



## **MILTON HYDRO DISTRIBUTION INC.**

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By RESS and Courier

December 17, 2010

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

**Re Milton Hydro Distribution Inc., Distribution Licence ED-2003-0014  
2011 Electricity Distribution Cost of Service Rate Application  
EB-2010-0137  
Proposed Settlement Agreement**

A settlement conference was convened in respect of this proceeding on December 8, 2010 in accordance with Procedural Order No. 2. The settlement conference continued into December 9, 2010. We are please to advise that the parties have achieved a complete settlement in this matter. Please find accompanying this letter a copy of the proposed Settlement Agreement. Each of the parties has reviewed and approved the Agreement. We would like to thank the OEB Staff and Mr. Haussmann for their assistance in this process.

Two hard copies are being delivered to your attention by courier.

Should you require further information or clarification please contact me at 905-876-4611 ext. 246 or [cameronmckenzie@miltonhydro.com](mailto:cameronmckenzie@miltonhydro.com).

Respectfully submitted,

*Original signed by Cameron McKenzie*

Cameron McKenzie, CGA  
Director, Regulatory Affairs

**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 Milton Hydro Distribution 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, 2011.

**MILTON HYDRO DISTRIBUTION INC. (“Milton Hydro”)**

**SETTLEMENT AGREEMENT**

**Filed: December 17, 2010**

**INTRODUCTION:**

Milton Hydro Distribution Inc. (“Milton Hydro”) owns and operates the electricity distribution system within its licensed service area of 370 square kilometres extending to the boundaries of the Town of Milton of which 313 square kilometres or 85% is a rural distribution system. Milton Hydro serves approximately 27,500 customers in the Town of Milton Hydro.

Milton Hydro filed an application (the “Application”) with the Ontario Energy Board (the “OEB”) on August 26, 2010 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Milton Hydro charges for electricity distribution, to be effective May 1, 2011. The Board assigned File Number EB-2010-0137 to the Application. Four parties requested and were granted Intervenor status: Energy Probe Research Foundation (“Energy Probe”); the School Energy Coalition (“SEC”); the Vulnerable Energy Consumers’ Coalition (“VECC”); and Joan Shewchun (“Ms. Shewchun”). One individual, Michael Grimwood, requested and was granted Observer status. Two individuals, W. S. McCafferty and David and Joan Greenfield filed letters of Comment.

The Board issued Procedural Order No. 1 on October 19, 2010 scheduling November 2, 2010 as the date for written interrogatories; November 16, 2010 as the date for Milton Hydro's responses; November 30, 2010 for a Technical Conference; a Settlement Conference for November 30, 2010; and December 13, 2010 for filing a Settlement Proposal. OEB staff and all registered Intervenor, except Ms. Shewchun, filed interrogatories on November 2, 2010. On November 12, 2010 Milton Hydro requested a one week extension in order to prepare complete responses to all interrogatories. The OEB approved the extension in Procedural Order No. 2 and re-scheduled the following dates: Milton Hydro responses to interrogatories were due by November 23, 2010; the Technical Conference was rescheduled to December 3, 2010; the Settlement Conference was rescheduled to December 8, 2010; and any Settlement Proposal was to be filed December 20, 2010. Milton Hydro filed responses to all interrogatories on November 23, 2010. The evidence in this proceeding (referred to here as the "Evidence") consists of the Application and Milton Hydro's responses to both the initial interrogatories and the questions provided to Milton Hydro during the Technical Conference and its responses to Undertakings given during the Technical Conference. It also includes the Appendices to this Agreement.

By Procedural Order No. 3 the OEB directed Milton Hydro to file evidence regarding the publication of the Notice of Application for this proceeding in the Milton Canadian Champion by the end of day December 7, 2010 to which Milton Hydro filed accordingly.

The Settlement Conference was duly convened in accordance with Procedural Order 2, with Mr. Chris Haussmann as facilitator. The Settlement Conference concluded on December 9, 2010.

Milton Hydro and the following Intervenor, (the "Intervenor" and collectively including Milton Hydro (the "Parties")), participated in the Settlement Conference,

Energy Probe  
SEC  
VECC.

Although Ms. Shewchun is an intervenor, she did not participate in the Settlement Conference and is not a party to the Settlement Agreement.

The role adopted by OEB staff in the Settlement Conference is set out in page 5 of the OEB *Settlement Conference Guidelines* ("the Guidelines"). Although OEB staff is not a party to this Agreement, as noted in the Guidelines, OEB staff who did participate in the Settlement Conference are bound by the same confidentiality standards that apply to the Parties to the proceeding.

These settlement proceedings are subject to the rules relating to confidentiality and privilege contained in the Guidelines. The parties understand this to mean that the documents and other information provided, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement – or not – of each issue during the Settlement Conference are strictly confidential and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception: the need to resolve a subsequent dispute over the interpretation of any provision of this settlement agreement.

**A COMPLETE SETTLEMENT HAS BEEN REACHED IN THIS PROCEEDING:**

The Parties are pleased to advise the OEB that a complete settlement has been reached on all issues in the proceeding. This document comprises the Settlement Agreement to the OEB, and it is presented jointly by Milton Hydro and Energy Probe, SEC and VECC. It identifies the settled matters, and contains such references to the Evidence as is necessary to assist the Board in understanding the Settlement Agreement (the "Agreement"). The Parties confirm that the Evidence filed to date in respect of each settled issue, as supplemented in some instances by additional information recorded in this Agreement, supports the settlement of the matters identified in this Agreement. In addition, the Parties agree that the Evidence, supplemented where necessary by the additional information appended to this Agreement, contains sufficient detail, rationale and quality of information to allow the OEB to make findings in keeping with the settlement reached by the Parties.

The Parties explicitly request that the Board consider and accept this Settlement Agreement as a package. None of the matters in respect of which a settlement has been reached is

severable. Numerous compromises were made by the Parties with respect to various matters to arrive at this comprehensive Agreement. The distinct issues addressed in this proposal are intricately interrelated, and reductions or increases to the agreed-upon amounts may have financial consequences in other areas of this proposal which may be unacceptable to one or more of the Parties. If the Board does not accept the Agreement in its entirety, then there is no Agreement unless the Parties agree that those portions of the Agreement that the Board does accept may continue as a valid settlement.

It is further acknowledged and agreed that none of the Parties will withdraw from this Agreement under any circumstances, except as provided under Rule 32.0.5 of the Board's *Rules of Practice and Procedure*.

It is also agreed that this Agreement is without prejudice to any of the Parties re-examining these issues in any subsequent proceeding and taking positions inconsistent with the resolution of these issues in this Agreement. However, none of the Parties will in any subsequent proceeding take the position that the resolution therein of any issue settled in this Agreement, if contrary to the terms of this Agreement, should be applicable for all or any part of the 2011 Test Year.

References to the Evidence supporting this Agreement on each issue are set out in each section of the Agreement. The Appendices to the Agreement provide further evidentiary support. The Parties agree that this Agreement and the Appendices form part of the record in EB-2010-0137. The Appendices were prepared by the Applicant. The Intervenors are relying on the accuracy and completeness of the Appendices in entering into this Agreement.

The Parties believe that the Agreement represents a balanced proposal that protects the interests of Milton Hydro's customers, employees and shareholder and promotes economic efficiency and cost effectiveness. It also provides the resources which will allow Milton Hydro to manage its assets so that the highest standards of performance levels are achieved and customer's expectation for the safe, reliable delivery of electricity, at reasonable prices, are met.

## **ORGANIZATION AND SUMMARY OF THE SETTLEMENT AGREEMENT:**

There is no approved Issues List for this proceeding. However, for the purposes of organizing this Agreement, the Parties have followed the OEB's Filing Guidelines that address all of the revenue requirement components, load forecast, deferral and variance account dispositions, cost allocation and rate design and other issues relevant to determining Milton Hydro's 2011 delivery rates.

The following Appendices accompany this Settlement Agreement:

- Appendix A – Summary of the Significant Items Adjusted as a result of this Agreement
- Appendix B – Updated Fixed Asset Continuity Schedules
- Appendix C – Updated Cost of Power
- Appendix D – 2011 Test Year Updated Load Forecast
- Appendix E – 2011 Test Year Updated Other Revenue
- Appendix F – 2011 Test Year Updated OM&A
- Appendix G – 2011 Test Year Updated Depreciation Expense
- Appendix H – 2011 Test Year Updated PILs
- Appendix I – 2011 Test Year Updated Cost of Capital
- Appendix J – 2011 Test Year Updated Revenue Deficiency
- Appendix K – 2011 Test Year Updated Revenue to Cost Ratios
- Appendix L – Summary of Updated Customer Impacts
- Appendix M – Updated Smart Meter Rates

## **UNSETTLED MATTERS**

There are no unsettled matters in this proceeding.

## **OVERVIEW OF THE SETTLED MATTERS:**

This Agreement will allow Milton Hydro to continue to make the necessary investments in maintenance and operation expenditures as well as capital investments to maintain the safety and reliability of the electricity distribution service that it provides. Milton Hydro is one of the

fastest growing distributors in Ontario, is a low cost service provider and continues to maintain one of the highest ratios of customers served per employee within its peer group as provided in the Pacific Economic Group ("PEG") Report dated March 20, 2008 and the 2009 data provided in the MEARIE 2009/2010 Survey of Ontario's Local Distribution Companies. This Agreement will allow Milton Hydro to maintain current capital investment levels in infrastructure to ensure a reliable distribution system; to manage current and future staffing levels, skills and training to ensure regulatory compliance with Codes and Regulations; to promote conservation programs including the Ministry of Energy directives and Milton Hydro's distribution licence; and to continue to provide the high level of customer service Milton Hydro customers have come to expect.

The Parties agree that no rate classes face bill impacts in this proceeding that require mitigation efforts.

The revised Base Revenue Requirement for the 2011 Test Year is \$13,184,661. This revenue requirement is subject to adjustment based on the updated cost of capital parameters to be issued by the Board in February 2011. This represents a revenue deficiency, based on forecast 2011 revenue at current rates, of \$1,080,751. The revised revenue deficiency of \$1,080,751 is \$609,302 or 36% lower than that set out in the pre-filed evidence of \$1,690,053. Through the settlement process, Milton Hydro has agreed to certain adjustments from its original 2011 Cost of Service Application. The changes are described in the following sections.

**ADMINISTRATION (Exhibit 1)**

1.1. Has Milton Hydro responded to all relevant Board Directives from previous proceedings?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 1, Page 12 and Page 26

For the purpose of obtaining complete settlement of all issues, the Parties accept Milton Hydro's Evidence that there are no outstanding obligations or orders from previous Board decisions.



## 2. RATE BASE (Exhibit 2)

2.1. Are the amounts proposed for Rate Base appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 2, Page 1 to 62

Interrogatory response Energy Probe Supplemental IR # 67 c)

For the purpose of achieving settlement on this issue, the Parties agree that Milton Hydro's Rate Based should be \$59,787,790 for the 2011 Test Year. These adjustments result in an agreed-upon reduction in the total Rate Base in the amount of \$2,354,685 from \$62,142,475 as filed to \$59,787,790 for the purposes of this Settlement Agreement. This reflects the following material changes:

- The 2010 Bridge Year capital expenditures will be reduced by \$972,047 as set out in section 2.2 below;
- The 2010 balance for land is reduced by \$1,109,265;
- The 2011 Test Year capital expenditures will be reduced by \$271,175 as set out in section 2.3 below;
- Working Capital Allowance has been reduced by \$162,740 as set out in section 2.3 below; and
- An adjustment to the 2010 Bridge Year and 2011 Test Year depreciation expense which impacts accumulated depreciation as set out in section 4.2 below.

The adjustments to Milton Hydro's Rate Base and Working Capital Allowance are set out in the following tables:

### Change in Rate Base

Description	As per Application	As per Settlement Agreement	Change
Gross Fixed Assets	106,017,849	103,665,362	(2,352,487)
Accumulated Depreciation	51,941,323	51,936,566	(4,757)
Net Book Value	54,076,526	51,728,796	(2,347,730)
Average Net Book Value	51,888,834	49,696,889	(2,191,945)
Working Capital	68,357,609	67,272,676	(1,084,933)
Working Capital Allowance	10,253,641	10,090,901	(162,740)
Rate Base	62,142,475	59,787,790	(2,354,685)

### Change in Working Capital

Description	As per Application	As per Settlement Agreement	Change
Cost of Power	61,842,630	60,972,676	(869,954)
Operations	876,809	876,809	-
Maintenance	1,234,930	1,234,930	-
Billing & Collecting	1,818,688	1,818,688	-
Community Relations	10,679	10,679	-
Administration & General Expense	2,573,873	2,573,873	-
OM&A Adjustment difference		(214,979)	(214,979)
Working Capital	68,357,609	67,272,676	(1,084,933)
Working Capital allowance @ 15%	10,253,641	10,090,901	(162,740)

2.2. Are the amounts proposed for the 2010 Bridge Year Capital Expenditures appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 2, Pages 45 to 54

Interrogatory response OEB Staff IR # 4, TCIR # 4

Interrogatory response Energy Probe IR # 7, 8, 13, 14, TCIR # 5, 7

Interrogatory response SEC IR # 6

For the purposes of obtaining complete settlement of all issues, the parties agree to a reduction of the 2010 Bridge Year capital additions of \$972,047 and a reduction to the opening balance of the land, purchased in 2009 and included in USoA 1905, in the amount of \$1,109,265 for the following reasons:

- The removal of \$1,109,265 representing 50% of a parcel of land purchased by Milton Hydro in 2009 from the opening capital for the 2010 Bridge Year in order to calculate the 2011 average opening and closing fixed assets. The land will be the site for Milton Hydro's future office/service centre. The Parties agree for the purposes of settlement that only 50% of the parcel of land would be used and useful in the 2011 Test Year.
- A reduction of \$700,000 from the 2010 Bridge Year related to the purchase of a second parcel of land, that will also form part of the Milton Hydro office/service centre, as this land will not be used and useful in the 2011 Test Year.
- A reduction of \$105,000 for the portion of the parking lot paving at Milton Hydro's current facilities (Milton Hydro is a tenant in those facilities) paid for by Milton Hydro's landlord.
- The removal of \$164,000 of Smart Meter capital expenditures which the Parties agree should continue to be tracked in the Smart Meter variance account 1555.
- The removal of \$3,047 of Stranded Assets which the Parties agree would continue to be tracked in the Smart Meter variance account 1555.

2.3. Are the amounts proposed for the 2011 Test Year capital additions appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 2, Pages 55 to 61

Interrogatory response OEB Staff # 9, 19, TCIR # 4

Interrogatory response Energy Probe IR# 12, 20, 21, 36 a), b), TCIR# 4, 8

Interrogatory response SEC TCIR # 5, 6

For the purposes of obtaining complete settlement of all issues, the parties agree to a reduction in the 2011 Test Year capital additions in the amount of \$271,175, reflecting the following adjustments:

- A reduction of architect fees for the design of the future office/service centre in the amount of \$150,000 from the 2011 Test Year and transferred to work in progress;
- A reduction of \$100,127 for FIT/microFIT capital expenditures for 2011 leaving \$50,000 as 2011 Test Year capital expenditures in this regard; and
- An additional reduction in capital related to the PST/HST changes in the amount of \$21,048 arising out of the revised capital expenditures and based on the percentage of historical PST to capital additions.

2.4. 2.3 Has the Working Capital Allowance been determined appropriately?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 2, Pages 63 to 70

Interrogatory response Energy Probe IR # 22, TCIR # 22

For the purposes of obtaining complete settlement of all issues, the parties agree that the amount proposed for Milton Hydro's Working Capital and rate base as shown in section 2.1 shall be reduced by \$1,084,933, reflecting the following adjustments:

- i.) Milton Hydro will update its Cost of Power calculation as follows:
  - The total kWh purchases will be based on the total kWh determined in the revised load forecast as set out in section 3.1 adjusted for the agreed-upon loss factors.
  - The commodity rates to be used are based upon the rates issued in the October 18, 2010 Regulated Price Plan Report. The non-RPP cost of power is \$62.50 per MWh (\$36.12 + \$26.38). The RPP cost of power is based on the load weighted average using the 2010 average of 7.62% which equals an RPP cost of power of \$65.09 per MWh. ( $\$36.12 \times 1.0762 + \$26.38 + \$1.00 - \$1.16 = \$65.09/\text{MWh}$ ).
- ii.) adjustments related to OM&A changes as set out in section 4.1 below.

### 3. OPERATING REVENUE (Exhibit 3)

#### 3.1. Is the load forecast appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 3, Pages 6 to 26

Interrogatory responses Board Staff IR # 10, 11, 12, 13, 14, 15, 16, TCIR # 5, 6, 8

Interrogatory responses Energy Probe IR # 2, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, TCIR #13, 14, 20

Interrogatory response VECC IR # 2, 3, 4, 5, 6, TCIR # 2

For the purposes of obtaining complete settlement of all issues, the parties agree that Milton Hydro's proposed 2011 Test Year load forecast is to be increased by a total kWh of 28,897,192 to 730,934,799 kWhs (see Appendix D), up from 702,037,607 kWhs in the pre-filed Evidence (Exhibit 3, Page 26), reflecting the following adjustments:

- The customer count for the General Service 1,000 to 4,999 kW class will be increased to 13 to reflect the actual number of customers in this rate class as of October 2010;
- The kWhs for the Large User customer class will be increased by 36% for 2010 and 5% for 2011; and
- The kWh consumption for the metered customer classes will be reduced by one tenth ( $1/10^{\text{th}}$ ) of Milton Hydro's OEB/OPA directed CDM target of 33.5 million kWhs.

The agreed-upon load forecast is used in the updated cost of power calculation (see Appendix C) of this Agreement, in the billing determinants in rate design and in the updated bill impact tables (see Appendix L).

The Parties have agreed that any revenue deficiency or sufficiency resulting from the implementation of the CDM Target adjustment may be recovered through an LRAM application and the Intervenor will not oppose the filing of such an application.

The Parties recognize that if the Board decides on an adjustment mechanism and/or deferral account on a generic basis specifically to address the energy (kWh) and peak demand (kW) reductions associated with CDM Targets, any new guidelines or filing requirements will supersede the previous methodology.

Is the proposed amount for 2011 Test Year Other Revenue appropriate?

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**Status: Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 3, Pages 27 to 32

Interrogatory responses VECC TCIR # 7

For the purposes of obtaining complete settlement of all issues, the parties agree that the forecast for Other Revenues in the Test Year should be \$1,459,399, an increase of \$5,750 (see Appendix E) reflecting the following adjustments:

- A total of \$25,000 will be recovered over a four year period on account of revenue from the disposal of assets. In the Application, Milton Hydro had included \$500 in revenue on account of gains on the disposal of utility assets in the 2011 Test Year. Therefore the gain on disposal of utility assets in the 2011 Test Year should be increased by \$5,750, to a 2011 total of \$6,250, with no 50/50 revenue sharing. This increase brings the 2011 recovery to one-quarter of the agreed upon total amount of \$25,000.



3.2. Are the proposed Specific Service Charges for 2010 appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 8, Page 21

Interrogatory response OEB Staff IR # 17

Interrogatory response VECC IR # 7

For the purposes of obtaining complete settlement of all issues, the Parties accept the Specific Service Charges proposed by Milton Hydro.

#### **4. OPERATING COSTS (Exhibit 4)**

4.1. Are the overall levels of the 2011 Test Year Operation, Maintenance and Administration costs appropriate?

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**Status: Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 4, Pages 1 to 6

Interrogatory responses Board Staff IRs # 18, 19, 27, 30

Interrogatory responses Energy Probe IR # 4, 38, 39, 45

Interrogatory response SEC IR # 11

For the purposes of obtaining complete settlement of all issues, the Parties agree to a reduction of the OM&A expenditures in the amount of \$214,979 from a forecast of \$6,514,979 proposed in the Application to a forecast of \$6,300,000 for the 2011 Test Year (see Appendix F). This will allow Milton Hydro to maintain its position as a low cost utility while ensuring that its customers will receive a safe and reliable distribution service. The LEAP Emergency Financial Assistance, referred to in the OEB's letter dated October 20, 2010, is included in the OM&A envelope of \$6,300,000.

4.2. Is Milton Hydro's depreciation expense appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 4, Pages 80 to 88  
Settlement Agreement 2.2, 2.3

For the purposes of obtaining complete settlement of all issues, the Parties agree to the following adjustments to the proposed 2011 Test Year depreciation expense:

- An increase of \$40,394 to reflect the agreed-upon changes in the 2010 Bridge Year and the 2011 Test Year capital expenditures in sections 2.2 and 2.3 of this Settlement Agreement. The Depreciation Expense is increased from \$3,616,371 to \$3,656,765 (see Appendix G) due primarily to the disposition of Smart Meters effective with the 2009 audited balances, which now includes a full year of depreciation expense in the 2011 Test Year.

4.3. Is the amount proposed for the 2011 Test Year Payment in Lieu of Taxes, including CCA calculations, appropriate?

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**Status: Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 4, Pages 89 to 92

Interrogatory response Board Staff IR # 31, 32, 39

Interrogatory responses Energy Probe IR # 47

For the purposes of obtaining complete settlement of all issues, the Parties agree to an overall reduction in grossed-up 2011 Payment in Lieu of Taxes ("PILs") in the amount of \$67,157, reflecting the following adjustments:

- Flow through of agreed upon changes in OM&A expenses and capital expenditures;
- Correction to the classification of computer hardware to the appropriate CCA class (see Energy Probe IR # 46); and
- The Ontario Small Business Deduction ("SBD"). Milton Hydro confirms that the Ontario SBD was taken in the calculations of the PILs. The SBD rate used was 8.5% and this has been corrected to 7.25%.

The Parties also agree to the change in PILs (see Appendix H) from this Agreement for the updated cost of capital for 2011 cost of service applications expected to be approved by the Board in February 2011.

## 5. COST OF CAPITAL (Exhibit 5)

5.1. Are the proposed Capital Structure and Rate of Return on Equity appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 5, Pages 2 to 6

For the purposes of obtaining complete settlement of all issues, the Parties agree that Milton Hydro's proposed debt to equity ratio for rate making purposes of 60% (comprised of 56% long term debt and 4% short term debt) to 40% is appropriate.

For the purposes of its Application, Milton Hydro used the cost of capital parameters applicable to cost of service applications for the 2010 Test Year. This included a Return on Equity of 9.85%. The Parties agree that Milton Hydro's cost of capital parameters will be adjusted to reflect the Board's updated cost of capital parameters for cost of service applications for distribution rates effective May 1, 2011. The updated parameters are expected to be issued by the Board in February 2011.

5.2. Is the proposed Return on Debt appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 5

Interrogatory responses OEB Staff IR # 33, 34

Interrogatory responses Energy Probe IR # 48, TCIR # 19

For the purposes of obtaining complete settlement of all issues, the Parties agree to reduce the forecasted Infrastructure Ontario interest rate on the new debt for the 2010 Bridge Year and the 2011 Test Year from 5.29% to 5.0%. This reduces the deemed interest for the 2011 Test Year from \$1,857,124 to \$1,773,868 and the weighted cost of debt from 5.19% to 5.15%.

For the purposes of its Application, Milton Hydro used the cost of capital parameters applicable to cost of service applications for the 2010 Test Year. This included a Long Term Debt Rate of 5.87% and a Short Term Debt Rate of 2.07%. The Parties agree that Milton Hydro's cost of capital parameters will be adjusted to reflect the Board's updated cost of capital parameters for cost of service applications for distribution rates effective May 1, 2011. The updated parameters are expected to be issued by the Board in February 2011.

## **6. CALCULATION OF REVENUE DEFICIENCY OR SURPLUS (Exhibit 6)**

6.1. Is the Revenue Deficiency for the 2010 Test Year appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 6

For purposes of obtaining complete settlement of all issues, the parties accept and rely on the calculation by the Applicant of the Test Year revenue deficiency of \$1,080,751 as detailed in Appendix J.

## 7. COST ALLOCATION (Exhibit 7)

7.1. Is Milton Hydro's cost allocation appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 7

Interrogatory response OEB Staff IR # 35

Interrogatory response Energy Probe IR # 49

For purposes of obtaining complete settlement of all issues, the Parties accept Milton Hydro's cost allocation.



7.2. Are the proposed revenue-to-cost ratios appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 7, Pages 1 to 9

Interrogatory response OEB Staff IR # 35

Interrogatory response Energy Probe IR # 49

For the purposes of obtaining complete settlement of all issues, the Parties agree to Milton Hydro's Proposed Revenue to Cost Ratios with the following adjustments (see Appendix K):

- The revenue to cost ratio for the General Service >50 to <999 kW customer class will remain at 83.2% as shown in the results of Milton Hydro's original cost allocation model as filed.
- The revenue to cost ratio for the General Service 1,000 to 4,999 kW and the Large User customer classes will be reduced to 115% from 121.4 % and 127.1% respectively; and
- The revenue to cost ratio for the Residential customer class will be reduced from 105.4% to 104.4% to balance the revenue requirement accordingly.

## **8. RATE DESIGN (Exhibit 8)**

8.1 Are the proposed customer classes appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 8, Page 13 to 14

For the purposes of obtaining complete settlement of all issues, the Parties accept that no changes are required to Milton Hydro's existing customer classes.

8.2. Are the customer charges and the fixed-variable splits for each class appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 8, Pages

Interrogatory responses VECC IR # 10

For the purposes of obtaining complete settlement of all issues, the Parties accept the customer charges and the fixed-variable splits resulting from this Agreement. (see Appendix L).

8.3. Are the customer bill impacts appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 8, Page 23 and Appendix A

For the purposes of obtaining complete settlement of all issues, the Parties agree that the bill impacts provided in Appendix L of the Agreement are appropriate.

8.4. Are the proposed Retail Transmission Service Rates appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 8, pages 9 to 10

For the purposes of obtaining complete settlement of all issues, the Parties agree that Milton Hydro's proposed Retail Transmission Service Rates are appropriate.

8.5. Are the proposed Loss Factors appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 8, Pages 11 to 12

Interrogatory Response OEB Staff IR # 36

For the purposes of obtaining complete settlement of all issues, the Parties accept Milton Hydro's proposed loss factors.

## 9. DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)

9.1. Are the balances in the Deferral and Variance Accounts appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 9, Pages 3 to 9

Interrogatory responses OEB Staff IR # 2, 38, 39, 41

Interrogatory response VECC IR # 13

For the purposes of obtaining complete settlement of all issues, the Parties accept the balances in Milton Hydro's Deferral and Variance Accounts.

9.2. Are the methods of disposition of the Deferral and Variance Accounts appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 9, Pages 10 to 15

Interrogatory responses OEB Staff IR # 2, 38, 39, 41

Interrogatory response VECC IR # 13

For the purposes of obtaining complete settlement of all issues, the Parties agree that the disposition of the Global Adjustment, which is included in a sub-account of account 1588, should be disposed of differently than the other Deferral and Variance Accounts. The Global Adjustment will be recovered from customers in the following manner:

- From only non-RPP customers;
- The MUSH sector will not be charged this rate as they were only non-RPP customers for two months during the period and the allocation to the MUSH sector is not material; and
- The recovery period will be over one year.

For the purposes of obtaining complete settlement of all issues, the Parties accept that all other Deferral and Variance Accounts will be recovered from or rebated to the customers as proposed by Milton Hydro in the Application, over a one year period.



9.3. Are the Smart Meter charges, disposition rate rider and rate adder appropriate?

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**Status:** **Complete Settlement**

Supporting Parties: Milton Hydro, Energy Probe, SEC, VECC

Evidence: Exhibit 9, Page 16 to 29

Interrogatory responses OEB Staff IR # 34, 40, 41, 42, 43, TCIR 9, 10, 12

Interrogatory responses Energy Probe IR # 50

Interrogatory responses VECC IRs # 20, 21, 22, 23, 24

For the purposes of obtaining complete settlement of all issues, the Parties agree that Milton Hydro will dispose of its Smart Meter variance account balances based on the 2009 audited balances. The revenue requirement is calculated to the end of the 2010 Bridge Year resulting in an over recovery of \$547,796. The over recovery will be disposed of by way of a rate rider credit over one year in the amount of (\$1.54) and applied to all metered customers. (see Appendix M)

Milton Hydro will continue to use the Smart Meter variance accounts for capital expenditures incurred in the 2010 Bridge Year and the 2011 Test Year and related OM&A costs for disposition at a later date. The Parties agree that the continuation of a Smart Meter Adder is not required.

## Appendix A

### Summary of the Significant Items Adjusted as a Result of this Settlement Agreement

Summary of Significant Items Adjusted			
	Original As per Application A	Settlement Submission B	Difference = B - A
Rate Base	62,142,475	59,787,790	(2,354,685)
<u>Capital Additions</u>			
2010 Bridge Year	16,328,825	15,356,778	(972,047)
2011 Test Year	11,943,579	11,672,404	(271,175)
Other Revenue	1,453,649	1,459,399	5,750
Loss Factor	3.62%	3.62%	no change
Load Forecast (kWh's)	702,037,607	730,934,799	28,897,192
RPP Cost of Power Rate	0.06938	0.06509	(0.00429)
Non-RPP Cost of Power Rate	0.06704	0.06250	(0.00454)
<u>Cost of Capital</u>			
Long Term Debt Rate	5.19%	5.15%	
Short Term Debt Rate	2.07%	2.07%	
Return on Equity	9.85%	9.85%	
Weighted Debt Rate	4.98%	4.94%	
Return on Long Term Debt	1,806,109	1,724,363	(81,745)
Return on Short Term Debt	51,015	49,504	(1,511)
Return on Equity	2,448,414	2,355,639	(92,775)
Total Return on Capital	4,305,538	4,129,507	(176,031)
OM&A Expenses	6,514,979	6,300,000	(214,979)
<u>PST/HST</u>			
OM&A (included in OM&A adjustment)	65,838	83,600	17,762
Capital (included in 2011 Test Year capital adjustment)	222,215	243,263	21,048
<u>Depreciation Expense</u>			
2010 Bridge Year	3,953,062	3,907,910	(45,152)
2011 Test Year	3,616,371	3,656,765	40,394
Smart Meter Disposition \$\$	(598,979)	(547,796)	51,183
Smart Meter Rider (over 4 years)	(0.43)		
Smart Meter Rider (over 1 year)		(1.54)	

Settlement Agreement			
	Original As per Application	Per Settlement	Change
Average Fixed Assets	51,888,834	49,696,889	(2,191,945)
Working Capital Allowance	10,253,641	10,090,901	(162,740)
Rate Base	62,142,475	59,787,790	(2,354,685)
Deemed Long-Term Debt Component %	56%	56%	-
Deemed Short-Term Debt Component %	4%	4%	-
Deemed Equity Component %	40%	40%	-
Long -Term Debt Rate	5.19%	5.15%	-0.04%
Short-Term Debt Rate	2.07%	2.07%	-
Return on Equity	9.85%	9.85%	-
Weighted Average Cost of Capital	4.98%	4.94%	-0.04%
Cost of Capital (Return on Rate Base)	4,305,537	4,129,507	(176,030)
Cost of Power	61,842,630	60,972,676	(869,954)
Deemed Interest	1,857,124	1,773,868	(83,256)
OM&A	6,514,979	6,300,000	(214,979)
PILS	624,945	557,788	(67,157)
Service Revenue Requirement	15,061,832	14,644,060	(417,772)
Revenue Offset	1,453,649	1,459,399	5,750
Base Revenue Requirement	13,608,183	13,184,661	(423,522)
Revenue Deficiency	1,690,053	1,080,751	(609,302)

## **Appendix B**

### **Updated Fixed Asset Continuity Schedules – 2010 Bridge Year & 2011 Test Year**

MILTON HYDRO DISTRIBUTION INC.

Fixed Asset Continuity Schedule (Distribution & Operations)  
As at December 31, 2010

		Cost				Accumulated Depreciation					
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	69,883			69,883	0			0	69,883
CEC	1806	Land Rights	0			0	0			0	0
47	1808	Buildings and Fixtures	0			0	0			0	0
13	1810	Leasehold Improvements	0			0	0			0	0
47	1815	Transformer Station Equipment - Normally Primary above 50 kV	0			0	0			0	0
47	1820	Distribution Station Equipment - Normally Primary below 50 kV	1,516,192			1,516,192	1,334,708	23,011		1,357,719	158,472
47	1825	Storage Battery Equipment	0			0	0			0	0
47	1830	Poles, Towers and Fixtures	18,270,524	2,929,158		21,199,682	7,463,993	747,009		8,211,002	12,988,679
47	1835	Overhead Conductors and Devices	17,927,909	1,438,086		19,365,995	10,149,797	620,817		10,770,615	8,595,381
47	1840	Underground Conduit	16,836,772	1,635,529		18,472,301	4,961,493	727,009		5,688,501	12,783,800
47	1845	Underground Conductors and Devices	13,960,739	1,020,051		14,980,790	5,021,963	581,687		5,603,649	9,377,141
47	1850	Line Transformers	29,840,722	2,743,025		32,583,747	12,687,454	1,202,311		13,889,765	18,693,982
47	1855	Services	9,799,447	898,261		10,697,708	2,733,208	428,050		3,161,258	7,536,450
47	1860	Meters	5,215,886	3,948,613	6,938	9,157,561	1,941,964	929,410	3,891	2,867,483	6,290,078
N/A	1865	Other Installations on Customer's Premises	0			0	0			0	0
N/A	1905	Land	1,109,265	0		1,109,265	0			0	1,109,265
CEC	1906	Land Rights	0			0	0			0	0
47	1908	Buildings and Fixtures	0			0	0			0	0
13	1910	Leasehold Improvements	280,817	75,000		355,817	56,165	71,163		127,328	228,489
8	1915	Office Furniture and Equipment	620,005	25,000		645,005	567,321	10,912		578,233	66,772
52	1920	Computer Equipment - Hardware	1,468,521	181,752		1,650,273	1,335,227	74,651		1,409,878	240,395
12	1925	Computer Software	381,822	61,470		443,292	329,771	41,054		370,825	72,467
10	1930	Transportation Equipment	1,822,804	285,000		2,107,804	1,441,565	125,321		1,566,886	540,918
8	1935	Stores Equipment	179,526	10,000		189,526	149,997	7,818		157,815	31,711
8	1940	Tools, Shop and Garage Equipment	386,497	23,250		409,747	360,446	7,767		368,212	41,535
8	1945	Measurement and Testing Equipment	31,721			31,721	13,997	3,172		17,169	14,552
8	1950	Power Operated Equipment	0			0	0			0	0
8	1955	Communication Equipment	202,159	12,583		214,742	146,820	11,115		157,935	56,807
8	1960	Miscellaneous Equipment	0			0	0			0	0
47	1970	Load Management Controls - Customer Premises	0			0	0			0	0
47	1975	Load Management Controls - Utility Premises	0			0	0			0	0
47	1980	System Supervisory Equipment	41,545			41,545	41,545			41,545	0
47	1985	Sentinel Lighting Rentals	0			0	0			0	0
47	1990	Other Tangible Property	0	70,000		70,000	0	4,662		4,662	65,338
47	1995	Contributions and Grants	-35,454,436	-4,070,264		(39,524,700)	-6,662,615	-1,564,950		(8,227,565)	(31,297,135)
	2005	Property under Capital Lease	0			0	0			0	0
		<b>Total before Work in Process</b>	<b>84,508,321</b>	<b>11,286,514</b>	<b>6,938</b>	<b>95,787,896</b>	<b>44,074,818</b>	<b>4,051,988</b>	<b>3,891</b>	<b>48,122,915</b>	<b>47,664,982</b>
WIP		Work in Process	1,374,900.71	2,005,000.00	1,374,900.71	2,005,000	0			0	2,005,000
		<b>Total after Work in Process</b>	<b>85,883,221</b>	<b>13,291,514</b>	<b>1,381,839</b>	<b>97,792,896</b>	<b>44,074,818</b>	<b>4,051,988</b>	<b>3,891</b>	<b>48,122,915</b>	<b>49,669,982</b>

10	1930	Transportation
10	1935	Stores
8	1940	Tools
8	1945	Measurement & Testing Equipment

Less: Fully Allocated Depreciation  
Transportation 125,321  
Stores 7,818  
Tools 7,767  
Measurement 3,172  
Net Depreciation 3,907,910

MILTON HYDRO DISTRIBUTION INC.

Fixed Asset Continuity Schedule (Distribution & Operations)  
As at December 31, 2011

Cost						Accumulated Depreciation					
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	69,883	0		69,883	0			0	69,883
CEC	1806	Land Rights	0			0	0			0	0
47	1808	Buildings and Fixtures	0			0	0			0	0
13	1810	Leasehold Improvements	0			0	0			0	0
47	1815	Transformer Station Equipment - Normally Primary above 50 kV	0			0	0			0	0
47	1820	Distribution Station Equipment - Normally Primary below 50 kV	1,516,192			1,516,192	1,357,719	23,011		1,380,730	135,461
47	1825	Storage Battery Equipment	0			0	0			0	0
47	1830	Poles, Towers and Fixtures	21,199,682	2,339,288		23,538,970	8,211,002	784,245		8,995,247	14,543,723
47	1835	Overhead Conductors and Devices	19,365,995	1,435,257		20,801,252	10,770,615	634,560		11,405,174	9,396,078
47	1840	Underground Conduit	18,472,301	2,189,940		20,662,241	5,688,501	769,380		6,457,881	14,204,360
47	1845	Underground Conductors and Devices	14,980,790	1,147,536		16,128,326	5,603,649	602,593		6,206,242	9,922,084
47	1850	Line Transformers	32,583,747	2,399,153		34,982,900	13,889,765	1,217,616		15,107,381	19,875,519
47	1855	Services	10,697,708	1,033,560		11,731,268	3,161,258	448,700		3,609,958	8,121,310
47	1860	Meters	9,157,561	289,170		9,446,731	2,867,483	553,960		3,421,443	6,025,288
N/A	1865	Other Installations on Customer's Premises	0			0	0			0	0
N/A	1905	Land	1,109,265			1,109,265	0			0	1,109,265
CEC	1906	Land Rights	0			0	0			0	0
47	1908	Buildings and Fixtures	0	0		0	0	0		0	0
13	1910	Leasehold Improvements	355,817			355,817	127,328	71,163		198,491	157,326
8	1915	Office Furniture and Equipment	645,005	5,000		650,005	578,233	10,624		588,857	61,148
52	1920	Computer Equipment - Hardware	1,650,273	201,000		1,851,273	1,409,878	86,920		1,496,798	354,475
12	1925	Computer Software	443,292	210,000		653,292	370,825	70,602		441,426	211,865
10	1930	Transportation Equipment	2,107,804	210,000		2,317,804	1,566,886	138,446		1,705,332	612,472
8	1935	Stores Equipment	189,526	10,000		199,526	157,815	8,318		166,133	33,393
8	1940	Tools, Shop and Garage Equipment	409,747	2,500		412,247	368,212	6,950		375,162	37,085
8	1945	Measurement and Testing Equipment	31,721			31,721	17,169	3,172		20,341	11,380
8	1950	Power Operated Equipment	0			0	0			0	0
8	1955	Communication Equipment	214,742	200,000		414,742	157,935	19,578		177,513	237,229
8	1960	Miscellaneous Equipment	0			0	0			0	0
47	1970	Load Management Controls - Customer Premises	0			0	0			0	0
47	1975	Load Management Controls - Utility Premises	0			0	0			0	0
47	1980	System Supervisory Equipment	41,545			41,545	41,545			41,545	0
47	1985	Sentinel Lighting Rentals	0			0	0			0	0
47	1990	Other Tangible Property	70,000			70,000	4,662	4,667		9,329	60,671
47	1995	Contributions and Grants	-39,524,700	-3,794,938		(43,319,638)	-8,227,565	-1,640,853		(9,868,418)	(33,451,220)
	2005	Property under Capital Lease	0			0	0			0	0
		Total before Work in Process	95,787,896	7,877,466	0	103,665,362	48,122,915	3,813,651	0	51,936,566	51,728,796
WIP		Work in Process	2,005,000	1,350,000	1,200,000	2,155,000	0			0	2,155,000
		Total after Work in Process	97,792,896	9,227,466	1,200,000	105,820,362	48,122,915	3,813,651	0	51,936,566	53,883,796

10	1930	Transportation
10	1935	Stores
8	1940	Tools
8	1945	Measurement & Testing Equipment

Less: Fully Allocated Depreciation	
Transportation	138,446
Stores	8,318
Tools	6,950
Measurement	3,172
Net Depreciation	<u>3,656,765</u>

**Appendix C**  
**Updated Cost of Power**

<u>Electricity - Commodity</u>		2011 RPP Forecasted Metered kWhs	2011 Loss Factor	2011		
Class per Load Forecast				2011		
Residential		231,771,694	1.0362	240,159,801	\$0.06509	\$15,632,564
GS<50kW		65,980,276	1.0362	68,368,185	\$0.06509	\$4,450,245
GS>50-999kW		30,943,664	1.0362	32,063,553	\$0.06509	\$2,087,092
GS>1000-4999		2,970,096	1.0362	3,077,587	\$0.06509	\$200,327
Large Users		-0	1.0148	-0	\$0.06509	(\$0)
Sentinel Lighting		115,553	1.0362	119,735	\$0.06509	\$7,794
Street Lighting		4,067,818	1.0362	4,215,038	\$0.06509	\$274,367
Unmetered Scattered Load		0	1.0362	0	\$0.06509	\$0
TOTAL		335,849,101		348,003,899		\$22,652,390
<u>Electricity - Commodity</u>		2011 Non-RPP Forecasted Metered kWhs	2011 Loss Factor	2011		
Class per Load Forecast				2011		
Residential		28,636,370	1.0362	29,672,756	\$0.06250	\$1,854,547
GS<50kW		9,623,427	1.0362	9,971,711	\$0.06250	\$623,232
GS>50-999kW		157,745,989	1.0362	163,455,013	\$0.06250	\$10,215,938
GS>1000-4999		109,553,257	1.0362	113,518,127	\$0.06250	\$7,094,883
Large Users		85,702,235	1.0148	86,973,885	\$0.06250	\$5,435,868
Sentinel Lighting		51,635	1.0362	53,503	\$0.06250	\$3,344
Street Lighting		2,252,969	1.0362	2,334,506	\$0.06250	\$145,907
Unmetered Scattered Load		1,519,815	1.0362	1,574,819	\$0.06250	\$98,426
TOTAL		395,085,698		407,554,321		\$25,472,145
<u>Transmission - Network</u>			Volume Metric	2011		
Class per Load Forecast				2011		
Residential			kWh	269,832,558	\$0.0059	\$1,592,012
GS<50kW			kWh	78,339,896	\$0.0054	\$423,035
GS>50-999kW			kW	511,697	\$2.4305	\$1,243,680
GS>1000-4999			kW	230,486	\$2.3905	\$550,978
Large Users			kW	188,668	\$2.5886	\$488,385
Sentinel Lighting			kW	465	\$1.6545	\$770
Street Lighting			kW	17,810	\$1.6461	\$29,316
Unmetered Scattered Load			kWh	1,574,819	\$0.0054	\$8,504
TOTAL						\$4,336,681
<u>Transmission - Connection</u>			Volume Metric	2011		
Class per Load Forecast				2011		
Residential			kWh	269,832,558	\$0.0047	\$1,268,213
GS<50kW			kWh	78,339,896	\$0.0042	\$329,028
GS>50-999kW			kW	511,697	\$1.9383	\$991,823
GS>1000-4999			kW	230,486	\$1.9066	\$439,445
Large Users			kW	188,668	\$2.1323	\$402,296
Sentinel Lighting			kW	465	\$1.3312	\$619
Street Lighting			kW	17,810	\$1.3038	\$23,220
Unmetered Scattered Load			kWh	1,574,819	\$0.0042	\$6,614
TOTAL						\$3,461,259
<u>Wholesale Market Service</u>				2011		
Class per Load Forecast				2011		
Residential				269,832,558	\$0.0052	\$1,403,129
GS<50kW				78,339,896	\$0.0052	\$407,367
GS>50-999kW				195,518,567	\$0.0052	\$1,016,697
GS>1000-4999				116,595,714	\$0.0052	\$606,298
Large Users				86,973,885	\$0.0052	\$452,264
Sentinel Lighting				173,239	\$0.0052	\$901
Street Lighting				6,549,544	\$0.0052	\$34,058
Unmetered Scattered Load				1,574,819	\$0.0052	\$8,189
TOTAL						\$3,928,903
<u>Rural Rate Assistance</u>				2011		
Class per Load Forecast				2011		
Residential				269,832,558	\$0.0013	\$350,782
GS<50kW				78,339,896	\$0.0013	\$101,842
GS>50-999kW				195,518,567	\$0.0013	\$254,174
GS>1000-4999				116,595,714	\$0.0013	\$151,574
Large Users				86,973,885	\$0.0013	\$113,066
Sentinel Lighting				173,239	\$0.0013	\$225
Street Lighting				6,549,544	\$0.0013	\$8,514
Unmetered Scattered Load				1,574,819	\$0.0013	\$2,047
TOTAL						\$982,226
<u>Low Voltage Service Rate</u>			Volume Metric	2011		
Class per Load Forecast				2011		
Low Voltage sub-Transmission			kWh	208,668	\$0.6300	\$131,461
Monthly Fixed charge	(3 feeders)			36	\$211.4700	\$7,613
TOTAL						\$139,074
Cost of Power Summary		2011				
Cost of Power Account		\$\$\$				
4705-Power Purchased		48,124,535				
4708-Charges-WMS		3,928,903				
4714-Charges-NW		4,336,681				
4716-Charges-CN		3,461,259				
4730-Rural Rate Assistance		982,226				
4750-Low Voltage		139,074				
TOTAL		60,972,676				



**Appendix D**  
**2011 Test Year Updated Load Forecast**

Milton Hydro Customer Class Load Forecast			
Description	Original As per Application	As per Settlement	Change
<b>2011 Test Year Billed kWh</b>	702,037,607	730,934,799	28,897,192
<b>By Class</b>			
<b>Residential Customers</b>	27,832	27,832	-
<b>kWh</b>	258,520,606	260,408,065	1,887,459
<b>General Service &lt; 50 kW Customers</b>	2,315	2,315	(0)
<b>kWh</b>	75,044,767	75,603,703	558,936
<b>General Service &gt; 50 to 999 kW Customers</b>	299	299	(0)
<b>kWh</b>	187,300,109	188,689,653	1,389,544
<b>kW</b>	507,929	511,697	3,768
<b>General Service &gt; 1000 to 4999 kW Customers</b>	11	13	2
<b>kWh</b>	94,342,584	112,523,353	18,180,769
<b>kW</b>	193,246	230,486	37,240
<b>Large User &gt; 4999 kW Customers</b>	2	2	-
<b>kWh</b>	78,821,751	85,702,235	6,880,484
<b>kW</b>	173,521	188,668	15,147
<b>Streetlights Connections</b>	2,895	2,895	0
<b>kWh</b>	6,320,787	6,320,787	(0)
<b>kW</b>	17,810	17,810	(0)
<b>Sentinel Lights Connections</b>	270	270	0
<b>kWh</b>	167,188	167,188	0
<b>kW</b>	465	465	0
<b>Unmetered Loads Connections</b>	208	208	(0)
<b>kWh</b>	1,519,815	1,519,815	0
<b>Total of Above Customer/Connections</b>	33,832	33,834	2
<b>kWh</b>	702,037,607	730,934,799	28,897,192
<b>kW from applicable classes</b>	892,971	949,126	56,155

## Appendix E

### 2011 Test Year Updated Other Revenue

Other Revenue			
Description	2011 Test Year as Filed	2011 As Proposed	Change
4082 - Retail Service Revenue	35,784	35,784	0
4084 - Service Transaction Requests (STR) Revenues	1,085	1,085	0
4090 - Electric Services Incidental to Energy Sales			0
4210 - Rent from Electric Property - Pole Attachments	135,213	135,213	0
4215 - Other Utility Operating Income - SSS Admin	75,804	75,804	0
4225 - Late Payment Charges	156,670	156,670	0
4235 - Miscellaneous Service Revenues	403,492	403,492	0
4355 - Gain on Disposition of Utility and Other Property	1,000	6,250	5,250
4375 - Revenue from Non Utility Operations	469,714	469,714	0
4380 - Expenses from Non Utility Operations	(438,714)	(438,714)	0
4390 - Miscellaneous Non-Operating Income	600,101	600,101	0
4405 - Interest and Dividend Income	45,000	45,000	0
<b>Base Distribution Revenue</b>	<b>1,485,149</b>	<b>1,490,399</b>	<b>5,250</b>
<b>Revenue Offsets</b>			
Less: 4375 Revenue from Non Utility Operations	(469,714)	(469,714)	0
Less: 4380 Expenses from Non Utility Operations	438,714	438,714	0
Less: 4355 Gain on Disposition of Utility & Other Property	(500)	0	500
<b>Total Revenue Offsets</b>	<b>(31,500)</b>	<b>(31,000)</b>	<b>500</b>
<b>Total Other Revenue with Offsets</b>	<b>1,453,649</b>	<b>1,459,399</b>	<b>5,750</b>
<b>Other Distribution Revenue</b>			
Late Payment Charges	156,670	156,670	0
Specific Service Charges	36,869	36,869	0
Interest Income	45,000	45,000	0
Other Distribution Revenue	1,215,110	1,220,860	5,750
<b>Other Revenue</b>	<b>1,453,649</b>	<b>1,459,399</b>	<b>5,750</b>

**Appendix F**  
**2011 Test Year Updated OM&A**

**Change in Operations, Maintenance & Administration**

Description	As per Application	As per Settlement Agreement	Change
<b>Operations</b>	876,809	876,809	-
<b>Maintenance</b>	1,234,930	1,234,930	-
<b>Billing &amp; Collecting</b>	1,818,688	1,818,688	-
<b>Community Relations</b>	10,679	10,679	-
<b>Administration &amp; General Expense</b>	2,573,873	2,573,873	-
<b>OM&amp;A Adjustment difference</b>		(214,979)	(214,979)
<b>Total OM&amp;A</b>	6,514,979	6,300,000	(214,979)

## **Appendix G**

### **2010 Bridge Year & 2011 Test Year Updated Depreciation Expense**

MILTON HYDRO DISTRIBUTION INC.

Depreciation Expense Continuity Schedule (Distribution & Operations)  
As at December 31, 2010

CCA Class	OEB	Description	A Opening Balance	B Less Fully Depreciated	C = A-B Net for Depreciation	D Additions	D1 Book Adjustment for Stranded Meters	E=C + D+D1 Total for Depreciation	F Years	G = E/F Depreciation
N/A	1805	Land	69,883		69,883			69,883	N/A	0
CEC	1806	Land Rights	0					0		
1	1808	Buildings and Fixtures	0					0		
	1810	Leasehold Improvements	0					0		
	1815	Transformer Station Equipment - Normally Primary above 50 kV	0					0		
1	1820	Distribution Station Equipment - Normally Primary below 50 kV	1,516,192	825,858	690,334			690,334	30	23,011
	1825	Storage Battery Equipment	0	0				0		
1	1830	Poles, Towers and Fixtures	18,270,524	2,524,446	15,746,077	2,929,158		18,675,235	25	747,009
1	1835	Overhead Conductors and Devices	17,927,909	3,845,568	14,082,342	1,438,086		15,520,428	25	620,817
1	1840	Underground Conduit	16,836,772	297,087	16,539,685	1,635,529		18,175,214	25	727,009
1	1845	Underground Conductors and Devices	13,960,739	438,623	13,522,116	1,020,051		14,542,167	25	581,687
1	1850	Line Transformers	29,840,722	2,525,981	27,314,742	2,743,025		30,057,767	25	1,202,311
1	1855	Services	9,799,447		9,799,447	898,261		10,697,708	25	428,050
1	1860	Meters	5,215,886	345,983	4,869,903	3,948,613	-3,047	8,815,470	25/15	929,410
	1865	Other Installations on Customer's Premises	0		0			0		
N/A	1905	Land	1,109,265		1,109,265	0		1,109,265	N/A	
CEC	1906	Land Rights	0		0			0		
1	1908	Buildings and Fixtures	0		0			0		
	1910	Leasehold Improvements	280,817		280,815	75,000		355,815	5	71,163
8	1915	Office Furniture and Equipment	620,005	535,885	84,120	25,000		109,120	10	10,912
45	1920	Computer Equipment - Hardware	1,468,521	1,277,018	191,503	181,752		373,255	5	74,651
12	1925	Computer Software	381,822	320,130	61,692	61,470		123,162	3	41,054
10	1930	Transportation Equipment	1,822,804	1,293,218	529,587	285,000		814,587	5/8	125,321
10	1935	Stores Equipment	179,526	111,346	68,180	10,000		78,180	10	7,818
8	1940	Tools, Shop and Garage Equipment	386,497	332,080	54,417	23,250		77,667	10	7,767
	1945	Measurement and Testing Equipment	31,721	1	31,720			31,720	10	3,172
	1950	Power Operated Equipment	0	0	0			0		
10	1955	Communication Equipment	202,159	103,592	98,567	12,583		111,150	10	11,115
	1960	Miscellaneous Equipment	0		0			0		
	1970	Load Management Controls - Customer Premises	0		0			0		
	1975	Load Management Controls - Utility Premises	0		0			0		
	1980	System Supervisory Equipment	41,545	41,545	0			0	15	
	1985	Sentinel Lighting Rentals	0		0			0		
	1990	Other Tangible Property	0			70,000		70,000	15	4,662
1	1995	Contributions and Grants	-35,454,436	-400,950	-35,053,486	-4,070,264		-39,123,750	25	-1,564,950
	2005	Property under Capital Lease						0		
	WIP		1,374,901	1,374,901	-0	2,005,000		2,005,000	N/A	0
		<b>Total</b>	<b>85,883,221</b>	<b>15,792,312</b>	<b>70,090,908</b>	<b>13,291,514</b>	<b>(3,047)</b>	<b>83,379,375</b>		<b>4,051,988</b>

Less: Fully Allocated Depreciation

Transportation	125,321
Stores	7,818
Tools	7,767
Measurment	3,172
Net Depreciation	3,907,910

MILTON HYDRO DISTRIBUTION INC.

Depreciation Expense Continuity Schedule (Distribution & Operations)  
As at December 31, 2011

CCA Class	OEB	Description	A Opening Balance	B Less Fully Depreciated	C = A-B Net for Depreciation	D Additions	E=C+ (.5* D) Total for Depreciation	F Years	G = E/F Depreciation
N/A	1805	Land	69,883		69,883		69,883	N/A	0
CEC	1806	Land Rights	0				0		
1	1808	Buildings and Fixtures	0				0		
	1810	Leasehold Improvements	0				0		
	1815	Transformer Station Equipment - Normally Primary above 50 kV	0				0		
1	1820	Distribution Station Equipment - Normally Primary below 50 kV	1,516,192	825,858	690,334		690,334	30	23,011
	1825	Storage Battery Equipment	0	0			0		
1	1830	Poles, Towers and Fixtures	21,138,439	2,763,307	18,375,132	2,339,288	19,544,881	25	784,245
1	1835	Overhead Conductors and Devices	19,327,111	4,219,230	15,107,881	1,435,257	15,825,120	25	634,560
1	1840	Underground Conduit	18,472,301	332,775	18,139,526	2,189,940	19,234,496	25	769,380
1	1845	Underground Conductors and Devices	14,980,790	489,736	14,491,054	1,147,536	15,064,822	25	602,593
1	1850	Line Transformers	32,583,747	3,342,917	29,240,831	2,399,153	30,440,407	25	1,217,616
1	1855	Services	10,697,708		10,697,708	1,033,560	11,214,488	25	448,700
1	1860	Meters	9,157,561	421,861	8,735,699	289,170	8,880,284	25/15	553,960
	1865	Other Installations on Customer's Premises	0		0		0		
N/A	1905	Land	1,109,265		1,109,265		1,109,265	N/A	
CEC	1906	Land Rights	0		0		0		
1	1908	Buildings and Fixtures	0		0	0	0	50	0
	1910	Leasehold Improvements	355,817		355,817		355,817	5	71,163
8	1915	Office Furniture and Equipment	645,005	541,266	103,740	5,000	106,240	10	10,624
45	1920	Computer Equipment - Hardware	1,650,273	1,417,165	233,108	201,000	333,608	5	86,920
12	1925	Computer Software	443,292	336,487	106,805	210,000	211,805	3	70,602
10	1930	Transportation Equipment	2,107,804	1,293,218	814,586	210,000	919,586	5/8	138,446
10	1935	Stores Equipment	189,526	111,346	78,180	10,000	83,180	10	8,318
8	1940	Tools, Shop and Garage Equipment	409,747	341,497	68,250	2,500	69,500	10	6,950
	1945	Measurement and Testing Equipment	31,721	0	31,721		31,721	10	3,172
	1950	Power Operated Equipment	0	0	0		0		
10	1955	Communication Equipment	214,742	118,962	95,780	200,000	195,780	10	19,578
	1960	Miscellaneous Equipment	0		0		0		
	1970	Load Management Controls - Customer Premises	0		0		0		
	1975	Load Management Controls - Utility Premises	0		0		0		
	1980	System Supervisory Equipment	41,545	41,545	0		0	15	
	1985	Sentinel Lighting Rentals	0		0		0		
	1990	Other Tangible Property	70,000		70,000		70,000	15	4,667
1	1995	Contributions and Grants	-39,524,700	-400,950	-39,123,750	-3,794,938	-41,021,219	25	-1,640,853
	2005	Property under Capital Lease					0		
	WIP		1,200,000	1,200,000	0	1,200,000	1,200,000	N/A	0
		<b>Total</b>	<b>96,887,769</b>	<b>17,396,220</b>	<b>79,491,549</b>	<b>9,077,466</b>	<b>84,629,997</b>		<b>3,813,651</b>

Less: Fully Allocated Depreciation

Transportation	138,446
Stores	8,318
Tools	6,950
Measurement	3,172
Net Depreciation	<u>3,656,765</u>

**Appendix H**  
**2011 Test Year Updated PILs**

### Schedule 8 CCA Bridge Year

Class	Class Description	UCC Test Year Opening Balance	Additions	Disposals	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	Test Year CCA	UCC End of Bridge Year
1	Distribution System - post 1987	\$ 27,664,939	\$ -	\$ -	\$ 27,664,939	\$ -	\$ 27,664,939	4%	\$ 1,106,598	\$ 26,558,341
2	Distribution System - pre 1988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6%	\$ -	\$ -
8	General Office/Stores Equip	\$ 3,650,176	\$ 70,833	\$ -	\$ 3,721,009	\$ 35,417	\$ 3,685,593	20%	\$ 737,119	\$ 2,983,891
10	Computer Hardware/ Vehicles	\$ 418,034	\$ 285,000	\$ -	\$ 703,034	\$ 142,500	\$ 560,534	30%	\$ 168,160	\$ 534,874
10.1	Certain Automobiles	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	\$ -	\$ -
12	Computer Software	\$ 36,123	\$ 61,470	\$ -	\$ 97,593	\$ 30,735	\$ 66,858	100%	\$ 66,858	\$ 30,735
13	Leasehold Improvements	\$ 252,735	\$ 75,000	\$ -	\$ 327,735	\$ 37,500	\$ 290,235	5%	\$ 14,512	\$ 313,223
13.2	Lease #2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4	\$ -	\$ -
13.3	Lease # 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3	\$ -	\$ -
13.4	Lease # 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4	\$ -	\$ -
14	Franchise	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7	\$ -	\$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8%	\$ -	\$ -
52	Computer Hardware	\$ -	\$ 181,752	\$ -	\$ 181,752	\$ 181,752	\$ 181,752	100%	\$ 181,752	\$ -
45	Computers & Systems Software acq'd post Mar 22/04	\$ 17,030	\$ -	\$ -	\$ 17,030	\$ -	\$ 17,030	45%	\$ 7,664	\$ 9,367
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	\$ -	\$ -
47	Distribution System - post February 2005	\$ 16,934,407	\$ 10,612,459	\$ 6,938	\$ 27,539,928	\$ 5,299,291	\$ 22,240,637	8%	\$ 1,779,251	\$ 25,760,677
50	Data Network Infrastructure Equipment - post Mar 2007	\$ 18,067	\$ -	\$ -	\$ 18,067	\$ -	\$ 18,067	55%	\$ 9,937	\$ 8,130
95	cwip	\$ 1,374,901	\$ 2,005,000	\$- 1,374,901	\$ 2,005,000	\$ -	\$ 2,005,000		\$ -	\$ 2,005,000
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
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	TOTAL	\$ 50,366,412	\$ 13,291,514	\$- 1,381,839	\$ 62,276,087	\$ 5,727,195	\$ 56,730,644		\$ 4,071,849	\$ 58,204,238



### Schedule 8 CCA Test Year

Class	Class Description	UCC Test Year Opening Balance	Additions	Disposals	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	Test Year CCA	UCC End of Test Year
1	Distribution System - post 1987	\$ 26,558,341	\$ -	\$ -	\$ 26,558,341	\$ -	\$ 26,558,341	4%	\$ 1,062,334	\$ 25,496,008
2	Distribution System - pre 1988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6%	\$ -	\$ -
8	General Office/Stores Equip	\$ 2,983,891	\$ 217,500	\$ -	\$ 3,201,391	\$ 108,750	\$ 3,092,641	20%	\$ 618,528	\$ 2,582,862
10	Computer Hardware/ Vehicles	\$ 534,874	\$ 210,000	\$ -	\$ 744,874	\$ 105,000	\$ 639,874	30%	\$ 191,962	\$ 552,912
10.1	Certain Automobiles	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	\$ -	\$ -
12	Computer Software	\$ 30,735	\$ 210,000	\$ -	\$ 240,735	\$ 105,000	\$ 135,735	100%	\$ 135,735	\$ 105,000
13	Leasehold Improvements	\$ 313,223	\$ -	\$ -	\$ 313,223	\$ -	\$ 313,223	5%	\$ 15,661	\$ 297,562
13.2	Lease #2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -
13.3	Lease # 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -
13.4	Lease # 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -
14	Franchise	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8%	\$ -	\$ -
52	Computer Hardware	\$ -	\$ 201,000	\$ -	\$ 201,000	\$ 100,500	\$ 100,500	55%	\$ 55,275	\$ 145,725
45	Computers & Systems Software acq'd post Mar 22/04	\$ 9,367	\$ -	\$ -	\$ 9,367	\$ -	\$ 9,367	45%	\$ 4,215	\$ 5,152
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	\$ -	\$ -
47	Distribution System - post February 2005	\$ 25,760,677	\$ 7,038,966	\$ -	\$ 32,799,643	\$ 3,519,483	\$ 29,280,160	8%	\$ 2,342,413	\$ 30,457,230
50	Data Network Infrastructure Equipment - post Mar 2007	\$ 8,130	\$ -	\$ -	\$ 8,130	\$ -	\$ 8,130	55%	\$ 4,472	\$ 3,659
95	cwip	\$ 2,005,000	\$ 1,350,000	\$ 1,200,000	\$ 2,155,000	\$ -	\$ 2,155,000		\$ -	\$ 2,155,000
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	TOTAL	\$ 58,204,238	\$ 9,227,466	\$ 1,200,000	\$ 66,231,704	\$ 3,938,733	\$ 62,292,971		\$ 4,430,594	\$ 61,801,109

## Taxable Income Test Year

	T2 S1 line #	Test Year Income	Taxable Income
<b>Net Income Before Taxes</b>			2,355,639
<b>Additions:</b>			
Interest and penalties on taxes	103		
Amortization of tangible assets 2-4 ADJUSTED ACCOUNTING DATA P489	104		3,813,651
Amortization of intangible assets 2-4 ADJUSTED ACCOUNTING DATA P490	106		
Recapture of capital cost allowance from Schedule 8	107		
Gain on sale of eligible capital property from Schedule 10	108		
Income or loss for tax purposes- joint ventures or partnerships	109		
Loss in equity of subsidiaries and affiliates	110		
Loss on disposal of assets	111		
Charitable donations	112		
Taxable Capital Gains	113		
Political Donations	114		
Deferred and prepaid expenses	116		
Scientific research expenditures deducted on financial statements	118		
Capitalized interest	119		
Non-deductible club dues and fees	120		
Non-deductible meals and entertainment expense	121		3,625
Non-deductible automobile expenses	122		
Non-deductible life insurance premiums	123		
Non-deductible company pension plans	124		
Tax reserves beginning of year	125		
Reserves from financial statements- balance at end of year	126		364,892
Soft costs on construction and renovation of buildings	127		
Book loss on joint ventures or partnerships	205		
Capital items expensed	206		
Debt issue expense	208		
Development expenses claimed in current year	212		
Financing fees deducted in books	216		
Gain on settlement of debt	220		
Non-deductible advertising	226		
Non-deductible interest	227		
Non-deductible legal and accounting fees	228		
Recapture of SR&ED expenditures	231		
Share issue expense	235		
Write down of capital property	236		
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237		
<i>Other Additions: (please explain in detail the nature of the item)</i>			
Interest Expensed on Capital Leases	290		
Realized Income from Deferred Credit Accounts	291		
Pensions	292		
Non-deductible penalties	293		
Co-op/Apprentice Credit	294		52,231
	295		
	296		
	297		
<b>Total Additions</b>			<b>4,234,399</b>
<b>Deductions:</b>			
Gain on disposal of assets per financial statements	401		
Dividends not taxable under section 83	402		
Capital cost allowance from Schedule 8	403		4,430,594
Terminal loss from Schedule 8	404		
Cumulative eligible capital deduction from Schedule 10 CEC	405		
Allowable business investment loss	406		
Deferred and prepaid expenses	409		
Scientific research expenses claimed in year	411		
Tax reserves end of year	413		
Reserves from financial statements - balance at beginning of year	414		364,892
Contributions to deferred income plans	416		
Book income of joint venture or partnership	305		
Equity in income from subsidiary or affiliates	306		
<i>Other deductions: (Please explain in detail the nature of the item)</i>			
Interest capitalized for accounting deducted for tax	390		
Capital Lease Payments	391		
Non-taxable imputed interest income on deferral and variance accounts	392		
	393		
	394		
	395		
	396		
	397		
<b>Total Deductions</b>			<b>4,795,486</b>
<b>NET INCOME FOR TAX PURPOSES</b>			<b>1,794,552</b>
Charitable donations	311		
Taxable dividends received under section 112 or 113	320		
Non-capital losses of preceding taxation years from Schedule 7-1	331		
Net-capital losses of preceding taxation years (Please show calculation)	332		
Limited partnership losses of preceding taxation years from Schedule 4	335		
<b>REGULATORY TAXABLE INCOME</b>			<b>1,794,552</b>

## PILs, Tax Provision

					Wires Only			
Regulatory Taxable Income					\$ 1,794,552		A	
Ontario Income Taxes								
Income tax payable	Ontario income tax	11.75%	B	\$ 210,860	C = A * B			
Small business credit	Ontario Small Business Threshold	\$ 500,000	D					
	Rate reduction	-7.25%	E	-\$ 36,250	F = D * E			
Surtax		\$ 1,000,000	G = A - D					
	Ontario surtax claw-back		H	\$ -	I = G * H			
Ontario Income tax					\$ 174,610		J = C + F + I	
Combined Tax Rate and PILs								
	Effective Ontario Tax Rate			9.73000%	K = J / A			
	Federal tax rate			16.50%	L			
	Combined tax rate				26.23%		M = L + L	
Total Income Taxes								
					\$ 470,711		N = A * M	
Investment Tax Credits					\$ 7,000		O	
Miscellaneous Tax Credits					\$ 52,231		P	
Total Tax Credits					\$ 59,231		Q = O + P	
Corporate PILs/Income Tax Provision for Test Year								
					\$ 411,480		R = N - Q	
Corporate PILs/Income Tax Provision Gross Up		73.77%	S = 1 - M		\$ 146,308		T = R / S - N	
Income Tax (grossed-up)								
					\$ 557,788		U = R + T	
Ontario Capital Tax (not grossed-up)					\$ -		V	
Tax Provision for Test Year Rate Recovery								
					\$ 557,788		W = U + V	

## Appendix I

### 2011 Test Year Updated Cost of Capital

#### Debt & Capital Cost Structure

Weighted Debt Cost								
Description	Debt Holder	Affiliated with LDC?	Date of Issuance	Principal	Term (Years)	Rate%	Year Applied to	Interest Cost
Shareholder Loan	Town of Milton	Y	October 1,2000	14,934,210		7.25%	2006	1,082,730
		N					2006	0
Shareholder Loan	Town of Milton	Y	October 1,2000	14,934,210		7.25%	2007	1,082,730
		N					2007	0
Shareholder Loan	Town of Milton	Y	October 1,2000	14,934,210		7.25%	2008	1,082,730
		N					2008	0
Shareholder Loan	Town of Milton	Y	October 1,2000	14,934,210		7.25%	2009	1,082,730
		N					2009	0
Shareholder Loan	Town of Milton	Y	October 1,2000	14,934,210		7.25%	2010	1,082,730
Infrastructure Ontario	Infrastructure Ontario	N	April 1, 2010	285,000	5	3.02%	2010	6,455
Infrastructure Ontario	Infrastructure Ontario	N	April 1, 2010	2,880,057	15	4.49%	2010	96,986
Infrastructure Ontario	Infrastructure Ontario	N	July 15, 2010	4,000,000	25	4.84%	2010	96,800
Infrastructure Ontario	Infrastructure Ontario	N	December 1, 2010	3,000,000	25	5.00%	2010	50,000
Shareholder Loan	Town of Milton	Y	October 1,2000	14,934,210		5.87%	2011	876,638
Infrastructure Ontario	Infrastructure Ontario	N	April 1, 2010	235,000	4 yrs left	3.02%	2011	7,097
Infrastructure Ontario	Infrastructure Ontario	N	April 1, 2010	2,741,906	14 yrs left	4.49%	2011	123,112
Infrastructure Ontario	Infrastructure Ontario	N	July 15, 2010	3,915,012	24 yrs left	4.84%	2011	189,487
Infrastructure Ontario	Infrastructure Ontario	N	December 1, 2010	2,925,000	24 yrs left	5.00%	2011	146,250
Infrastructure Ontario	Infrastructure Ontario	N	June 1, 2011	3,037,200	25	5.00%	2011	88,585
								0
								0
								0
								0
								0
2006 Total Long Term Debt				14,934,210	Total Interest Cost for 2006		1,082,730	
					Weighted Debt Cost Rate for 2006		7.25%	
2007 Total Long Term Debt				14,934,210	Total Interest Cost for 2007		1,082,730	
					Weighted Debt Cost Rate for 2007		7.25%	
2008 Total Long Term Debt				14,934,210	Total Interest Cost for 2008		1,082,730	
					Weighted Debt Cost Rate for 2008		7.25%	
2009 Total Long Term Debt				14,934,210	Total Interest Cost for 2009		1,082,730	
					Weighted Debt Cost Rate for 2009		7.25%	
2010 Total Long Term Debt				25,099,267	Total Interest Cost for 2010		1,332,971	
					Weighted Debt Cost Rate for 2010		5.31%	
2011 Total Long Term Debt				27,788,328	Total Interest Cost for 2011		1,431,168	
					Weighted Debt Cost Rate for 2011		5.15%	

**Deemed Capital Structure for 2011**

Description	\$	% of Rate Base	Rate of Return	Return
Long Term Debt	33,481,163	56.00%	5.15%	1,724,363
Unfunded Short Term Debt	2,391,512	4.00%	2.07%	49,504
Total Debt	35,872,674	60.00%		1,773,868
Common Share Equity	23,915,116	40.00%	9.85%	2,355,639
Total equity	23,915,116	40.00%		2,355,639
Total Rate Base	59,787,790	100.00%	6.91%	4,129,507

## Appendix J

### 2011 Test Year Updated Revenue Deficiency

#### MILTON HYDRO DISTRIBUTION INC. Revenue Deficiency Determination

Description	2010 Bridge Year Actual	2011 Test Year Existing Rates	2011 Test Year Required Revenue
<b>Revenue</b>			
Revenue Deficiency			1,080,751
Distribution Revenue includes Smart Meter Rev. Req.	13,408,778	12,103,910	12,103,910
Other Operating Revenue (Net)	1,320,890	1,459,399	1,459,399
<b>Total Revenue</b>	<b>14,729,669</b>	<b>13,563,309</b>	<b>14,644,060</b>
<b>Costs and Expenses</b>			
Administrative & General, Billing & Collecting	4,081,901	4,403,240	4,403,240
Operation & Maintenance	2,166,850	1,896,760	1,896,760
Depreciation & Amortization	3,907,910	3,656,765	3,656,765
Property Taxes	0	0	0
Capital Taxes	29,896	0	0
Deemed Interest	1,748,153	1,773,868	1,773,868
<b>Total Costs and Expenses</b>	<b>11,934,711</b>	<b>11,730,633</b>	<b>11,730,633</b>
Less OCT Included Above	29,896	0	0
<b>Total Costs and Expenses Net of OCT</b>	<b>11,964,607</b>	<b>11,730,633</b>	<b>11,730,633</b>
<b>Utility Income Before Income Taxes</b>	<b>2,765,062</b>	<b>1,832,676</b>	<b>2,913,427</b>
<b>Income Taxes:</b>			
Corporate Income Taxes	809,426	301,520	557,788
<b>Total Income Taxes</b>	<b>809,426</b>	<b>301,520</b>	<b>557,788</b>
<b>Utility Net Income</b>	<b>1,955,636</b>	<b>1,531,156</b>	<b>2,355,639</b>
<b>Capital Tax Expense Calculation:</b>			
Total Rate Base	54,861,594	59,787,790	59,787,790
Exemption	0	0	0
Deemed Taxable Capital	<b>54,861,594</b>	<b>59,787,790</b>	<b>59,787,790</b>
Ontario Capital Tax	29,896	0	0
<b>Income Tax Expense Calculation:</b>			
Accounting Income	2,765,062	1,832,676	2,913,427
Tax Adjustments to Accounting Income	40,591	-561,087	-561,087
<b>Taxable Income</b>	<b>2,805,652</b>	<b>1,271,589</b>	<b>2,352,339</b>
<b>Income Tax Expense</b>	<b>809,426</b>	<b>301,520</b>	<b>557,788</b>
<b>Tax Rate Reflecting Tax Credits</b>	<b>28.85%</b>	<b>23.71%</b>	<b>23.71%</b>
<b>Actual Return on Rate Base:</b>			
Rate Base	54,861,594	59,787,790	59,787,790
Interest Expense	1,748,153	1,773,868	1,773,868
Net Income	1,955,636	1,531,156	2,355,639
<b>Total Actual Return on Rate Base</b>	<b>3,703,789</b>	<b>3,305,024</b>	<b>4,129,507</b>
<b>Actual Return on Rate Base</b>	<b>6.75%</b>	<b>5.53%</b>	<b>6.91%</b>
<b>Required Return on Rate Base:</b>			
Rate Base	54,861,594	59,787,790	59,787,790
<b>Return Rates:</b>			
Return on Debt (Weighted)	5.31%	4.94%	4.94%
Return on Equity	9.00%	9.85%	9.85%
Deemed Interest Expense	1,748,153	1,773,868	1,773,868
Return On Equity	1,975,017	2,355,639	2,355,639
<b>Total Return</b>	<b>3,723,170</b>	<b>4,129,507</b>	<b>4,129,507</b>
<b>Expected Return on Rate Base</b>	<b>6.79%</b>	<b>6.91%</b>	<b>6.91%</b>
<b>Revenue Deficiency After Tax</b>	<b>19,381</b>	<b>824,483</b>	<b>-0</b>
<b>Revenue Deficiency Before Tax</b>	<b>27,240</b>	<b>1,080,751</b>	<b>-0</b>

  

<b>Tax Exhibit</b>	<b>2011</b>
Deemed Utility Income	2,355,639
Tax Adjustments to Accounting Income	(561,087)
<b>Taxable Income prior to adjusting revenue to PILs</b>	<b>1,794,552</b>
Tax Rate	23.71%
Total PILs before gross up	425,525
<b>Grossed up PILs</b>	<b>557,788</b>

**Appendix K**  
**2011 Test Year Updated Revenue to Cost Ratios**

MILTON HYDRO DISTRIBUTION INC.

Class	Dist Rev At Existing Rates % (per Application)	Dist Rev At Existing Rates % (per Settlement)	Fixed Distribution Revenue (per Application)	Fixed Distribution Revenue (per Settlement)	Variable Distribution Revenue (per Application)	Variable Distribution Revenue (per Settlement)	Transformer Allowance (per Application)	Transformer Allowance (per Settlement)	Gross Dist. Rev. (per Application)	Gross Dist. Rev. (per Settlement)	Cost Ratios per Cost Allocation Model	Cost Ratios per Cost Allocation Model (per Settlement)
Residential	63.93%	64.61%	4,991,751	4,872,916	3,707,307	3,645,473			8,699,058	8,518,390	104.0%	104.4%
GS < 50 kW	13.21%	13.08%	460,534	439,352	1,336,709	1,284,727			1,797,243	1,724,079	99.4%	99.4%
GS >50 to 999 kW	12.91%	11.43%	310,582	264,785	1,446,260	1,242,150	41,349	41,656	1,798,191	1,548,591	85.1%	83.2%
GS >1000 to 4999 kW	4.64%	5.35%	136,070	142,799	495,209	563,227	111,058	127,189	742,337	833,215	121.4%	115.0%
Large Use	3.97%	4.19%	101,268	96,916	438,335	456,114			539,603	553,029	127.1%	115.0%
Sentinel Lights	0.07%	0.07%	4,801	4,587	5,165	4,934			9,966	9,521	18.9%	44.4%
Street Lighting	0.94%	0.92%	39,091	37,218	88,543	84,302			127,633	121,520	13.2%	41.6%
Unmetered and Scattered	0.34%	0.34%	19,990	19,390	26,569	25,771			46,559	45,161	110.2%	110.0%
<b>100%</b>	<b>100%</b>		<b>6,064,087</b>	<b>5,877,962</b>	<b>7,544,097</b>	<b>7,306,698</b>	<b>152,407</b>	<b>168,844</b>	<b>13,760,590</b>	<b>13,353,505</b>		



## Appendix L

### Summary of Updated Customer Impacts

Bill Impact Summary								
Class	Typical kWh Usage	Typical kW Demand	Delivery Charge Impact % as per Application	Delivery Charge Impact % as per Settlement	Change	Total Bill Impact % as per Application	Total Bill Impact % as per Settlement	Change
Residential	800		7.43%	2.07%	-5.36%	2.46%	0.74%	-1.72%
General Service < 50kW	2,000		14.57%	8.87%	-5.70%	4.04%	2.34%	-1.70%
General Service > 50 -999kW	200,000	500	20.41%	12.67%	-7.74%	2.88%	1.82%	-1.06%
General Service > 1000 - 4999kW	1,600,000	4,000	16.14%	13.56%	-2.58%	2.65%	2.24%	-0.41%
Large Use	3,100,000	7,500	10.86%	8.80%	-2.06%	1.09%	0.75%	-0.34%
Streetlighting	526,732	1,484	233.43%	221.56%	-11.87%	21.45%	20.37%	-1.08%
Sentinel Lighting	50	1	379.76%	361.98%	-17.78%	160.76%	153.19%	-7.57%
Unmetered & Scattered	630		18.86%	16.18%	-2.68%	5.54%	4.76%	-0.78%

### 2011 Test Year Rates

Class	Fixed Rates (per Application)	Fixed Rates (per Settlement)	Variable Rates (per Application)	Variable Rates (per Settlement)
Residential	\$ 15.36	\$ 14.99	\$ 0.0143	\$ 0.0140
GS < 50 kW	\$ 16.78	\$ 16.01	\$ 0.0178	\$ 0.0170
GS >50 to 999 kW	\$ 88.37	\$ 75.34	\$ 2.9288	\$ 2.5089
GS >1000 to 4999 kW	\$ 1,008.02	\$ 951.99	\$ 3.1373	\$ 2.9955
Large Use	\$ 4,219.51	\$ 4,038.15	\$ 2.5261	\$ 2.4175
Sentinel Lights	\$ 1.47	\$ 1.40	\$ 11.1018	\$ 10.6060
Street Lighting	\$ 1.14	\$ 1.08	\$ 4.9716	\$ 4.7335
Unmetered and Scattered	\$ 8.27	\$ 8.02	\$ 0.0175	\$ 0.0170

## Appendix M

### Updated Smart Meter Rates & Revenue Requirement Workform

Milton Hydro Distribution Inc.  
2011 Smart Meter Rate Rider Application

Rate Year	Revenue Requirement
2006 Rate Year Entitlement	-
2007 Rate Year Entitlement	190,147
2008 Rate Year Entitlement	502,465
2009 Rate Year Entitlement	601,753
2010 Bridge Year Entitlement	616,341
2011 Test Year Entitlement to April 30, 2011	
Carrying Charges in Account 1556	9,209
Total Revenue Requirement	1,919,915
	1,735,731 162,335 20,721 976 153 1,919,915

Smart Meter Rate Rider Billed:	Total	Residential	GS<50	GS>50-999	GS>1000-4999	Large Users	Total
2006	(19,553)	(17,530)	(1,783)	(225)	(12)	(2)	(19,553)
2007	(408,141)	(365,921)	(37,221)	(4,703)	(259)	(37)	(408,141)
2008	(624,140)	(560,818)	(55,646)	(7,271)	(351)	(53)	(624,140)
2009	(685,689)	(622,000)	(56,141)	(7,162)	(334)	(52)	(685,689)
2010 Bridge Year forecast	(730,188)	(664,705)	(57,861)	(7,272)	(298)	(52)	(730,188)
2011 Test Year forecast							-
Total Smart Meter Rate Rider Billed	(2,467,712)	(2,230,975)	(208,653)	(26,634)	(1,255)	(196)	(2,467,712)

Revenue Requirement for Recovery to April 30, 2010 (547,796)

2011 Average Number of Customers 29,676  
Number of Months 12  
Rate Rider (1.54)

**Milton Hydro Distribution Inc.**  
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**Proposed Settlement Agreement**  
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Milton Hydro Distribution Inc.  
2011 Smart Meter Rate Rider Application  
Revenue Requirement Calculations

Description	Actual 2007			Actual 2008			Actual 2009			2010 Bridge Year		
<b>Average Fixed Asset Values</b>												
OH & UG Services	\$	-		\$	-		\$	-		\$	-	
General Office	\$	-		\$	-							
Building Renovations	\$	-		\$	-							
Smart meters	\$	937,631		\$	2,129,317		\$	2,624,394		\$	2,756,174	
Stranded Meters	\$	246,631		\$	427,601		\$	429,916		\$	429,916	
Computer Hardware												
Computer Software												
<b>Total</b>	\$	1,184,262		\$	2,556,918		\$	3,054,310		\$	3,186,090	
<b>Working Capital</b>												
Operation Expense	\$	388		\$	95,086		\$	103,040		\$	93,355	
15% Working Capital	\$	58	\$ 58	\$	14,263	\$ 14,263	\$	15,456	\$ 15,456	\$	14,003	\$ 14,003
<b>Smart Meters Fixed Assets in Rate Base</b>	\$ 1,184,320			\$ 2,571,181			\$ 3,069,766			\$ 3,200,093		
<b>Return on Rate Base</b>												
Deemed Debt - Long Term	50%	\$ 592,160		53.3%	\$ 1,370,439		56.7%	\$ 1,740,557		60%	\$ 1,920,056	
Deemed Debt - Short Term	0%	\$ -		0.0%	\$ -		0.0%	\$ -		0%	\$ -	
Deemed Equity	50%	\$ 592,160		46.7%	\$ 1,200,741		43.3%	\$ 1,329,209		40%	\$ 1,280,037	
		\$ 1,184,320			\$ 2,571,181			\$ 3,069,766			\$ 3,200,093	
Weighted Debt Rate - Long Term	7.25%	\$ 42,932		7.25%	\$ 99,357		7.25%	\$ 126,190		7.25%	\$ 139,204	
Short Term Debt Rate	0.00%	\$ -		0.00%	\$ -		0.00%	\$ -		0.00%	\$ -	
Equity Rate	9.00%	\$ 53,294		9.00%	\$ 108,067		9.00%	\$ 119,629		9.00%	\$ 115,203	
<b>Return on Rate Base</b>		\$ 96,226	\$ 96,226		\$ 207,424	\$ 207,424		\$ 245,819	\$ 245,819		\$ 254,407	\$ 254,407
<b>Operating Expenses</b>												
Incremental Operating Expenses	\$	388		\$	95,086		\$	103,040		\$	93,355	
<b>Amortization Expenses</b>	\$	64,664		\$	151,309		\$	195,887		\$	218,485	
Revenue Requirement before PILs	\$	161,278		\$	453,818		\$	544,746		\$	566,248	
<b>Calculation of Taxable Income</b>												
Incremental Operating Expenses	\$	(388)		\$	(95,086)		\$	(103,040)		\$	(93,355)	
Depreciation Expense	\$	(64,664)		\$	(151,309)		\$	(195,887)		\$	(218,485)	
Interest Expense	\$	(42,932)		\$	(99,357)		\$	(126,190)		\$	(139,204)	
<b>Taxable Income for PILs</b>	\$	53,294		\$	108,067		\$	119,629		\$	115,203	
<b>Grossed up PILs</b>		28,869			48,647			57,007			50,093	
Revenue Requirement before PILs		161,278			453,818			544,746			566,248	
Grossed up PILs		28,869			48,647			57,007			50,093	
<b>2011 Revenue Requirement for Smart Meters</b>		190,147			502,465			601,753			616,341	
<b>2011 Smart Meter Rate Adder</b>												
Revenue Requirement for Smart Meters		190,147			502,465			601,753			616,341	
Average # of Metered Customers		21,474			23,912			26,253			28,107	
Annualized amount required per metered customer		8.85			21.01			22.92			21.93	
Number of months in year		12			12			12			12	
Smart Meter Rate Adder		0.74			1.75			1.91			1.83	
<b>Smart Meter - PILs Calculation</b>												
<b>Income Tax</b>												
Net Income	53,294			108,067			119,629			115,203		
Amortization	64,664			151,309			195,887			218,485		
CCA	(77,597)			(175,363)			(214,826)			(224,759)		
Revised Taxable Income	40,362			84,013			100,688			108,929		
Tax Rate	36.12%			33.50%			33.00%			31.00%		
Income Taxes Payable	14,579			28,144			33,227			33,768		
<b>Ontario Capital Tax</b>												
Smart Meter Related Fixed Assets	2,121,893			2,810,973			3,295,332			3,076,847		
Less: Exemption	-			-			-			-		
Deemed Taxable Capital	2,121,893			2,810,973			3,295,332			3,076,847		
Ontario Capital Tax Rate	0.285%			0.225%			0.225%			0.075%		
<b>NET OCT Amount</b>	6,047			6,325			7,414			1,154		
OCT end June 30th												
<b>PILs Payable</b>	<b>Gross Up</b>	<b>Grossed Up PILs</b>		<b>PILs Payable</b>	<b>Gross Up</b>	<b>Grossed Up PILs</b>		<b>PILs Payable</b>	<b>Gross Up</b>	<b>Grossed Up PILs</b>		
Change in Income Taxes Payable	14,579	36.12%	22,822	28,144	33.50%	42,322		33,227	33.00%	49,593		
Change in OCT	6,047		6,047	6,325		6,325		7,414		7,414		
PIL's	20,626		28,869	34,469		48,647		40,642		57,007		