



MILTON HYDRO DISTRIBUTION INC.

8069 Lawson Road, Milton, Ontario L9T 5C4
Telephone (905) 876-4611 • Fax (905) 876-2044

By RESS and Courier

December 7, 2012

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

**Re Milton Hydro Distribution Inc., Distribution Licence ED-2003-0014
2013 IRM3 Electricity Distribution Rate Application
Reply Submission
EB-2012-0148**

Please find attached Milton Hydro Distribution Inc.'s ("Milton Hydro") Reply Submission in response to the submissions of Ontario Energy Board ("OEB") Staff and the Vulnerable Energy Consumers Coalition ("VECC") received on November 23, 2012 and November 26, 2012 respectively.

Milton Hydro has filed its Reply Submission through the OEB's RESS and will deliver two hard copies to your attention by courier.

Should you require further information or clarification please contact me at 289-429-5212 or cameronmckenzie@miltonhydro.com.

Yours truly,

Original signed by Cameron McKenzie

Cameron McKenzie, CGA
Director, Regulatory Affairs

1
2 **IN THE MATTER OF** the Ontario Energy Board Act, 1998, being
3 Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15;

4 **AND IN THE MATTER OF** an Application by Milton Hydro
5 Distribution Inc. to the Ontario Energy Board for an Order or
6 Orders approving or fixing just and reasonable rates and other
7 service charges for the distribution of electricity as of May 1, 2013.

8
9 **MILTON HYDRO DISTRIBUTION INC. (“Milton Hydro”)**

10 **APPLICATION FOR APPROVAL OF 2013 ELECTRICITY**
11 **DISTRIBUTION RATES**

12
13
14 **REPLY SUBMISSION**

15
16
17 **Filed: December 7, 2012**

18
19 Cameron McKenzie
20 Director, Regulatory Affairs
21 Milton Hydro Distribution Inc.
22 8069 Lawson Road
23 Milton, Ontario
24 L9T 5C4
25
26 Tel: (289) 429-5212
27 cameronmckenzie@miltonhydro.com

APPLICATION FOR APPROVAL OF 2013 ELECTRICITY DISTRIBUTION RATES

REPLY SUBMISSION

Introduction

- (a) The Applicant is Milton Hydro Distribution Inc. ("Milton Hydro"). Milton Hydro is a corporation incorporated pursuant to the Ontario *Business Corporations Act* with its head office in the Town of Milton. Milton Hydro carries on the business of distributing electricity within the Town of Milton.
- (b) Milton Hydro filed an application with the Ontario Energy Board ("OEB") on September 14, 2012, pursuant to section 78 of the Ontario Energy Board Act, 1998 as amended (the "OEB Act") for approval of its proposed distribution rates and other charges, effective May 1, 2013.
- (c) On October 4, 2012 Milton Hydro published the OEB Notice of Application and Written Hearing in the Milton Canadian Champion.
- (d) Milton Hydro received intervenor requests from the Vulnerable Energy Consumers Coalition ("VECC") and OEB Staff and received Interrogatories from both parties by October 26, 2012.
- (e) Milton Hydro filed its Interrogatory Responses on November 9, 2012.
- (f) Milton Hydro received written submissions from OEB staff and VECC on November 23, 2012.

Milton Hydro's Reply Submission

Milton Hydro would note that OEB Staff identified a discrepancy in each of Milton Hydro's 2013IRM_Tax_Sharing_ModelV1_20120706 and 2013IRM_RTSM_Model_V3_20120711. Milton Hydro provided the correction to each model and OEB Staff agreed to update the models accordingly. Milton Hydro would like to acknowledge the assistance of OEB Staff in making these changes.

OEB Staff have accepted Milton Hydro's Retail Transmission Service Rates, subject to any available updated Uniform Transmission Rates, and Milton Hydro's disposition of its Group 1 Deferral and Variance Accounts in the amount of \$1,813,132 (debit) over a period of one year.

Detailed submissions were made on the following matters:

OEB Staff:

- Lost Revenue Adjustment Mechanism ("LRAM") Claim; and
- Smart Meter Final Disposition

VECC:

- Lost Revenue Adjustment Mechanism ("LRAM") Claim; and
- Smart Meter Final Disposition

Milton Hydro's reply submission will address the detailed submission from OEB Staff and VECC in the order presented above.

Lost Revenue Adjustment Mechanism ("LRAM") Claim

Milton Hydro filed a Lost Revenue Adjustment Mechanism ("LRAM") claim for 2010 OPA CDM programs persistent into 2011 and 2012 in the amount of \$107,762 including carrying charges of \$2,830. This LRAM claim is based on the fact that the results of the 2010 OPA CDM programs were not incorporated into Milton Hydro's load forecast filed in its 2011 Cost of Service Rate Application.

The CDM Guidelines EB-2008-0037, which were in effect at the time of Milton Hydro filing its 2011 Cost of Service Rate Application state that "When applying for LRAM, a distributor should ensure that sufficient time has passed to ensure that the information needed to

1 support the application is available.”¹ Milton Hydro filed its 2011 Cost of Service Rate
2 Application on August 26, 2010. The OPA released Milton Hydro's 2010 Final OPA results in
3 November 2011, well after Milton Hydro's 2011 Cost of Service Rate Application and load
4 forecast were approved by the OEB. Milton Hydro submits that the 2010 OPA CDM program
5 results were not available and therefore could not be included in Milton Hydro's load forecast.

6
7 OEB Staff and VECC both quote the 2012 CDM Guidelines which states “The Board
8 therefore expects that **LRAM for pre-2011 CDM activities should be completed with**
9 **the 2012 rate applications [emphasis added]**, outside of persisting historical CDM
10 impacts realized after 2010 for those distributors whose load forecast has not been
11 updated as part of a cost of service application.”² Milton Hydro filed a 2011 Cost of
12 Service Application and as discussed above the 2010 OPA CDM program results were
13 not available at the time of filing. Milton Hydro agrees that **2012** Cost of Service
14 Application load forecasts would include 2010 actual customer data which would
15 complete the pre-2011 CDM activities. This is not the case with Milton Hydro's 2011
16 load forecast.

17
18 Milton Hydro understands that the revised guidelines state “The 2008 CDM Guidelines have
19 prevailed to date unless there was explicit language within a distributor's cost of service
20 decision that CDM impacts were not included in the load forecast.”³ OEB staff and VECC
21 rely on the word “explicit” in either their interrogatories or their submissions, specifically that
22 Milton Hydro did not explicitly state that it was not including 2010 CDM program impacts in its
23 load forecast. Milton Hydro interprets the word explicitly to mean that a distributor must
24 make it clear, obvious, apparent or evident to the reader that CDM impacts are not included

¹ Section 5.3 Timing of Application, page 19 of the Guidelines For Electricity Distributor Conservation and Demand Management, EB-2008-0037.

² Section 13.6 LRAM & Shared Savings Mechanism for Pre-CDM Code Activities, page 14, of the Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003.

³ Section 13.1 LRAM History, page 11 of the Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003.

1 in the load forecast. Throughout Milton Hydro's 2011 Cost of Service Rate Application and
2 evidence filed with the OEB, Milton Hydro consistently refers to actual customer data for the
3 period January 2001 to December 2009 or 2009 Actual data and provided actual data to the
4 end of 2009 for forecasting the 2010 Bridge Year and the 2011 Test Year in Milton Hydro's
5 load forecast regression model.⁴ Milton Hydro submits that its 2011 Cost of Service Rate
6 Application evidence did make it clear and obvious to all readers that Milton Hydro's load
7 forecast was based on actual customer consumption and demand up to December 2009 and
8 therefore there was no provision for 2010 Actual data and 2010 OPA CDM program
9 reductions, which, as discussed above, was not available at the time of filing.

10
11 OEB Staff and VECC state in their submission that Milton Hydro's 2011 approved load
12 forecast is final in all respects and therefore Milton Hydro's LRAM request should be denied.
13 Milton Hydro submits that this is an incorrect assumption by OEB Staff and VECC. Milton
14 Hydro would refer to the updated CDM Guidelines EB-2012-0003 which states: "The Board
15 will adopt an approach for LRAM for the 2011 – 2014 CDM period that is similar to that
16 adopted in relation to natural gas distributor DSM activities. The Board will authorize the
17 establishment of an LRAM Variance Account ("LRAMVA")..."⁵. The implementation of an
18 LRAMVA clearly indicates that it is not the OEB's intention to declare distributors load
19 forecasts to be final in all respects. If distributors load forecasts were final in all respects as
20 suggested by OEB Staff and VECC then there would be no requirement for the LRAMVA as
21 there would not be any adjustments allowed. Milton Hydro submits that its 2011 Cost of
22 Service load forecast is not and cannot be declared final in all respects in order for Milton
23 Hydro to adhere to the updated CDM Guidelines and therefore Milton Hydro's LRAM claim
24 should be approved.

⁴ Exhibit 3, pages 11, 14, 15, 16, 17, 18, 20, 25, 26 and Table 6 and Tables 8 to 28 of Milton Hydro's Application for Approval of 2011 Electricity Distribution Rates, EB-2010-0137; and Milton Hydro's 2011 Load Forecast Model – MILTON_Weather_Normalization_Regression Model_2011_by_customer_class_V3_20100712.xls

⁵ Section 13.2 LRAM Mechanism for 2011 – 2014, page 12 of the Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003.

Milton Hydro would argue that the OEB did not implement the updated 2012 CDM Guidelines with the intent of applying the updated guidelines retroactively to a distributor that has filed an application in accordance with previous guidelines. The 2008 CDM Guidelines include “A mechanism to compensate for distributor-induced lost revenues [that] is intended to remove the disincentive. LRAM is a retrospective adjustment, which is designed to recover revenues lost from distributor supported CDM activities in a prior year. It is designed to compensate a distributor only for **unforecasted [emphasis added]** lost revenues associated with CDM activities undertaken by the distributor within its licensed service area.”⁶ The OEB continued to acknowledge the purpose of the LRAM in the OEB’s November 26, 2012 letter to all Licensed Electricity Distributors and others which stated “The Board has had a limited revenue decoupling mechanism in place for both natural gas and electricity distributors for some years. The Lost Revenue Adjustment Mechanism has been intended to overcome any reluctance of distributors to engage in conservation and demand management activities since it reduces their revenues.”⁷ Milton Hydro submits that the purpose of the 2012 update to the CDM Guidelines is to provide guidance to distributors going forward and not to retroactively disallow the original intent an LRAM which is to provide regulatory certainty that distributors will be kept financially whole through the implementation of CDM programs.

While the OEB Staff addressed a decision in Hydro One Brampton's ("HOBNI") 2012 IRM application, EB-2011-0174, Milton Hydro would note that this continues to be an issue to HONBNI and is being address in HOBNI's reply submission EB-20112-0135 filed November 6, 2012.

Milton Hydro has filed an LRAM claim in accordance with the 2008 CDM Guidelines and the 2012 CDM Guidelines which states: “If making an application for LRAM in association with

⁶ Section 5.0 Lost Revenue Adjustment Mechanism (LRAM), page 18 of the Guidelines For Electricity Distributor Conservation and Demand Management, EB-2008-0037.

⁷ Revenue Decoupling for Distributors, Board File Number: EB-2012-0410 page 1 and 2 of the OEB letter dated November 26, 2012.

CDM programs delivered before 2011, distributors should note that, as mentioned above, it is the Board's expectation that these LRAM applications are only for persisting historical impacts realized after 2010.”⁸ Milton Hydro has filed its application for an LRAM claim for 2010 OPA CDM program persistence only.

Milton Hydro submits that it has relied on the OEB CDM Guidelines and that its LRAM claim has been filed in accordance with these Guidelines and, as discussed above, Milton Hydro's 2011 Cost of Service load forecast did not include a reduction for 2010 OPA CDM programs and therefore Milton Hydro's distribution revenue is negatively impact through its participation in the 2010 OPA Conservation and Demand Management programs. Milton Hydro further submits that any Decision other than approving Milton Hydro's LRAM claim and proposed rate riders as set out in Table 1 below is contrary to the OEB's Conservation and Demand Management Guidelines for the LRAM mechanism and the OEB's commitment to keep distributors financially whole while implementing Conservation and Demand Management programs.

Table 1
Calculations of LRAM Rate Riders by Customer Class

Customer Class	Total LRAM & Carrying Charges \$\$\$	Unit	2011 OEB- Approved Metered kWh/kW	Proposed Rate Riders May 1, 2013
Residential	11,344	kWh	260,408,065	0.0001
General Service <50 kW	20,274	kWh	75,603,703	0.0003
General Service 50-999 kW	31,825	kW	511,697	0.0622
General Service 1000-4,999 kW	44,319	kW	230,486	0.1923
Large Users	-	kW	188,668	-
	107,762			

⁸ Section 13.6 LRAM & Shared Savings Mechanism for Pre-CDM Code Activities, page 14, of the Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003.

Smart Meter Final Disposition

Milton Hydro has applied for final disposition of its smart meter variance accounts USoA 1555 and 1556 in the amount of \$220,314 being the final 5% of Milton Hydro's total smart meter cost to be disposed of.

In response to OEB Staff and VECC interrogatories IR #13b and IR # 5 respectively, Milton Hydro withdrew its model and filed updated evidence by completing the OEB Smart Meter Model Version 3.0.

Milton Hydro agrees with OEB Staff in that the majority of the \$220,314 to be disposed of relates to the installation of additional collectors and repeaters which is common to the smart meter infrastructure and therefore should be allocated across both the Residential and General Service < 50 kW customer classes.

VECC's submission requests Milton Hydro to provide class specific smart meter models and revenue requirement for cost allocation purposes. Milton Hydro would refer VECC to the OEB Staff submission on cost allocation which states "Milton has calculated the class-specific smart meter revenue requirement using the following methodology:

- OM&A expenses have been allocated on the basis of the number of meters installed for each class;
- The Return and Amortization have been allocated on the basis of the capital costs of the meters installed for each class;
- PILS have been allocated based on the revenue requirement derived for each class before PILS; and
- Direct allocation by rate class of the SMFA revenue collected from the residential and GS < 50 kW rate classes (applicable only for the SMDR determination).⁹

⁹ Cost Allocation, page 8, of the Board Staff Submission, November 23, 2012.

Milton Hydro submits that a uniform SMDR and the SMIRR as calculated on Sheet 9 of the model and proposed by OEB Staff is the appropriate method for recovery of Milton Hydro's remaining smart meter costs. The Table 2 below sets out the SMDR and SMIRR rate riders calculated by the model and also provided on page 8 of the OEB Staff submission.

Table 2
Proposed SMDR & SMIRR

Smart Meter Disposition Rate Riders	OEB Smart Meter Model V 3.0 Sheet 9. SMFA_SMDR_SMIRR
SMDR in effect May 1,2013 to April 30, 2015	\$0.03
SMIRR in effect until Milton Hydro's next cost of service rates become effective	\$0.08

Conclusion

Milton Hydro respectfully submits that it has complied with the Ontario Energy Board's Chapter 3 of the Filing Requirements for Transmission and Distribution Applications issued June 28, 2012; the Guidelines for Electricity Distributor Conservation and Demand Management EB-2008-0037 and EB-2012-0003.

Milton Hydro has responded to all interrogatories received during this proceeding in a complete and timely manner and provided the required corrections to OEB Staff to update Milton Hydro's 2013IRM_Tax_Sharing_ModelV1_20120706 and 2013IRM_RTSMR_Model_V3_20120711.

Milton Hydro has discussed in detail above, in its Application and through interrogatory responses its evidence in support of its LRAM claim in the amount of \$107,762 for persisting lost revenues from 2010 OPG CDM programs not included in Milton Hydro's 2011 Cost of

1 Service load forecast and realized in 2011 and 2012. Milton Hydro's distribution revenue has
2 been negatively impact by participating in the 2010 OPA CDM programs.

3
4 Milton Hydro has completed the OEB Smart Meter Model Version 3.0 in response to OEB Staff
5 IR # 13b and VECC IR # 5 and is in agreement with the OEB Staff submission on the proposed
6 uniform SMFA and SMIRR as set out in Table 2 above.

7
8 **Relief Sought**

9 Milton Hydro is making an Application for an Order or Orders approving the following:

- 10 • the proposed distribution rates and other charges set out Appendix D to Milton Hydro's
11 2013 IRM3 Rate Application as just and reasonable rates and charges pursuant to
12 section 78 of the OEB Act, to be effective May 1, 2013, or as soon as possible
13 thereafter; and

14 In the event that the OEB is unable to provide a Decision and Order on this Application
15 for implementation by Milton Hydro as of May 1, 2013, Milton Hydro requests that the
16 OEB issue an interim Order approving the proposed distribution rates and other charges,
17 effective May 1, 2013, which may be subject to adjustment based on a final Decision
18 and Order;

- 19 • approval of Milton Hydro's Retail Transmission Service Rates as updated by OEB Staff
20 and subject to any available updated Uniform Transmission Rates;

- 21 • approval for the disposition of Milton Hydro's Group 1 Deferral and Variance account
22 balances totaling \$1,813,132 through a variable kWh/kW rate rider over a period of one
23 year. This balance includes Milton Hydro's RSVA – Power – Sub-account – Global
24 Adjustment USoA – 1588 in the amount of \$1,707,157 which is applicable to Non-RPP
25 customers only;

- 26 • approval for Milton Hydro to record the tax sharing amount of \$5,316 in USoA account
27 1595 for disposition in a future proceeding.

- 28 • approval to recover Milton Hydro's Lost Revenue in the amount of \$107,762 resulting
29 from the implementation of Ontario Power Authority Conservation and Demand

1 Management programs in 2010, of which the conservation savings had not been
2 reflected in Milton Hydro's 2011 Cost of Service load forecast and therefore such
3 conservation savings remain persistent through 2011 and 2012.

- 4 • approval for final disposition of Milton Hydro's Smart Meter accounts and the calculation
5 of uniform Smart Meter Disposition Rate Riders ("SMDR") and Smart Meter Incremental
6 Revenue Requirement Rate Riders ("SMIRR") as submitted by OEB staff. Milton Hydro
7 agrees with the submission of OEB Staff as set out in Table 2 above.
- 8 • Milton Hydro understands that the OEB will update the microFIT Generator Service
9 Charge from the current \$5.25 to the approved \$5.40 effective May 1, 2013.

10
11 **Respectfully submitted this 7th day of December 2012.**

12
13
14 *Original signed by Cameron McKenzie*

15
16 Cameron McKenzie, CGA
17 Director, Regulatory Affairs
18 Milton Hydro Distribution Inc.