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, 2014.

MILTON HYDRO DISTRIBUTION INC. ("Milton Hydro") APPLICATION FOR APPROVAL OF 2014 ELECTRICITY DISTRIBUTION RATES

EB-2013-0152

RESPONSE TO OEB STAFF INTERROGATORIES

November 26, 2013

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Minimum Distribution Charge

Interrogatory #1

Ref: Manager's summary, pp. 4-5

In its Manager's summary Milton Hydro stated that the Board-approved Minimum distribution Charge that is charged to the seasonal General Service >50kW customer class when their operations cease at the end of their operating season, is not reflected in the OEB IRM Rate Generator. Milton Hydro submitted that no rates adjustments were made to this charge in the 2012 and 2013 rate years. Milton Hydro is requesting a price cap adjustment of 0.88% for the 2012 and 0.48% for 2013 rate years as well as the applicable price cap adjustment for the 2014 rate year.

Board staff has reproduced the proposed Minimum Distribution Charge below:

Proposed Minimum Distribution Charge Effective May 1, 2014

Minimum Distribution Charge per kW of maximum billing demand in the previous 11 months	% IRM Increase		
2011 Approved Cost of Service Rate		$/kW	0.5713
2012 IRM increase	0.88%		0.0050
2013 IRM increase	0.48%		0.0027
2014 proposed IRM increase	0.48%		0.0027
Total IRM Increase 2012 to 2014			0.0105
2014 Proposed Minimum Distribution Charge		$/kW	0.5818

1. Please explain why Milton Hydro did not apply for a price cap index adjustment for this charge in the 2012 and 2013 rate years.
2. Please provide a further explanation why the Milton Hydro feels that an out of period price cap index adjustment is appropriate.

Response:

1. Milton Hydro did not apply for a price cap index adjustment for this charge in the 2012 and 2013 rate years as this distribution charge was not included in the Rate Generator Models provided by the OEB. Milton Hydro recognizes that it is the distributor's responsibility to report errors or omissions in OEB models order to have them corrected. Milton Hydro only notice that this charge had not been updated when comparing rate schedules for the years 2012, 2013 and proposed for 2014.

2. Milton Hydro feels that an out of period price cap adjustment is appropriate because the proposed IRM increase keeps the Minimum Distribution Charge aligned with the remaining kW variable distribution charges that have been increased during the IRM years. Furthermore, the proposed increase is very small being $0.0050 or ½ of one cent for 2012 and a further $0.0027 or just over ¼ of one cent for 2013 and a total out of period increase of $0.0077. The impact of this proposed increase would be $17.64 per month ($0.0077 X 2,291 kW) for six months on an average monthly summer bill of $11,000. for the one seasonal customer and $0.50 per month ($0.0077 times 64.33 kW) for three months on an average monthly summer bill of $665. for the other seasonal customer.

HONI – Sub-transmission rate

Interrogatory #2

Ref: RTSR Model, sheet 6

The HONI sub-transmission section of RTSR model, sheet 6 "Historic Wholesale" is reproduced below:

Hydro One	Network			Line Connection			Transformation Connection			Total Line
Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Amount
January	25,264	$2.65	$ 66,950	25,407	$0.64	$ 16,260	25,407	$1.50	$ 38,111	$ 54,371
February	14,464	$2.65	$ 38,330	15,856	$0.64	$ 10,148	15,856	$1.50	$ 23,784	$ 33,932
March	24,378	$2.65	$ 64,602	25,642	$0.64	$ 16,411	25,642	$1.50	$ 38,463	$ 54,874
April	35,004	$2.65	$ 92,761	37,675	$0.64	$ 24,112	37,675	$1.50	$ 56,513	$ 80,625
May	36,093	$2.65	$ 95,646	38,643	$0.64	$ 24,732	38,643	$1.50	$ 57,965	$ 82,696
June	24,731	$2.65	$ 65,537	24,787	$0.64	$ 15,864	24,787	$1.50	$ 37,181	$ 53,044
July	26,544	$2.65	$ 70,342	26,547	$0.64	$ 16,990	26,547	$1.50	$ 39,821	$ 56,811
August	44,728	$2.65	$ 118,529	44,787	$0.64	$ 28,664	44,787	$1.50	$ 67,181	$ 95,844
September	17,949	$2.65	$ 47,565	18,040	$0.64	$ 11,546	18,040	$1.50	$ 27,060	$ 38,606
October	29,804	$2.65	$ 78,981	32,108	$0.64	$ 20,549	32,108	$1.50	$ 48,162	$ 68,711
November	27,057	$2.65	$ 71,701	27,057	$0.64	$ 17,316	27,057	$1.50	$ 40,586	$ 57,902
December	24,747	$2.79	$ 68,977	24,503	$0.69	$ 16,811	24,503	$1.50	$ 36,755	$ 53,565
Total	330,763	$ 2.66	$ 879,920	341,052	$ 0.64	$ 219,402	341,052	$ 1.50	$ 511,578	$ 730,980

a) Please explain the variance in the HONI sub-transmission rate in December. If this is an error, Board staff will make the necessary changes.

Response:

a) The variance in the HONI sub-transmission rate in December is <u>not</u> an error. Milton Hydro's December 2012 bill from Hydro One covered the period December 7, 2012 to January 9, 2013 and the UTR rates were prorated across the two rate years. Milton Hydro has recorded the December kW and the dollar amounts billed by Hydro One and the RTSR Model has calculated the blended rates. The rates as set out in Milton Hydro's RTSR Model and reproduced above are the correct rates as billed.

However, Milton Hydro has no objections to OEB Staff changing the pro-rated December UTRs to the actual 2012 UTR rates should it be considered to be more appropriate.

Taxable Income 2011

Interrogatory #3

Ref: Tax Sharing Model, sheet 5 and Decision and Order, EB-2010-0137, p. 50 of 58

On page 50 of Milton Hydro's settlement agreement, Appendix A of the Decision and Order in proceeding EB-2010-0137, Milton Hydro showed regulatory taxable income of $1,794,552, which resulted in a grossed-up income tax of $557,788 for the 2011 test year.

In the tax sharing model, sheet 5 shown below, Milton Hydro entered regulatory taxable income in the amount of $1,729,891for the 2011 rate year with a resulting grossed-up income tax of $532,516. Board staff believes that these amounts have been incorrectly transposed.

3. If Milton Hydro agrees, please confirm, and Board staff will make the necessary adjustments to the workform.

4. If not, please provide the evidence for the amounts entered.

Summary - Sharing of Tax Change Forecast Amounts

For the 2011 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	$ 59,231

1. Tax Related Amounts Forecast from Capital Tax Rate Changes	**2011**	**2014**
Taxable Capital	$ 59,787,790	$ 59,787,790
Deduction from taxable capital up to $15,000,000	$ 15,000,000	$ 15,000,000
Net Taxable Capital	$ 44,787,790	$ 44,787,790
Rate	0.000%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	**$ -**	**$ -**

2. Tax Related Amounts Forecast from Income Tax Rate Changes	**2011**	**2014**
Regulatory Taxable Income	$ 1,729,981	$ 1,729,981
Corporate Tax Rate	26.15%	24.48%
Tax Impact	$ 393,239	$ 364,214
Grossed-up Tax Amount	**$ 532,516**	**$ 482,255**

Tax Related Amounts Forecast from Capital Tax Rate Changes	$ -	$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	$ 532,516	$ 482,255
Total Tax Related Amounts	**$ 532,516**	**$ 482,255**
Incremental Tax Savings		**-$ 50,261**
Sharing of Tax Savings (50%)		**-$ 25,131**

Response:

a) Milton Hydro confirms that the regulatory taxable income of $1,794,552, which resulted in a grossed-up income tax of $557,788 for the 2011 test year are the correct amounts and should be used in the Tax Sharing Model. Milton Hydro used an older version of its 2011 Tax Model by mistake. Milton Hydro has calculated the Tax Sharing to be $52,389 to be shared 50/50 with Milton Hydro customers. The following table provides the Tax Sharing Rate Riders by customer class.

Customer Class	$/Unit	Tax Sharing Rate Rider
Residential	$/kWh	(0.0001)
General Service Less Than 50 kW	$/kWh	0.0000
General Service 50 to 999 kW	$/kW	(0.0059)
General Service 1,000 to 4,999 kW	$/kW	(0.0065)
Large Use	$/kW	(0.0051)
Unmetered Scattered Load	$/kWh	(0.0001)
Sentinel Lighting	$/kW	(0.0669)
Street Lighting	$/kW	(0.0243)

Milton Hydro has also attached a copy of Tab 6 from the Tax Sharing Model after making the above changes which agrees the rate riders with the table above.

Milton Hydro appreciates OEB Staff's offer to update its live Tax Sharing Model.

b) N/A

Incentive Regulation Shared Tax Savings Model for 2014 Filers

This worksheet calculates a tax change volumetric rate rider. No input required. The outputs in column Q and S are to be entered into Sheet 11 "Proposed Rates" of the 2014 IRM Rate Generator Model. Rate description should be entered as "Rate Rider for Tax Change".

Rate Class	Total Revenue $ by Rate Class A	Total Revenue % by Rate Class B = A / $H	Total Z-Factor Tax Change$ by Rate Class C = $I * B	Billed kWh D	Billed kW E	Distribution Volumetric Rate kWh Rate Rider F = C / D	Distribution Volumetric Rate kW Rate Rider G = C / E
Residential	$8,655,473	64.09%	-$16,789	260,408,065	0	-$0.0001	
General Service Less Than 50 kW	$1,728,910	12.80%	-$3,354	75,603,703	0	$0.0000	
General Service 50 to 999 kW	$1,564,502	11.59%	-$3,035	188,689,653	511,697		-$0.0059
General Service 1,000 to 4,999 kW	$772,245	5.72%	-$1,498	112,523,353	230,486		-$0.0065
Large Use	$499,968	3.70%	-$970	85,702,235	188,668		-$0.0051
Unmetered Scattered Load	$43,690	0.32%	-$85	1,519,815	0	-$0.0001	
Sentinel Lighting	$16,026	0.12%	-$31	167,188	465		-$0.0669
Street Lighting	$223,410	1.65%	-$433	6,320,787	17,810		-$0.0243
	$13,504,223	100.00%	-$26,195				
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Tax Model - Billing Determinants

Interrogatory #4

Ref: Tax Sharing Model, Sheet 3 "Re-Based Bill Det. &Rates" and Decision and Order, EB-2010-0137, p. 50 of 58

Last COS Re-based Year was in 2011

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	27,832	260,408,065		15.00	0.0140	
GSLT50	General Service Less Than 50 kW	Customer	kWh	2,315	75,603,703		15.97	0.0170	
GSGT50	General Service 50 to 999 kW	Customer	kW	299	188,689,653	511,697	75.81		2.5259
GSGT50	General Service 1,000 to 4,999 kW	Customer	kW	13	112,523,353	230,486	874.23		2.7588
LU	Large Use	Customer	kW	2	85,702,235	188,668	3,650.64		2.1856
USL	Unmetered Scattered Load	Connection	kWh	208	1,519,815		7.64	0.0162	
Sen	Sentinel Lighting	Connection	kW	270	167,188	465	2.37		17.9504
SL	Street Lighting	Connection	kW	2,895	6,320,787		1.98		8.6819

Board staff notes that Milton Hydro has not made an entry for Streetlights customer class kW. On p. 40 of the Decision and Order, EB-2010-0137 Board staff notes that the kW for this class should be 17,810. Board staff believes this omission has been in error.

a) If Milton Hydro agrees, Board staff will make the necessary adjustment to the tax sharing model.

b) If not, please explain.

Response:

a) Milton Hydro does not agree that the Street Lighting customer class kW is missing from its Tax Sharing Model. Milton Hydro has verified that both its Tax Sharing Model and Manager's Summary as filed and also as posted on the OEB web site under Milton Hydro's file number EB-2013-0152 each contain the Street Lighting kW of 17,810, otherwise the Tax Sharing Model would not have calculated a rate rider for the Street Lighting tax sharing rate rider.

Milton Hydro has attached a copy of Tab 3 from the Shared Tax Savings model filed with the OEB.

The only change required is the regulatory taxable income of $1,794,552 and the grossed-up income tax of $557,788 as indicated in Interrogatory # 3 above. The Shared Tax Savings model will then recalculate the rate riders.

Enter your 2013 Base Monthly Fixed Charge and Distribution Volumetric Charge into columns labeled "Rate ReBal Base Service Charge" and "Rate ReBal Base Distribution Volumetric Rate kWh/kW" respectively.

Last COS Re-based Year was in 2011

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	27,832	260,408,065		15.00	0.0140	
GSLT50	General Service Less Than 50 kW	Customer	kWh	2,315	75,603,703		15.97	0.0170	
GSGT50	General Service 50 to 999 kW	Customer	kW	299	188,689,653	511,697	75.81		2.5259
GSGT50	General Service 1,000 to 4,999 kW	Customer	kW	13	112,523,353	230,486	874.23		2.7588
LU	Large Use	Customer	kW	2	85,702,235	188,668	3,650.64		2.1856
USL	Unmetered Scattered Load	Connection	kWh	208	1,519,815		7.64	0.0162	
Sen	Sentinel Lighting	Connection	kW	270	167,188	465	2.37		17.9504
SL	Street Lighting	Connection	kW	2,895	6,320,787	17,810	1.98		8.6819
NA	Rate Class 9	NA	NA						
NA	Rate Class 10	NA	NA						
NA	Rate Class 11	NA	NA						
NA	Rate Class 12	NA	NA						
NA	Rate Class 13	NA	NA						
NA	Rate Class 14	NA	NA						
NA	Rate Class 15	NA	NA						
NA	Rate Class 16	NA	NA						
NA	Rate Class 17	NA	NA						
NA	Rate Class 18	NA	NA						
NA	Rate Class 19	NA	NA						
NA	Rate Class 20	NA	NA						
NA	Rate Class 21	NA	NA						
NA	Rate Class 22	NA	NA						
NA	Rate Class 23	NA	NA						
NA	Rate Class 24	NA	NA						
NA	Rate Class 25	NA	NA						

b) Not Applicable.

Rate Riders for Tax Sharing

Interrogatory #5

Ref: Manager's summary, p. 8; Tax Sharing Model, sheet 6 and Rate Generator, sheet 11

Rate Class	Total Revenue $ by Rate Class A	Total Revenue % by Rate Class B = A / $H	Total Z-Factor Tax Change$ by Rate Class C = $I * B	Billed kWh D	Billed kW E	Distribution Volumetric Rate kWh Rate Rider F = C / D	Distribution Volumetric Rate kW Rate Rider G = C / E
Residential	$8,655,473	64.84%	-$16,294	260,408,065	0	-$0.0001	
General Service Less Than 50 kW	$1,728,910	12.95%	-$3,255	75,603,703	0	$0.0000	
General Service 50 to 999 kW	$1,564,502	11.72%	-$2,945	188,689,653	511,697		-$0.0058
General Service 1,000 to 4,999 kW	$772,245	5.78%	-$1,454	112,523,353	230,486		-$0.0063
Large Use	$499,968	3.75%	-$941	85,702,235	188,668		-$0.0050
Unmetered Scattered Load	$43,690	0.33%	-$82	1,519,815	0	-$0.0001	
Sentinel Lighting	$16,026	0.12%	-$30	167,188	465		-$0.0649
Street Lighting	$68,785	0.52%	-$129	6,320,787			
	$13,349,598	100.00%	-$25,131				

Proposed Tax Sharing Rate Riders

Customer Class	$/Unit	Tax Sharing Rate Rider
Residential	$/kWh	(0.0001)
General Service Less Than 50 kW	$/kWh	0.0000
General Service 50 to 999 kW	$/kW	(0.0057)
General Service 1,000 to 4,999 kW	$/kW	(0.0062)
Large Use	$/kW	(0.0049)
Unmetered Scattered Load	$/kWh	(0.0001)
Sentinel Lighting	$/kW	(0.0641)
Street Lighting	$/kW	(0.0233)

Board staff notes that the tax rate rider for the GS 50 – 999 kW, GS 1000-4,999 kW, Large User and the Sentinel Lighting customer classes differ slightly from the manager's summary. The Street lighting class rate rider is absent due to the omission of the kW on sheet 3.

a) Please confirm that the rate riders calculated by the model are correct with the exception of the street lighting class.

b) Please explain the variance in the table 3 of the Manager's Summary.

Board staff also notes that no tax sharing rate riders have been entered on sheet 11 of the rate generator.

c) Please confirm that this omission has been made in error and Board staff will update the rate generator.

d) If not, please explain the omission.

Response:

a) Milton Hydro does not agree that the tax rate rider for the GS 50 – 999 kW, GS 1000-4,999 kW, Large User and the Sentinel Lighting customer classes differ slightly from the manager's summary and that the Street Lighting class rate rider is absent due to the omission of the kW on sheet 3.

The Tax Sharing Model Sheet 6. reproduced above in this interrogatory is not the same as the MILTON_2014_IRM_Tax_Sharing_Model_V1.1_20131009 filed with the OEB and included in Milton Hydro's Manager's Summary and posted on the OEB web site under Milton Hydro's file number EB-2013-0152.

Also, the Proposed Tax Sharing Rate Rider table reproduced above does include a rate rider for the Street Lighting customer class. Milton Hydro has attached a copy of Tab 6 from the Shared Tax Savings model filed with the OEB which agrees with Table 3 on page 8 of Milton Hydro's Manager's Summary filed with the OEB.

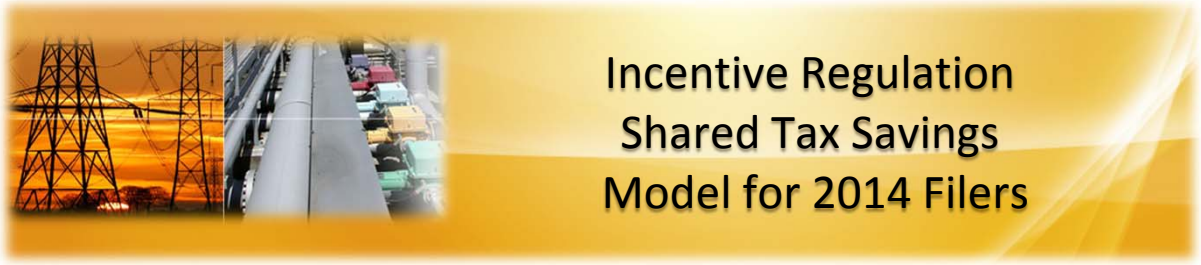
If the OEB Staff make the changes as indicated in Interrogatory # 3 above for the regulatory taxable income of $1,794,552 and the grossed-up income tax of $557,788 to the Shared Tax Savings filed by Milton Hydro, the rate riders will calculated properly as provided in Milton Hydro's Response to Interrogatory # 3 a) table above.

b) Not Applicable

c) Milton Hydro confirms that the Tax Sharing Rate Riders should have been included in the MILTON_2014 IRM Rate Generator_V2.3_20131009 Sheet 11. Proposed Rates. In checking back on Milton Hydro's working models it appears that a link was broken when Milton Hydro re-entered data from the August 22nd Rate Generator Model into the updated September 10th Rate Generator Model.

Milton Hydro appreciates OEB Staff's offer to update its live Rate Generator Model.

d) Not Applicable



This worksheet calculates a tax change volumetric rate rider. No input required. The outputs in column Q and S are to be entered into Sheet 11 "Proposed Rates" of the 2014 IRM Rate Generator Model. Rate description should be entered as "Rate Rider for Tax Change".

Rate Class	Total Revenue $ by Rate Class A	Total Revenue % by Rate Class B = A / $H	Total Z-Factor Tax Change$ by Rate Class C = $I * B	Billed kWh D	Billed kW E	Distribution Volumetric Rate kWh Rate Rider F = C / D	Distribution Volumetric Rate kW Rate Rider G = C / E
Residential	$8,655,473	64.09%	-$16,107	260,408,065	0	-$0.0001	
General Service Less Than 50 kW	$1,728,910	12.80%	-$3,217	75,603,703	0	$0.0000	
General Service 50 to 999 kW	$1,564,502	11.59%	-$2,911	188,689,653	511,697		-$0.0057
General Service 1,000 to 4,999 kW	$772,245	5.72%	-$1,437	112,523,353	230,486		-$0.0062
Large Use	$499,968	3.70%	-$930	85,702,235	188,668		-$0.0049
Unmetered Scattered Load	$43,690	0.32%	-$81	1,519,815	0	-$0.0001	
Sentinel Lighting	$16,026	0.12%	-$30	167,188	465		-$0.0641
Street Lighting	$223,410	1.65%	-$416	6,320,787	17,810		-$0.0233
	$13,504,223	100.00%	-$25,131				
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RRR Data – RTSR Model

Interrogatory #6

Ref: RTSR Model, Tab 4 – "RRR Data"

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor	Load Factor	Loss Adjusted Billed kWh	Billed kW
Residential	kWh	281,220,955		1.0362		291,401,154	-
General Service Less Than 50 kW	kWh	84,168,273		1.0362		87,215,164	-
General Service 50 to 999 kW	kW	194,206,573	512,720		51.92%	194,206,573	512,720
General Service 1,000 to 4,999 kW	kW	128,979,851	287,183		61.56%	128,979,851	287,183
Large Use	kW	86,554,626	179,954		65.92%	86,554,626	179,954
Unmetered Scattered Load	kWh	1,328,091		1.0362		1,376,168	-
Sentinel Lighting	kW	155,804	413		51.71%	155,804	413
Street Lighting	kW	6,834,941	19,000		49.31%	6,834,941	19,000

Please confirm that the data entered in columns "Non-Loss Adjusted Metered kWh" and "Non-Loss Adjusted Metered kW" are not adjusted by Milton Hydro's Board approved loss factor.

Response:

Milton Hydro confirms 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.