	\$ (34,766)	\$ (63,783)	R = M + Q

Amortization Expense						
Amortization Expense - Incremental		C	\$ (14,037)	\$ (15,593)	\$ (29,630)	S

1

Grossed up Taxes/PILs				Overhead	Underground	Total	
Regulatory Taxable Income	O	\$ (18,887)	\$ (22,629)	\$ (41,517)			T
Add Back Amortization Expense	S	\$ (14,037)	\$ (15,593)	\$ (29,630)			U
Deduct CCA		\$ (137,565)	\$ (164,671)	\$ (302,236)			V
Incremental Taxable Income		\$ 104,641	\$ 126,449	\$ 231,089			W = T + U - V
Current Tax Rate	26.5%	X					
Taxes/PILs Before Gross Up		\$ 27,730	\$ 33,509	\$ 61,239			Y = W * X
Grossed-Up Taxes/PILs		\$ 37,728	\$ 45,590	\$ 83,318			Z = Y / (1 - X)

Ontario Capital Tax							
Incremental Capital CAPEX							AA
Less : Available Capital Exemption (if any)							AB
Incremental Capital CAPEX subject to OCT							AC = AA - AB
Ontario Capital Tax Rate (F1.1 Z-Factor Tax Changes)	AD						
Incremental Ontario Capital Tax							AE = AC * AD

Incremental/(Reduced) Revenue Requirement							
Return on Rate Base - Total	Q	\$ (29,017)	\$ (34,766)	\$ (63,783)			AA
Amortization Expense - Total	S	\$ (14,037)	\$ (15,593)	\$ (29,630)			AB
Grossed-Up Taxes/PILs	Z	\$ 37,728	\$ 45,590	\$ 83,318			AC
Incremental/(Reduced) Revenue Requirement		\$ (5,327)	\$ (4,769)	\$ (10,095)			AD = AA + AB + AC

2

1 The revised CVA1 entries and continuity schedules are provided in Table 4 and Table 5 below
 2 and in Excel format with formulas in Tabs 4 and 5 of Attachment 3_DRO Tables_20250124.

3

4 **Table 4 – Revised Capital Variance Account Entries (2021-23)**

Year	Net Capital Addition Variance	2021 Revenue Requirement	Escalation Factor (I - X)	Escalation Amount (\$)	CVA Annual Entry DR/(CR)
2021	(\$2,518,633)	(\$10,095)			(\$10,095)
2022		(\$10,095)	3.15%	(\$318)	(\$10,413)
2023		(\$10,095)	3.55%	(\$370)	(\$10,783)
Total					(\$31,292)

5

1 **Table 5 – Revised Capital Variance Account Continuity Schedule**

2

Principal Continuity	USoA	Opening Principal Balance as of Jan 1, 2021	Transactions Debit / (Credit) during 2021	Closing Principal Balance as of Dec 31, 2021	Opening Principal Balance as of Jan 1, 2022	Transactions Debit / (Credit) during 2022	Closing Principal Balance as of Dec 31, 2022	Opening Principal Balance as of Jan 1, 2023	Transactions Debit / (Credit) during 2023	Closing Principal Balance as of Dec 31, 2023
Account 1508 Sub-account - Capital Additions Dundas Street Road Widening Project - Revenue Requirement Differential Variance Account	1508	\$0	(\$10,095)	(\$10,095)	(\$10,095)	(\$10,413)	(\$20,509)	(\$20,509)	(\$10,783)	(\$31,292)

3

Interest Continuity	USoA	Opening Interest Balance as of Jan 1, 2021	Interest Jan 1 to Dec 31, 2021	Closing Interest Balance as of Dec 31, 2021	Opening Interest Balance as of Jan 1, 2022	Interest Jan 1 to Dec 31, 2022	Closing Interest Balance as of Dec 31, 2022	Opening Interest Balance as of Jan 1, 2023	Interest Jan 1 to Dec 31, 2023	Closing Interest Balance as of Dec 31, 2023	Opening Interest Balance as of Jan 1, 2024	Interest Jan 1 to Dec 31, 2024	Closing Interest Balance as of Dec 31, 2024
Account 1508 Sub-account - Capital Additions Dundas Street Road Widening Project - Revenue Requirement Differential Variance Account	1508	\$0	\$0	\$0	\$0	(\$194)	(\$194)	(\$194)	(\$1,035)	(\$1,229)	(\$1,229)	(\$1,609)	(\$2,839)

4

5 Burlington Hydro confirms it has reflected the revised CVA1 Principal Balance at Dec 31, 2023 of (\$31,292) and CVA1 Carrying Charges
 6 to Dec 31, 2024 of (\$2,839) in calculating the revised Incremental Revenue Requirement including Offsets, as shown in Table 8 below
 7 and Tab 8 of Attachment 3_DRO Tables_20250124.

8
 9 *Note: Tables 6 and 7 are included in Excel format with formulas in Tabs 6 and 7 of Attachment 3_DRO Tables_20250124, but have not*
 10 *changed since Burlington Hydro’s Draft Rate Order and are therefore not included in this written Reply Submission.*

1 **Revised ICM and IRM Models**

2 In accordance with the Decision and Order, Burlington Hydro provided revised IRM and ICM
3 models reflecting the OEB's findings as part of its DRO. Burlington Hydro also provided the
4 calculation of the balance in CVA1 as Tables 3 and 4 in its DRO⁸. Due to the timing of the Decision
5 and Order, Burlington Hydro proposed that the rate riders be prorated over 10 months, effective
6 March 1, 2025 and provided the calculation of the prorated rate riders in Table 8 of its DRO⁹.

7

8 OEB Staff made the following submissions regarding Burlington Hydro's revised IRM and ICM
9 models:

10

11 1. Burlington Hydro did not reduce the revenue requirement in Tab 11 of the revised ICM
12 model by the 2023 balance, including carrying charges up to Q4 2024, in the CVA.

13

14 2. The revised ICM model filed by Burlington Hydro does not show a proration of the Service
15 Charge Rate Rider, Distribution Volumetric Rate kWh Rate Rider, and Distribution
16 Volumetric Rate kW Rate Rider over 10 months.

17

18 3. In Tab 20 of the revised IRM model, there is no indication that the ICM rate riders will be
19 effective March 1, 2025.

20

21 4. Burlington Hydro should file updated monthly bill impacts by rate class due to the
22 incremental funding request.

⁸ Burlington Hydro Draft Rate Order, p.5-6

⁹ Burlington Hydro Draft Rate Order, p.10

1 OEB Staff submitted that Burlington Hydro, in its reply, should file updated ICM and IRM models
2 in Excel format reflecting the reduction in the revenue requirement by the 2023 balance, including
3 carrying charges up to Q4 2024, in the CVA, and the prorated ICM rate riders effective March 1,
4 2025.

5

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

7

8 1. The OEB's ICM Model is not structured in a way that Burlington Hydro can file an update
9 which reflects a reduction in revenue requirement equal to the CVA balance plus carrying
10 charges for the following reasons:

11 a. Burlington Hydro can only change the revenue requirement in Tab 11 of the ICM
12 model by changing the three inputs in Tab 9b – Proposed ICM Capital Additions,
13 Amortization Expense, and CCA. Burlington Hydro cannot simply subtract the
14 2021 Dundas St Road Widening capital expenditure variance of (\$2,518,633) from
15 the ICM project's capital expenditures in Tab 9b as these projects have different
16 CCA rates (the 2021 Dundas Road Widening project was subject to accelerated
17 CCA and the 2025 Dundas Road Widening project is not). The resulting ICM model
18 calculations in Tab 10 will not generate the correct (offset) revenue requirement in
19 Tab 11.

20 b. Further, the Decision and Order instructed Burlington Hydro to offset the ICM
21 revenue requirement by the carrying charges up to Q4 2024 from CVA1. The ICM
22 model does not have a mechanism for reducing the calculated revenue
23 requirement for non-capital related offsets such as this. Carrying charges are
24 recovered from customers at 100% in the year of disposition, dissimilar from capital
25 additions which are recovered from customers through depreciation and return on
26 rate base over time – carrying charges are not capital additions and as such cannot
27 be treated this way in the ICM model. As stated above, the only inputs in the model
28 that can affect the calculated revenue requirement are Proposed ICM Capital

1 Additions, Amortization Expense, and CCA. Adjusting the capital addition amount
 2 by the CVA balance including carrying charges, as recommended by OEB Staff,
 3 will not generate the correct revenue requirement or rate riders.

4
 5 For these reasons, Burlington Hydro included Table 7 in its DRO to demonstrate it had
 6 made the appropriate offsets to the ICM revenue requirement per the Decision and Order.
 7 On January 21, 2025, OEB Staff confirmed via email that Burlington Hydro could file the
 8 calculation of the Incremental ICM Revenue Requirement after Offsets in a separate Excel
 9 file (as opposed to using the ICM model to generate these calculations), which Burlington
 10 Hydro provides in Tab 8 of Attachment 3_DRO Tables_20250124 and in Table 8 below.
 11 Table 8 has been revised to reflect the updated CVA1 balance and carrying charges from
 12 Table 5.

13
 14 **Table 8 – Revised Incremental ICM Revenue Requirement after Offsets**

Description	Total
Incremental ICM Revenue Requirement	\$140,643
Less: CVA Principal Balance at Dec 31, 2023	(\$31,292)
Less: CVA Carrying Charges to Dec 31, 2024	(\$2,839)
Incremental ICM Revenue Requirement including Offsets	\$106,512

15
 16
 17 2. The OEB’s ICM Model is not structured in a way that allows for the proration of the Service
 18 Charge Rate Rider, Distribution Volumetric Rate kWh Rate Rider, and Distribution
 19 Volumetric Rate kW Rate Rider. The cells that calculate the rate riders in Tab 11 of the
 20 ICM model assume a 12-month recovery period and are locked for editing. Burlington
 21 Hydro could have requested an unlocked version of the model, however the correct
 22 revenue requirement in Tab 11 cannot be generated for the reasons explained above and
 23 the rate riders would still be incorrect.

1 For these reasons, Burlington Hydro included Table 8 in its DRO to show the calculation
2 of the prorated ICM rate riders. On January 21, 2025, OEB Staff confirmed via email that
3 Burlington Hydro could file the calculation of the ICM Rate Riders in a separate Excel file
4 (as opposed to using the ICM model to generate these calculations), which Burlington
5 Hydro provides in Tab 9 of Attachment 3_DRO Tables_20250124 and in Table 9 below.
6 Table 9 has been revised to reflect the updated incremental ICM revenue requirement
7 including from Table 8.

1 **Table 9 – Revised ICM Rate Riders**

Rate Class	Unit	Service Charge % Revenue	Volumetric Rate % Revenue	Fixed ICM Revenue	Volumetric ICM Revenue	Billed Customers or Connections	Consumption / Demand	Prorated over 10 months Effective Mar 1/2025	
								Fixed Rate Rider	Volumetric Rate Rider
								A	B
RESIDENTIAL	kWh	62.19%	0.00%	\$66,238	\$0	62,297	520,495,249	\$0.11	\$0.0000
GENERAL SERVICE LESS THAN 50 kW	kWh	5.29%	8.36%	\$5,632	\$8,903	5,903	169,521,839	\$0.10	\$0.0001
GENERAL SERVICE 50 TO 4,999 kW	kW	2.34%	20.96%	\$2,488	\$22,324	971	2,133,863	\$0.26	\$0.0126
STREET LIGHTING	kW	0.34%	0.18%	\$366	\$196	17,249	15,484	\$0.00	\$0.0152
UNMETERED SCATTERED LOAD	kWh	0.19%	0.15%	\$203	\$162	576	3,168,511	\$0.04	\$0.0001
				\$106,512					

2

- 1 3. Burlington Hydro submits that it has updated the IRM model to indicate that the ICM rate
 2 riders will be effective March 1, 2025. The updated IRM model is filed as Attachment
 3 1_2025 IRM Model_BHI_20250124.
 4
 5 4. Table 10 identifies the updated monthly bill impacts by rate class due to the incremental
 6 capital funding request.
 7

8 **Table 10 – Revised ICM Monthly Bill Impacts**

Rate Class	Unit	# Units	ICM Rate Rider before HST
RESIDENTIAL	kWh	750	\$0.11
GENERAL SERVICE LESS THAN 50 kW	kWh	1,500	\$0.25
GENERAL SERVICE 50 TO 4,999 kW	kW	200	\$2.78
STREET LIGHTING	kW	0.22	\$0.00
UNMETERED SCATTERED LOAD	kWh	2,000	\$0.24

9
 10
 11 Burlington Hydro provides an updated IRM model in Excel format as Attachment 1_2025 IRM
 12 Model_BHI_20250124, reflecting the following:

- 13
 14 • Revised ICM rate riders in Tab 19, which corrects for the rounding error on the long-term
 15 interest rate used to calculate the long-term interest value in the revenue requirement
 16 calculation for the CVA1 transactions. The revised riders also reflect the revised carrying
 17 charges in CVA1.
 18
 19 • Updates to Tab 19 indicating that the ICM rate riders will be effective March 1, 2025.
 20
 21 • Updated Final Tariff Schedule in Tab 20 reflecting the above updates.

- 1 • Updated bill impacts in Tab 21 reflecting the above updates.

2
3 Burlington Hydro provides an ICM model in Excel format as Attachment 2_2025 ICM
4 Model_BHI_20250124. No changes have been made since the previous version filed as part of
5 Burlington Hydro's DRO, for the reasons stated above.

6
7 Burlington Hydro also provides Attachment 3_DRO Tables_20250124 in Excel format with
8 formulas, in order to provide the following calculations, which cannot be accommodated within
9 the OEB's IRM or ICM models:

- 10 • Table 1 – 2021 Dundas Street Road Widening Project Actual vs. Budgeted Capital
11 Expenditures
- 12 • Table 2 – Burlington Hydro's calculation of the 2021 Revenue Requirement from the
13 Actual Expenditures
- 14 • Table 3 – Revised Revenue Requirement Calculation for CVA1 Principal Transactions
- 15 • Table 4 – Annual CVA1 Entries since 2021
- 16 • Table 5 – CVA1 Principal and Carrying Cost Continuity Schedules
- 17 • Table 6 – Approved ICM Funding per Decision and Order
- 18 • Table 7 – ICM Revenue Requirement per Decision and Order
- 19 • Table 8 – ICM Revenue Requirement including Offsets
- 20 • Table 9 – Calculation of ICM Rate Riders
- 21 • Table 10 – ICM Bill Impact
- 22 • Table 11 – Distribution Rate Impact
- 23 • Table 12 – Total Bill Impact

1 **Bill Impacts**

2 A summary of the revised bill impacts by rate class is provided in Tables 10 and 11 below. A
 3 detailed summary of the bill impacts for each rate class is provided in tab 21 of the IRM Rate
 4 Generator model, filed as Attachment 1_2025 IRM Model_BHI_20250124.

6 **Table 11 – Revised Bill Impacts - Distribution Rates (excluding Pass-through)**

Rate Class	RPP/ non-RPP	kWh	kW	Effective Mar 1, 2025	
				Total Incr/(Decr) (\$)	Total Incr/(Decr) (%)
RESIDENTIAL	RPP	750		\$ 1.20	3.8%
GENERAL SERVICE LESS THAN 50 kW	RPP	1,500		\$ 2.13	3.8%
GENERAL SERVICE 50 TO 4,999 kW	non-RPP	36,700	200	\$ 31.10	3.8%
UNMETERED SCATTERED LOAD	RPP	2,000		\$ 1.80	3.8%
STREET LIGHTING (1 CONNECTION)	non-RPP	175	0.22	\$ 0.06	3.5%

9 **Table 12 – Revised Bill Impacts – Total Bill including HST**

Rate Class	RPP/ non-RPP	kWh	kW	Effective Mar 1, 2025	
				Total Incr/(Decr) (\$)	Total Incr/(Decr) (%)
RESIDENTIAL	RPP	750		\$ 0.58	0.4%
GENERAL SERVICE LESS THAN 50 kW	RPP	1,500		\$ 0.59	0.2%
GENERAL SERVICE 50 TO 4,999 kW	non-RPP	36,700	200	\$ 12.69	0.2%
UNMETERED SCATTERED LOAD	RPP	2,000		\$ (0.45)	-0.1%
STREET LIGHTING (1 CONNECTION)	non-RPP	175	0.22	\$ 0.20	0.7%

10

1 **CONCLUSION**

2 For the reasons identified above, Burlington Hydro respectfully requests approval for rate riders,
3 effective March 1, 2025 to December 31, 2025, associated with the \$4,762,343 in approved
4 funding under the OEB's Incremental Capital Module, offset by the 2023 balance (\$31,292)
5 including carrying charges up to Q4 2024 (\$2,839) in the variance Account 1508 Sub-account -
6 Capital Additions Dundas Street Road Widening Project - Revenue Requirement Differential
7 Variance Account.

8

9 All of which is respectfully submitted this 24th day of January, 2025.