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BY EMAIL

December 16, 2013

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
Toronto ON M4P 1E4
Kirsten.Walli@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Milton Hydro Distribution Inc. ("MiltonHydro")
2014 IRM Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0152**

In accordance with Procedural Order No.1, please find attached the Board staff Submission in the above proceeding. The applicant has been copied on this filing.

Milton Hydro's reply Submission, if it intends to file one, is due by January 14, 2013.

Yours truly,

Original Signed By

Birgit Armstrong
Advisor, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Milton Hydro Distribution Inc.

EB-2013-0152

December 16, 2013

**Board Staff Submission
Milton Hydro Distribution Inc.
2014 IRM Distribution Rate Application
EB-2013-0152**

Introduction

Milton Hydro Distribution Inc. ("Milton Hydro") filed an application (the "Application") with the Ontario Energy Board (the "Board") on October 4, 2013, seeking approval for changes to the rates that Milton Hydro charges for electricity distribution, to be effective May 1, 2014. The Application is based on the 2014 Incentive Regulation Mechanism ("IRM").

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Milton Hydro.

By way of preliminary submissions on the various models and workforms filed with the Board, Board staff makes the following submission.

In response to Board staff interrogatories, Milton Hydro confirmed there were errors in the billing determinants filed and provided the corrected data. Board staff will make the necessary corrections to Milton Hydro's models at the time of the Board's Decision on the Application. Pursuant to the Board's Guideline G-2008-0001, Board staff notes that the Board will also update the applicable data at the time of the Board's Decision on the Application to reflect the Uniform Transmission Rates in place at that time.

Tax Savings Workform

Board staff noted that Milton Hydro's Tax-Savings Workform did not correlate to the Revenue Requirement Workform from Milton Hydro's last cost of service decision in EB-2011-0137. In response to interrogatories, Milton Hydro agreed that the regulatory taxable income in the amount of \$1,729,891 for the 2011 rate year was entered incorrectly and resulted in an incorrect grossed-up income tax amount of \$532,516. Milton Hydro agreed that the correct regulatory income for the 2011 test should be \$1,794,552 with a grossed-up income tax amount of \$557,788. Milton Hydro has re-

calculated a Tax Sharing amount of \$52,389 to be shared 50/50 with its customers for the following 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	(0.0059)
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)

Board staff has no concern with the updated amounts and will make the necessary adjustment to the models at the time of the Board’s decision.

Tax Sharing Rate Riders

Board staff noted that the tax sharing rate riders were omitted from Milton Hydro’s Rate Generator and subsequent tariff sheet. Milton Hydro confirmed that the Tax Sharing Rate Riders should have been included in the Rate Generator model. Board staff agrees and will make the necessary update to the Rate Generator following the correction discussed above.

Price Cap Adjustment

Board staff notes that the Board issued final parameters for the 2014 price index adjustment for the IRM in its *Report of the Board: Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity Distributors* (the “Price Index Report”) on November 21, 2013. Board staff also notes that Chapter 3 of the Filing Requirements find that each distributor’s Rate Generator will be updated to reflect these final parameters following the release of the Price Index

Report. Based on those updates, Board staff submits that a price cap adjustment of 1.40% (Price Escalator of 1.7% - Stretch factor of 0.3%) for the 2014 rate year should be applied to the Minimum Distribution Charge.

Minimum Distribution Charge

Background

As part of Milton Hydro’s 2011 Cost of Service Application, the Board approved the Minimum Distribution Charge that is charged to two seasonal General Service >50kW customers during their off-season. The rate is applied to the amount of maximum demand (kW) in the previous eleven months.

Milton Hydro noted that the applicable IRM price cap adjustment (0.88% and 0.48%) was not applied to the charge during the 2012 and 2013 rate year and has likewise not been reflected in the Board’s Rate Generator model. In its Application, Milton Hydro requested a compounded price cap adjustment to incorporate the 2012, 2013 and 2014 IRM rate increase, as shown in the table 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	\$/kW	
2011 Approved Cost of Service Rate			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

In response to interrogatories, Milton Hydro stated that an out-of-period price cap adjustment is appropriate because the requested IRM price cap adjustment for 2014 keeps the Minimum Distribution Charge aligned with the kW variable distribution charge for this rate class. Milton Hydro further noted that the proposed increase is very small.

Milton Hydro noted that the overall impact of the price cap adjustment for 2012 and 2013 would be \$0.0077/kW. Milton Hydro calculated that the impact for one customer would be \$105.84 ($\$0.0077 \times 2,291\text{kW} \times 6 \text{ months}$) and \$1.50 ($0.0077 \times 64.33 \times 3 \text{ months}$) for the other customer over the 2014 rate year.

Submission:

Board staff submits that it is ultimately the distributor's responsibility to ensure that any models filed in support of an application reflect all of its charges. In Chapter 3 of the *Filing Requirements for Electricity Distribution Rate Application*¹ ("Filing Requirements"), issued July 17, 2013 the Board determined the following:

The models issued by the Board are provided to assist the applicant in filing a rate application and to provide consistent formatting for all distributors for greater efficiency of the review process. An application to the Board is the applicant's responsibility and the Board expects that the application will be complete and accurate. Likewise, the applicant bears the responsibility to ensure the accuracy and appropriateness of all inputs and outputs from the models that it uses in supporting its application.

In response to interrogatories Milton Hydro agreed that it is the distributor's responsibility to report any errors or omissions in the Board's models. Milton Hydro stated that the omission of a price cap adjustment for 2012 and 2013 was only noticed in the 2014 application. Board staff submits that adjustments for 2014 distribution rates should be based on the 2014 price cap adjustment, and the Board should not amend this year's price cap adjustment to account for those that Milton neglected to apply for in the past two years. .

However, Board staff notes that the impact of the 2012 and 2013 price cap adjustment on the revenue requirement for the 2014 rate year is immaterial. The impact to the consumers is also not significant. Board staff also notes that the requested aggregate price cap adjustment is on a going forward basis. Therefore, if the Board sees merit in aligning this Minimum Distribution Charge with the kW variable distribution charge the Board could approve a higher price cap adjustment for this class so that charges will be the same again.

¹ Filing Requirements For Electricity Distribution Rate Applications, Chapter 3: 4th Generation Incentive Rate-setting and Annual Rate-setting Index, issued July 17, 2013, p.5

All of which is respectfully submitted