

Request 2

A full, side-by-side comparison of all occupancy costs of the Applicant before and after the new building is put into service. This should include all capital costs, all operating costs to hold or maintain the building or any previous properties used for office, warehouse, storage, or other occupancy purposes, depreciation, cost of capital including PILs impacts, property taxes, and any collateral cost changes (such as new furniture or equipment, build-out costs, write-offs of previous assets, asset retirement costs, energy, water, or similar savings, etc. as well as any related PILs impacts) Please include in the comparison, in addition to the individual data items, a calculation of the total revenue requirement relating to occupancy for the test year, and for the last prior year without the new building.

Response:

Milton has calculated its Total Revenue Requirement relating to the occupancy for the 2016 Test Year and for the last prior year being the 2015 Bridge Year without the new building such that Milton Hydro never purchased land and building and never moved from 8069 Lawson Road. The following notes relate to the calculations of the data used in the determination of the Revenue Requirement. Milton Hydro has also included its Revenue Deficiency calculations for the Bridge Year 2015, without the land and building, in order to respond to this Request. The Revenue Deficiency table sets out the 2015 unaudited revenue, the rate base, deemed interest, deemed equity and the revenue deficiency between 2015 unaudited net income and the deemed return on equity. The second column in this table sets out the Revenue Requirement and the comparison to the 2016 Test Year as filed in the Settlement Proposal.

Milton Hydro has prepared this response as requested, but wishes to emphasize once again that remaining at the Lawson Road property was not an option, so that a comparison of Lawson Road occupancy costs to those of the 200 Chisholm property may be inappropriate. As set out in Milton Hydro's 2011 Cost of Service Application, Milton Hydro had originally planned on being in its own building by 2014. Milton Hydro has explained in the current Application the circumstances and prudence of its purchase of the existing building at 200 Chisholm Drive.

Notes:

1. 2015 Unaudited results were used where available
2. Removed expenses related to 200 Chisholm from 2015 OM&A
3. Removed Land from 2014 Assets and Building & Furnishings from 2015, this includes any related depreciation
4. All 2015 OEB Cost of Capital and Working Capital Parameters used as Approved
5. 2015 Revenue Deficiency and Revenue Requirement as if Milton Hydro never purchased Land & Building and never moved from 8069 Lawson Rd
6. 2015 Revenue Deficiency out of balance by \$22,664 - immaterial to this response
7. 2016 comparison as filed in Milton Hydro's Settlement Proposal

Total Revenue Requirement

Description	2015 Revenue Requirement No Land/Building	2016 Revenue Requirement - Settlement Proposal
OM&A Expenses	\$9,699,918	\$10,122,448
Amortization Expenses	\$2,677,387	\$3,179,163
Total Distribution Expenses	\$12,377,305	\$13,301,611
Deemed Interest	\$2,257,561	\$2,076,563
Deemed Equity	\$3,073,825	\$3,308,779
PILs	\$271,110	\$253,627
Service Revenue Requirement	\$17,979,801	\$18,940,580

Revenue Deficiency Calculations

Particulars	2015 No Land/Building	2015 No Land/Building	Settlement Proposal
Revenue Deficiency from Below		\$512,320	\$621,894
Distribution Revenue	\$15,841,812	\$15,841,812	\$16,299,875
Other Operating Revenue Offsets - net	\$1,625,668	\$1,625,668	\$2,018,810
Total Revenue	\$17,467,480	\$17,979,800	\$18,940,580
Operating Expenses	\$12,377,305	\$12,377,305	\$13,301,611
Deemed Interest Expense	\$2,257,561	\$2,257,561	\$2,076,563
Total Cost and Expenses	\$14,634,866	\$14,634,866	\$15,378,175
Utility Income Before Income Taxes	\$2,832,614	\$3,344,934	\$3,562,405
Tax Adjustments to Accounting Income per 2013 PILs model	(\$2,321,879)	(\$2,321,879)	(\$2,605,325)
Taxable Income	\$510,735	\$1,023,055	\$957,080
Income Tax Rate	26.50%	26.50%	26.50%
Income Tax on Taxable Income	\$135,345	\$271,110	\$253,626
Income Tax Credits	\$ -	\$ -	\$ -
Utility Net Income	\$2,697,270	\$3,073,825	\$3,308,779
Utility Rate Base	\$80,214,629	\$80,214,629	\$90,010,310
Deemed Equity Portion of Rate Base	\$32,085,851	\$32,085,851	\$36,004,124
Income/(Equity Portion of Rate Base)	8.41%	9.51%	9.19%
Target Return - Equity on Rate Base	9.58%	9.58%	9.19%
Deficiency/Sufficiency in Return on Equity	-1.17%	-0.07%	0.00%
Indicated Rate of Return	6.18%	6.62%	5.98%
Requested Rate of Return on Rate Base	6.65%	6.65%	5.98%
Deficiency/Sufficiency in Rate of Return	-0.47%	-0.03%	0.00%
Target Return on Equity	\$3,073,825	\$3,073,825	\$3,308,779
Revenue Deficiency/(Sufficiency)	\$376,555	(\$22,664)	(\$0)
Gross Revenue Deficiency/(Sufficiency)	\$512,320 (1)		