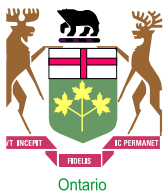


**Milton Hydro Distribution Inc.  
2013 IRM Rate Application  
Board Staff Interrogatories**

**1. Ref: 2012 IRM3 Tax Savings Work Form, page 5  
Ref: Revenue Requirement Work Form EB-2010-0137**

Board Staff notes some discrepancies in the tax rates entered into the 2013 Tax Savings Work form.

- a) Please provide an explanation of the 2012 tax rate of 26.16% entered in the tax savings work form with the 2012 approved rate being 26.15%. If this is an error Board Staff will update your work form.



**REVENUE REQUIREMENT WORK FORM**

Version: 2.11

Name of LDC: Milton Hydro Distribution Inc.

File Number: EB-2010-0137

Rate Year: 2011

**Taxes/PILs**

Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
<b><u>Determination of Taxable Income</u></b>				
1	Utility net income before taxes	\$2,448,414	\$2,355,639	\$2,291,068
2	Adjustments required to arrive at taxable utility income	(\$651,498)	(\$561,087)	(\$561,087)
3	Taxable income	\$1,796,916	\$1,794,552	\$1,729,981
<b><u>Calculation of Utility income Taxes</u></b>				
4	Income taxes	\$448,398	\$411,480	\$393,239
5	Capital taxes	\$ - (1)	\$ - (1)	\$ -
6	Total taxes	\$448,398	\$411,480	\$393,239
7	Gross-up of Income Taxes	\$176,547	\$146,308	\$139,278
8	Grossed-up Income Taxes	\$624,945	\$557,788	\$532,517
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$624,945	\$557,788	\$532,517
10	Other tax Credits	(\$59,231)	(\$59,231)	(\$59,231)
<b><u>Tax Rates</u></b>				
11	Federal tax (%)	16.50%	16.50%	16.50%
12	Provincial tax (%)	11.75%	9.73%	9.65%
13	Total tax rate (%)	28.25%	26.23%	26.15%

## 2. Ref: 2012 IRM3 RTSR Work form, page 4

Please confirm that the amounts entered into the columns “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” have not been adjusted by Milton’s Board-approved loss factor.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW
Residential	kWh	268,725,505	
General Service Less Than 50 kW	kWh	83,338,834	
General Service 50 to 999 kW	kW	192,782,769	503,231
General Service 1,000 to 4,999 kW	kW	121,407,487	260,972
Large Use	kW	80,336,534	175,385
Unmetered Scattered Load	kWh	1,298,941	
Sentinel Lighting	kW	158,082	439
Street Lighting	kW	6,418,516	17,894

## 3. Ref: 2012 IRM3 RTSR Work form, page 4

Board Staff notes some discrepancies in the applicable loss factors entered into the IRM3 RTSR Work form, page 4.

- a) Please confirm that Milton’s loss factors rates were set on the basis below (EB-2010-0137).

### LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0362
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0149
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0258
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0048

- b) Please provide an explanation for the loss factor of 1.0358 for residential and GS < 50 kW and 1.036 for unmetered scattered load being entered in the RTSR Work Form page 4 while the approved applicable loss factor appear to be 1.0362 for all three rate classes. If this is an error Board Staff will update your work form.

**4. Ref: 2013 IRM Application, Page 11-21 of 30, LRAM**

Milton has requested an LRAM recovery for a total amount of \$107,762, inclusive of \$2,830 in carrying charges, for persisting lost revenues incurred in 2011 and 2012 from CDM programs implemented in 2010.

- a) Please confirm that Milton has relied on the final 2010 program evaluation results from the OPA to calculate its LRAM amount.
- b) If Milton did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.
- c) Please confirm that Milton has not received any of the lost revenues requested in this application in the past. If Milton has collected lost revenues related to programs applied for in this application, please discuss the appropriateness of this request.

**5. Ref: 2013 IRM Application, Page 11-12 of 30, LRAM**

Milton notes that it did not include a reduction for load that would have resulted from the implementation of the 2010 OPA CDM programs in the load forecast used in Milton's 2011 COS rate application for the purposes of setting 2011 rates.

- a) Please provide supporting evidence that confirms Milton explicitly stated that it was not including 2010 CDM program impacts in its load forecast.
- b) Please provide supporting evidence that the proposal to not include 2010 CDM program impacts in the 2011 load forecast was accepted by the Board.
- c) Please discuss why Milton did not make a manual adjustment to its 2011 load forecast to account for 2010 CDM program impacts.

**6. Ref: 2013 IRM Application, Page 16 of 30, Table 11, LRAM**

Milton has provided the 2010 OPA CDM impacts and has shown the persisting effects into 2011 and 2012.

- a) Please confirm that none of the measure lives for the measures installed as part of the CDM programs delivered in 2010 have expired in 2011 and/or 2012.

**7. Ref: Milton Hydro's Smart Meter Model**

On the sheet titled "SMIRR" of Milton Hydro's Smart Meter Model, Milton Hydro shows as the first two entries:

- a) Please explain the rationale for this adjustment.
- b) Please provide the references in the Board Decision and Order EB-2010-0137, including the approved Settlement Agreement attached as Appendix A to that Decision and Order that support Milton Hydro's basis for this adjustment.

**8. Ref: Milton Hydro's Smart Meter Model**

What were the capital additions to smart meters and related infrastructure for each of the 2010 and 2011 calendar years?

**9. Ref: Application, page 24 and Milton Hydro's Smart Meter Model**

On page 24 of its Application, Milton Hydro states:

The total capital balance as at December 31, 2009 in the amount of \$3,707,193 (\$3,277,277 Smart Meters and \$429,916 stranded meters) and included in Rate Base in Milton Hydro's 2011 Cost of Service Rate Application, represented 95% of Milton Hydro's Smart Meter capital investment. The balance being requested for final disposition in this Application amounts to \$220,314.

In its Smart Meter Model, Milton Hydro includes the stranded meter assets of \$429,916 in the calculation of the deferred revenue requirements for 2010 and January 1 to April 30, 2011.

- a) Please explain what Milton Hydro means by the above statement. In particular, how and why was the balance of \$429,916 for stranded meters included in rate base in Milton Hydro's 2011 cost of service application?
- b) Please explain why stranded meters are included in the calculation of the deferred revenue requirement for 2010 and for the first four months of 2011.
- c) Please explain why the stranded meter assets are not subject to depreciation in 2010 and the first four months of 2011.

**10. Ref: Application, page 24 and Milton Hydro's Smart Meter Model**

On page 24 of its Application, Milton Hydro states:

Milton Hydro's next Cost of Service Rate Application is to be filed for rates effective May 1, 2015. In the 2015 Cost of Service Rate Application Milton Hydro will Rate Base the remaining \$220,324 of smart meter capital less applicable depreciation. Milton Hydro has

therefore calculated a Smart Meter Incremental Revenue Requirement ("SMIRR") up to and including April 30, 2015.

On sheet "2010\_2011Revenue Requirement", Milton Hydro shows derivation of the deferred and forecasted revenue requirement for smart meters installed from January 1, 2010 to December 31, 2011 for the following periods:

- 2010 Actual
- 2011 first four months (January 1 to April 30)
- 2011 last eight months (May 1 to December 31)
- 2012 forecasted
- 2013 forecasted
- 2014 forecasted
- 2015 first four months (January 1 to April 30) forecasted

The fiscal year used for rate-setting corresponds to the calendar year, while the rate year for Milton Hydro, and for many other electricity distributors lags by four months.

- a) What is the basis for including the revenue requirement for the first four months of 2015, when the assets will be included in the rate base and revenue requirement for the full 2015 year assuming Milton Hydro rebases its rates through a 2015 cost of service application as is currently expected?
- b) For the same reasons as above, what is the basis for Milton Hydro to calculate a separate revenue requirement for the first four months of 2011 than for the last eight months of 2011?
- c) Further what is the basis for including the smart meter assets (with a NBV of \$2,735,163) related to smart meters installed to December 31, 2009 in the calculation of the deferred revenue requirement for January 1 to April 30, 2011 when those assets were included in Milton Hydro's 2011 rate base and revenue requirement as approved by the Board in Decision and Order EB-2010-0137?

#### **11. Ref: Milton Hydro's Smart Meter Model – Carrying Charges**

In its Smart Meter Model, Milton Hydro shows carrying charges of \$4,773 in cell F13. The cell reference is to a cell from a separate model: 'E:\Accounting Department\2013 IRM\Smart\_Meter\_Final\_Disposition\[Carrying Charges Smart Meter\_2010\_2015.xlsx]Sheet1'!\$AM\$37.

Please file a copy of that model in Microsoft Excel format.

#### **12. Ref: Milton Hydro's Smart Meter Model – Operating Expenses**

Milton Hydro includes operating expenses of \$98,402 for 2010 and \$150,992 for 2011 in the calculation of the deferred revenue requirement for those years, but no incremental operating expenses are included for 2012 onwards.

- a) Please provide further description of the operating expenses for each of 2010 and 2011.
- b) Please explain why no incremental operating expenses are shown after December 31, 2011.

**13. Ref: Application, pages 24-26 – SMDR and SMIRR**

On pages 23-24, Milton Hydro states:

Subsequent to the OEB approving Milton Hydro's SMVADRR the OEB issued the Smart Meter Funding and Cost Recovery – Final Disposition Guideline G-2011-0001 on December 15, 2011 ("the Guidelines"). The Guidelines now refer to Milton Hydro's SMVADRR as the Smart Meter Disposition Rider ("SMDR") with the same explanation for the recovery purpose of the SMDR as the approved SMVADRR for Milton Hydro.

On page 24, Milton Hydro states:

Milton Hydro's next Cost of Service Rate Application is to be filed for rates effective May 1, 2015. In the 2015 Cost of Service Rate Application Milton Hydro will Rate Base the remaining \$220,324 of smart meter capital less applicable depreciation. Milton Hydro has therefore calculated a Smart Meter Incremental Revenue Requirement ("SMIRR") up to and including April 30, 2015.

Board staff concurs that the SMVADRR approved in Milton Hydro's 2011 cost of service application is an SMDR related to the recovery or refund of the deferred revenue requirement less smart meter funding adder revenues and carrying charges for the smart meters deployed to December 31, 2009. A SMIRR was not needed as the inclusion of those smart meter assets in the 2011 rate base and revenue requirement meant that the recovery of capital –related and operating expenses for those installed smart meters would be recovered in rates from 2011 onwards.

However, for the smart meters installed from January 1, 2010 to December 31, 2011 and for cost recovery is being sought in this IRM application, both a SMDR (to recover the deferred revenue requirement from January 1, 2010 to December 31, 2012) and a SMIRR, to recover the annualized revenue requirement based on a 2013 test year, as a monthly rate until Milton Hydro next rebases its rates through a cost of service application is appropriate.

- a) Please indicate which of Milton Hydro's customer classes had smart meters installed.

- b) Using the Smart Meter Model Version 3.0 issued by the Board on June 28, 2012, attached, please provide calculations of SMDRs and SMIRRs for the costs related to smart meters installed from January 1, 2010 to December 31, 2011.
- c) In calculating the SMDRs and SMIRRs, please use sheets 10A and 10B to propose class-specific SMDRs and SMIRRs to recover the costs from those customer classes which received smart meters.
- d) In responding, Milton Hydro should also separately categorize “minimum functionality” and “beyond minimum functionality” costs in accordance with *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition*, issued December 15, 2011. Milton Hydro should provide explanations for the costs also in accordance with this Guideline.