

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, 2018.

MILTON HYDRO DISTRIBUTION INC. (“Milton Hydro”)

**APPLICATION FOR APPROVAL OF 2018 ELECTRICITY
DISTRIBUTION RATES
EB-2017-0061**

RESPONSE TO OEB STAFF INTERROGATORIES

Filed: February 5, 2018

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**Milton Hydro Distribution Inc.
 EB-2017-0061**

Staff IR-1

Ref: Account 1588 Power

With regards to the amount being requested for disposition of USoA 1588¹ account balance as at Dec. 31, 2016, all components that flow into Account 1588 (i to iv in table below) should be all based on actuals at year end. Please complete the following table to:

- a. Indicate whether the component is based on estimates or actuals at year end, and
- b. Quantify the adjustment pertaining to each component that is trued-up from estimate to actual

	Component	Estimate or Actual?	Notes/Comments	Quantify True Up Adjustment \$ Amount
i	Revenues (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)			
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)			
iii	Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)			
iv	Expenses - GA RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.			
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type		Included in part iv and IR#2	

¹ Note, in relation to references in OEB Staff questions relating to amounts booked to account 1588, amounts are not booked directly to account USoA 1588 relating to power purchase and sale transactions, but are rather booked to the cost of power USoA 4705 Power Purchased and the respective Energy Sales USoA accounts. However, account 1588 is impacted the same way as accounts 4705 is for cost of power transactions, and the same way as the Energy Sales accounts are for revenue transactions.

- c. For each item in the table above, please confirm that the 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016 has been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

Response:

- a. Updated in the following table
 b. updated in the following table

	Component	Estimate or Actual?	Notes/Comments	Quantify True Up Adjustment \$ Amount
i	Revenues (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)	Actual		
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)	Actual		
iii	Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)	Actual		
iv	Expenses - GA RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.	Estimate	Please see the response to the IR #2 dated 20171113	(\$26,513)
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type	n/a	Included in part iv and IR#2 dated 20171113	

- c. Milton Hydro confirms that for each item in the table above the 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016 has been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

The updated 2018 Rate Generator Model sent to OEB staff on November 13, 2017 and the model included with these IRs and dated 20180129 both include the adjustment for 2016.

Staff IR-2

Ref: Revenue to Cost Ratio Adjustment, Manager's Summary, page 5 to 17

As noted in the Application, the settlement agreement² provided a three year implementation plan which set the revenue to cost ratio for the Sentinel Lighting class at 60% for the 2016 test year and then increases the revenue to cost ratio by 10% of the 2016 test year results for each of the following two incentive regulation years to bring the ratio to the bottom of the OEB-approved policy range of 80%. Three customer classes – Residential, GS 50 to 999 kW and Street Lighting will have distribution charges decreased when Sentinel Lighting distribution charges are increased in order that Milton Hydro remains revenue neutral. Milton Hydro's 2017 IRM application increased the Sentinel Lighting class revenue to cost ratio to 70%. Milton Hydro's current 2018 application will increase the Sentinel Lighting class revenue to cost ratio to 80%.

Milton Hydro provided the revenue reconciliation (Table 2 on page 7 of the application) resulting from the proposed adjustment to the Sentinel Lighting class.

- a. Please provide detailed calculations of the proposed revenue to cost ratio adjustments (the calculations should validate that the adjustments to distribution rates shown in Table 2 support the OEB-approved 2018 changes in the revenue to cost ratios in the four classes)

Response:

Milton Hydro has provided the table below setting out the calculations for the final 10% adjustment to the Sentinel Light revenue to cost ratio. This adjustment is the same as the 2017 adjustment and included in Milton Hydro's response to the 2017 IRM OEB staff interrogatories.

Class	Revenue Requirement - 2016 Cost Allocation Model (A)	2016 Base Revenue Allocated based on Proportion of Revenue at Existing Rates	Miscellaneous Revenue Allocated from 2016 Cost Allocation Model	Total Revenue (B)	Revenue Cost Ratio (A)/(B)	Check Revenue Cost Ratios from 2016 Cost Allocation Model	Proposed Revenue to Cost Ratio	Proposed Revenue	Miscellaneous Revenue	Proposed Base Revenue	Board Target Low	Board Target High
Residential	12,773,612	10,771,497	1,534,188	12,305,685	96.3%	96.3%	97.8%	12,488,619	1,534,188	10,954,430	85%	115%
GS < 50 kW	2,085,824	2,107,774	175,569	2,283,343	109.5%	109.5%	109.5%	2,283,342	175,569	2,107,774	80%	120%
GS >50 to 999 kW	2,063,653	1,668,204	122,653	1,790,857	86.8%	86.8%	97.8%	2,017,610	122,653	1,894,957	80%	120%
GS >1000 to 4999 kW	421,344	702,182	27,898	730,079	173.3%	173.3%	120.0%	505,613	27,898	477,716	80%	120%
Large Use	436,107	720,392	32,925	753,317	172.7%	172.7%	115.0%	501,523	32,925	468,598	85%	115%
Sentinel Lights	48,515	14,589	8,456	23,046	47.5%	47.5%	80.0%	38,812	8,456	30,355	80%	120%
Street Lighting	368,247	286,435	22,788	309,223	84.0%	84.0%	97.8%	360,031	22,788	337,243	80%	120%
Unmetered and Scattered	39,610	35,003	6,359	41,362	104.4%	104.4%	104.4%	41,362	6,359	35,003	80%	120%
TOTAL	18,236,911	16,306,076	1,930,836	18,236,912				18,236,912	1,930,836	16,306,076		
	18,236,911	16,306,076	1,930,836							16,306,076		
	0	0	1							0		
									Change at 10%	4,851		

² Milton Hydro's 2016 Cost of Service proceeding, EB-2015-0089