

**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, 2012.

**MILTON HYDRO DISTRIBUTION INC. (“Milton Hydro”)  
APPLICATION FOR APPROVAL OF 2012 ELECTRICITY  
DISTRIBUTION RATES**

**Response to Ms. J. Shewchun Interrogatories**

**Filed: November 15, 2011**

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### **Interrogatory #1**

Does the projected increase of 2.2% take into account the Nov.1, 2011 hydro increase. If not, could a Consumer Impact Statement be produced showing the inclusion of the Nov. 1, 2011 increase?

### **Response:**

Milton Hydro's proposed total bill increase for the average residential customer using 800 kWh is 1.98%. This assumes no change in electricity rates.

The Ontario Energy Board ("OEB") set the price for electricity, effective November 1, 2011, in October. The impact on the Residential customer is contained in the OEB press release which states the following:

"The price change for RPP consumers on TOU pricing represents an increase of approximately \$2.11 on the "Electricity" line, or about 1.8% on the total bill, for a residential consumer with a typical consumption pattern who uses 800 kWh per month."

## **Interrogatory #2**

What consideration was given to the negative impact of this increase on “Vulnerable Consumers” in Milton (seniors on a fixed income, working poor, unemployed etc.) who cannot afford to pay for this increase, given that hydro bills have increased dramatically in the past 7 years? Hydro is not a luxury item which cannot be used. It is a necessity which cannot be avoided, and the rapidly rising hydro rates are creating hardships, especially in these recessionary times.

## **Response:**

Milton Hydro’s portion of the rate application relates to an increase in distribution revenue of \$0.05 per month or \$0.60 per year for the average Residential customer using 800 kWh per month. The balance of the proposed increase is in respect of changes in regulatory variances and retail transmission service charges.

### **Interrogatory #3**

What “efficiencies” did Milton Hydro undertake in order to avoid this request for increase?

#### **Response:**

Milton Hydro is applying for an annual rate adjustment under the 3rd Generation Incentive Regulation Mechanism (“IRM3”). The very nature of an IRM application is to encourage distributors, including Milton Hydro to continue to improve efficiencies in order to reduce costs of business to reduce the impact of rate increases on customers. An IRM increase is the difference between price increases in the expenditure side of the Gross Domestic Product less two productivity percentages which limits a distributors distribution revenues unless the distributor is actually able to obtain the efficiency gains.

#### **Interrogatory #4**

Why does Milton Hydro refuse to hold a public meeting in order to explain the need for an increase to the Milton ratepayers?

#### **Response:**

Milton Hydro has filed its Application in accordance with the OEB Rules of Practice and Procedures ("the Rules"). The Rules provide for three levels of participation. In particular Part III – Proceedings, Section 22. Levels of Participation, sets out the levels of public participation available to any person. Sections 23 to 25 provide for Intervenor Status; Public Comment; and Observer Status. Milton Hydro submits that the Rules provide for Public participation in its Rate Application.

**Interrogatory #5**

Milton Hydro enjoys over a million dollar profit. Will profits increase with this request for an increase?

**Response:**

Milton Hydro's IRM3 Application provides for an increase to existing rates of 0.18% which amounts to approximately \$23,000 of additional distribution revenue. Profit is dependent on productivity.

**Interrogatory #6**

Was this request for an increase approved by the Milton Hydro Board of Directors?

**Response:**

Milton Hydro's Board of Directors is aware of the proposed rate increase as filed with the OEB.  
The OEB have the final approval of the Application.

**Interrogatory #7**

Could you explain “deemed” debt in terms of its origin? It is my understanding, and correct me if I am wrong, but interest on this debt is paid to the Town of Milton. Debt is created when there is a tangible exchange of “property”. What did Milton Hydro receive from the Town of Milton?

**Response:**

Deemed debt is the regulated amount of debt that a distributor may include in the calculation of its regulated return which is used to calculate revenue requirement for setting rates in a Cost of Service proceeding. Actual interest only is paid on the actual amount of debt.

Upon incorporation Milton Hydro Distribution Inc. acquired the assets and liabilities of the previous Milton Hydro-Electric Commission from the Town of Milton in exchange for common shares and debt. Milton Hydro pays interest, on this debt, to the Town of Milton.



### **Interrogatory #8**

The data provided to substantiate this increase is based on a theoretical model using regression analysis referenced in your application as “mechanistic and formulaic adjustment to distribution rates”. What evidence is there that this model is accurate?

### **Response:**

The models used in Milton Hydro’s IRM3 Application were prepared by OEB Staff and used by other electricity distributors in the preparation of IRM3 applications. In the event a distributor encounters an error, it is reported to OEB Staff for correction. By the time a distributor files the models they have generally been thoroughly tested.

### **Interrogatory #9**

Milton Hydro states that the distribution to notify the ratepayer was done in a free Publication circulated to each household and apartment in the Town of Milton. What evidence is there that newer apartment buildings, condos and residential households are receiving this publication? Would you agree that a better system of notifying ratepayers of rate increases would be a notification inserted with the monthly bill before the rate increase is filed, as is done to notify ratepayers of increases after they are approved? Isn't public input an important input when seeking a rate increase?

### **Response:**

Milton Hydro submitted evidence of circulation of the Milton Canadian Champion in its 2011 Cost of Service Application in response to the OEB Procedural Order No. 3 issued December 7, 2010. The number of copies circulated at the time exceeded the number of Milton Hydro Residential customers thereby providing ample coverage.

Milton Hydro filed its Application under the OEB Rules of Practice and Procedures.

Milton Hydro agrees that public input is important and would refer to its response to Interrogatory #4 above.