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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, 2014.

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

10 **APPLICATION FOR APPROVAL OF 2014 ELECTRICITY**
11 **DISTRIBUTION RATES**

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14 **REPLY SUBMISSION**

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17 Filed: January 9, 2014

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APPLICATION FOR APPROVAL OF 2014 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 October 4, 2013, 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, 2014.
- (c) On October 17, 2013 Milton Hydro published the OEB Notice of Application and Written Hearing in the Milton Canadian Champion.
- (d) Milton Hydro received intervenor requests from Ms. Brigitta Tarsoly, which was subsequently withdrawn, and OEB Staff. Interrogatories from OEB Staff were received on November 20, 2013.
- (e) Milton Hydro filed its Interrogatory Responses on November 26, 2013.
- (f) Milton Hydro received a written submission from OEB staff on December 16, 2013.

Milton Hydro's Reply Submission

Milton Hydro would note that OEB Staff identified a discrepancy between Milton Hydro's 2014 Tax Sharing Model and Milton Hydro's settlement agreement, Appendix A of the Decision and Order on Milton Hydro's 2011 Cost of Service Rate Application EB-2010-0137. Milton Hydro agrees with OEB Staff and recalculated the Tax Sharing Rate Riders accordingly.

OEB Staff also noted that the Tax Sharing Rate Riders were missing from Milton Hydro's Rate Generator Model and the resulting tariff sheet. Milton Hydro acknowledged that the Tax Sharing Rate Riders were missed when re-entering data into the OEB revised Rate

Generator Model and should have been included in order to correctly complete Milton Hydro's proposed Tariff of Rates and Charges.

In both cases OEB Staff have agreed to update the models accordingly and 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.

Milton Hydro's total Group 1 Deferral and Variance Accounts did not meet the threshold test of +/- \$0.001 per kWh and are therefore not eligible for disposition.

Detailed submissions were made on the following matters:

OEB Staff

- Minimum Distribution Charge

Milton Hydro's reply submission will address the detailed submission from OEB Staff.

Minimum Distribution Charge:

Milton Hydro's 2011 Cost of Service Rate Application has an OEB approved Minimum Distribution Charge that is charged to seasonal General Service >50kW customers when their operations cease at the end of their operating season and the resulting demand decreases significantly. The charge is applied to the kW of maximum demand in the previous eleven months.

In Milton Hydro's 2014 IRM4 Electricity Distribution Rate Application and Milton Hydro's response to OEB Staff Interrogatories, Milton Hydro advised that the Minimum Distribution Charge was not included in the Rate Generator Models for 2012 and 2013 and therefore had not been increased for the 2012 and 2013 IRM adjustments. As Milton Hydro had not caught the missing Minimum Distribution Charge, OEB Staff were not advised in order to update the model. Milton Hydro acknowledges that it was Milton Hydro's responsibility to have advised OEB Staff accordingly.

Milton Hydro has proposed an increase of \$0.0050 or ½ of one cent for 2012 and a further \$0.0027 or just over ¼ of one cent for 2013 to the Minimum Distribution Charge which will adjust this charge from \$0.5713 per kW to \$0.5790 per kW or \$0.0077 per kW, thereby correcting the missed IRM adjustments. The updated Minimum Distribution Charge would then be adjusted for the updated rate parameters and stretch factors as released in the November 21, 2013 Report of the Board – Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors, EB-2010-0379 ("Report of the Board EB-2010-0379"). The updated Price Escalator of 1.7% less the Productivity Factor of 0.0% less Milton Hydro's Stretch Factor of 0.3% results in a Price Cap Index of 1.4% which is then applied to the updated Minimum Distribution Charge for Milton Hydro's 2014 IRM Rate Application as per the following table.

Minimum Distribution Charge per kW of maximum billing demand in the previous 11 months			
	% IRM Inc.		
2011 Approved Cost of Service Rate		\$/kW	0.5713
2012 IRM increase	0.88%		0.0050
2013 IRM increase	0.48%		0.0027
2012 & 2013 IRM increase			0.0077
Updated Minimum Distribution Charge			0.5790
2014 IRM increase - Report of the Board	1.40%		0.0081
2014 Proposed Minimum Distribution Charge		\$/kW	0.5871

Milton Hydro submits that the impact to the two seasonal customers for the 2012 and 2013 IRM increase is not significant at about \$17.64 per month for six months or 0.16% on an average monthly bill of \$11,000 for the one customer and \$0.50 per month for three months or 0.08% on an average monthly bill of \$665 for the other customer.

Milton Hydro concurs with OEB Staff that the impact on revenue requirement is not material and the impact on the two customers is not significant and that this adjustment is to maintain the alignment of the Minimum Distribution Charge with the other General Service variable distribution charges. The proposed Minimum Distribution Charge would only be applied on a go forward basis.

Milton Hydro submits that the proposed Minimum Distribution Charge is not unreasonable and would request OEB approval.

Conclusion

Milton Hydro has complied with the Ontario Energy Board's Chapter 3 of the Filing Requirements for Transmission and Distribution Applications issued July 17, 2013.

The proposed rates for the distribution of electricity as provided for in the 2014 IRM Rate Generator_v2.3_20130910 model will be updated by OEB Staff for the 2014 rate setting parameters per the Report of the Board EB-2010-0379.

The proposed increase in Milton Hydro's Minimum Distribution Charge has been calculated using the OEB approved IRM price cap adjustment for 2012 and 2013 and then updated for the price cap adjustment per the Report of the Board EB-2010-0379 for 2014. The proposed Minimum Distribution Charge effective May 1, 2014 is \$0.5871.

Milton Hydro corrected the Tax Sharing Rate Riders in response to OEB Staff interrogatories and provided a revised table of rate riders as indicated in the OEB Staff submission. Also OEB Staff have agreed to make the necessary adjustments to the Tax Sharing model as well as add the Tax Sharing Rate Riders to the Rate Generator model and Milton Hydro's proposed Tariff of Rates and Charges.

Subject to any 2014 updates to the Uniform Transmission Rates OEB Staff have accepted Milton Hydro's Retail Transmission Service Rates.

Relief Sought

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

- 1 • the proposed distribution rates updated for the 2014 rate setting parameters per the
2 November 21, 2013 Report of the Board – Rate Setting Parameters and Benchmarking
3 under the Renewed Regulatory Framework for Ontario's Electricity Distributors, EB-
4 2010-0379, including the Minimum Distribution Charge as calculated above, as just and
5 reasonable rates and charges pursuant to section 78 of the OEB Act, to be effective
6 May 1, 2014;
- 7 • approval of Milton Hydro's corrected Tax Sharing credit and the applicable Tax Sharing
8 Rate Riders for disposition over a period of one year to April 30, 2015; and
- 9 • approval of Milton Hydro's Retail Transmission Service Rates for Network and
10 Connection charges updated as necessary for any changes to the Uniform
11 Transmission Rates;

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13 Respectfully submitted this 9th day of January 2014.

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16 *Original signed by Cameron McKenzie*

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18 Cameron McKenzie, CGA
19 Director, Regulatory Affairs
20 Milton Hydro Distribution Inc.