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BY EMAIL

September 23, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ritchie Murray:

**Re: EB-2025-0241 Milton Hydro Distribution Inc. 2025 Application for an
Accounting Order**

In accordance with Notice and Procedural Order No. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Milton Hydro Distribution Inc.'s responses to interrogatories are due by October 7, 2025.

Any questions relating to this letter should be directed to Urooj Iqbal at urooj.iqbal@oeb.ca or at 416-5445-190. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Urooj Iqbal
Incentive Rate-setting

Encl.

**OEB Staff Interrogatories
Milton Hydro Distribution Inc.
EB-2025-0241**

Please note, Milton Hydro Distribution Inc. (Milton Hydro) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Ref. 1: Appendix 2, Atrium Economics Report, p. 16.

Preamble:

Atrium Economics indicated it used the Massachusetts Formula in its multi-factor allocation, with equal weighting assigned to capital, revenue, and labor.

Question(s):

- a) Please explain the rationale for selecting the Massachusetts Formula as the basis for multi-factor allocation.
- b) Were alternative methodologies considered?
 - i. If so, please provide an overview of the alternatives considered.
 - ii. If not, why not?
- c) How were the cost drivers (e.g., headcount, revenue, capital) validated to ensure they accurately reflect cost causation?
- d) What steps, if any, were taken to ensure consistency and repeatability in the time survey data used for allocating shared services?
- e) Were any sensitivity analyses performed to test the allocation results under different assumptions or cost drivers?
 - i. If so, please provide an overview of the different assumptions and cost drivers.
 - ii. If not, why not?

Staff-2

Ref. 1: Appendix 2, Atrium Economics Report, p. 13.

Ref. 2: Appendix 2, Atrium Economics Report, p. 15.

Ref. 3: Appendix 2, Atrium Economics Report, p. 7.

Preamble:

In reference 1, Atrium Economics identified in its report that practicality is a key component of cost causation. Costs driver should be understandable, obtainable at a reasonable cost, and objectively verifiable in the initial year and subsequent years.

In reference 2, Atrium Economics states that company policy and allocation methodology should satisfy, among other criteria, that cost allocation methodology should be based on data that can be obtained at reasonable cost and is objectively verifiable, in the initial year as well as in subsequent years.

Question(s):

- a) Please confirm whether Miton Hydro considers the cost drivers outlined in Table 3 in reference 2 (e.g., headcount, budgets, asset values) to be objectively verifiable in the initial and subsequent years.
- b) If yes, please provide reasoning for why this information was not independently verified and provided to Atrium Economics as part of this application. If not, why not?

Staff-3

Ref. 1: Appendix 2, Atrium Economics Report, pp. 15-16.

Ref. 1: Appendix 2, Atrium Economics Report, Appendix A, pp. 31-32.

Question(s):

- a) Did Milton Hydro consider any alternative metrics for determining IT usage among affiliates? If so, please provide a summary. If not, why not?

Staff-4

Water Billing

Ref. 1: Appendix 2, Atrium Economics Report, p. 25.

Preamble:

Atrium Economics indicated that Milton Hydro issued a request for information and proposals for water billing services from third-party vendors and did not receive any responses.

As a result, Atrium Economics concluded that water billing services represent services where a reasonably competitive market does not exist, is not robust enough to serve Milton Hydro, or represents a niche market that would not result in competitive market pricing. Atrium Economics states that s.2.3.4 of the ARC applies, in which a utility shall charge no less than its fully allocated cost to provide that service.

Question(s):

- a) Please provide a list of the third-party vendors which Milton Hydro reached out to for information and proposals for water billing services.
- b) Does this list represent a comprehensive selection of third-party vendors which could reasonably provide water and wastewater billing and collection services to Milton Hydro?

Staff-5

Ref. 1: Milton Hydro Inc. Application for an Accounting Order, p. 6 of 10.

Preamble:

Milton Hydro states that it will only seek disposition and recovery of balances recorded in the proposed Corporate Cost Allocation Variance Account if average actual regulated Return on Equity (ROE) for the fiscal years from 2025 until the last audited fiscal year for the next rebasing application does not exceed the OEB-approved ROE.

Question(s):

- a) What is the estimated impact of the revised cost allocation methodology on Milton Hydro's regulated ROE in 2024 and 2025?

Staff-6

Ref. 1: Milton Hydro Inc. Application for an Accounting Order, pp. 7-10.

Question(s):

- a) Does Milton Hydro plan to implement a process to review and update the cost allocation methodology if new additional information becomes available before its next cost of service application? If so, please provide a summary of the process including an overview of frequency (e.g., annually).
- b) How will Milton Hydro ensure that any future organizational changes (e.g., new affiliates, service expansions) are reflected in the allocation model?

Staff-7

Ref. 1: EB- 2022-0049, Decision and Order, Settlement Proposal, October 13, 2022, p.5 and Schedule A, at p.22

Ref. 2: Manager's Summary, pp. 7-8

Preamble:

The OEB approved the settlement proposal filed by Milton Hydro and the intervenors (collectively, the Parties) in Milton Hydro's Cost of Service application for rates to be effective January 1, 2023. In that part of the settlement proposal related to Milton Hydro's revenue requirement (see p.22), the Parties agreed that:

"the other revenue calculations, as presented in this Settlement Proposal, are appropriate and have been determined in accordance with OEB policies and practices." The settlement proposal went on to state:

Though not resulting in any modifications to Milton Hydro's proposed Other Revenue, the Parties agree that Milton Hydro will undertake an independent third party review of its methodology to allocate common costs among its affiliates and produce a report as part of its next rebasing application. The intent of the study is to ensure that Milton Hydro's methodology to allocate cost between its affiliates is reasonable and complies with relevant provisions of the OEB's Affiliate Relationship Code for Electricity Distributors and Transmitters.

Table 2.2E below (reproduced from the 2023 Revenue Requirement Workform and Appendix 2-H Other Operating Revenue) identified the agreed upon elements of the 2023 Other Revenue. [Table 2.2E can be found in the settlement proposal.]

In the Decision and Order approving the settlement proposal (see p.5), the OEB identified the key features of the settlement proposal, including the following:

A commitment by Milton Hydro to undertake an independent third-party review of its methodology to allocate common costs among its affiliates and produce a report as part of its next rebasing application. The intent of the study is to ensure that Milton Hydro's methodology to allocate costs between its affiliates is reasonable and complies with relevant provisions of the OEB's *Affiliate Relationship Code for Electricity Distributors and Transmitters* [Footnote omitted]

In Reference 2, Milton Hydro provided the reasons for obtaining the third-party report earlier than the agreed timeframe in the OEB's approved settlement proposal. At page 9 of the Manager's Summary, Milton Hydro stated:

"...in 2024, once Milton Hydro knew the results of the third-party corporate cost allocation study, it updated its cost allocations to affiliates in its 2024 fiscal year audited financial records and on a go forward basis, and now the Company files this application seeking a remedy to recover its understated revenue requirement established for 2023 on a prospective basis."

Question(s):

- a) Please clarify whether the intent of the proposed variance account is to capture an annual adjustment of a debit of \$369,851, representing the difference between the shared service and corporate cost amounts of \$882,593 approved in Milton Hydro's 2023 cost of service proceeding and the proposed updated amount of \$512,742 based on the third-party report.
- b) Please confirm that Milton Hydro is proposing to modify the amount of Other Revenue agreed to by the Parties at page 22 of Milton Hydro's 2023 Settlement Proposal in EB-2022-0049.
- c) If so, please provide detailed rationales for revising the shared service and corporate cost allocations to Milton Hydro's affiliates agreed to by the Parties and approved by the OEB in Milton Hydro's 2023 cost of service proceeding. More particularly:
 - i. Please reference any relevant OEB rate-setting policies or regulatory basis that supports such proposed revision to the approved shared service and corporate cost allocations amounts.
 - ii. Please explain how the adjustment of other revenues based on the Atrium Economics report beginning in 2025 and until Milton Hydro's next rebasing is consistent with the provisions of the OEB-approved settlement proposal, and particularly (but without limitation) with the provision of the settlement proposal that the third party review is "not resulting in any modifications to Milton Hydro's proposed Other Revenue".

Staff-8

Ref. 1: Manager's Summary, pp. 4-5

Ref. 2: EB-2017-0045, Halton Hills Hydro Inc., Decision and Rate Order, April 26, 2018, pp. 19-20

Ref. 3: EB-2017-0202, Oakville Hydro Electricity Distribution Inc., Decision and Order, October 26, 2017, p. 4

Preamble:

As part of the Manager's Summary, Milton Hydro referenced two precedents in which electricity distributors made similar requests for a similar variance account.

In Reference 2, the OEB approved the establishment of a new DVA in the IRM proceeding as an exception, due to the material effect of an error on depreciation expense that Halton Hills Hydro made in its last rebasing application.

In Reference 3, the OEB noted that the approved settlement agreement in Oakville Hydro's 2014 Cost of Service Proceeding indicated that the shared services and corporate cost allocation were appropriate, subject to the potential revision of corporate cost allocation as a result of a study. Furthermore, Oakville Hydro's 2016 and 2017 rates were declared interim pending the results of that study.

Question(s):

- a) Please compare Milton Hydro's request in this application with the precedents in detail, particularly given that Milton Hydro's shared service and corporate allocation amounts were the subject of an OEB-approved settlement proposal in its cost of service proceeding for 2023 rates; that the third-party review report is to be included in its next rebasing application; and that, according to the settlement proposal the third party review is "not resulting in any modifications to Milton Hydro's proposed Other Revenue"

Staff-9

Ref. 1: Manager's Summary, p. 4

Ref. 2: Chapter 3 Filing Requirements for Electricity Rate Applications, June 19, 2025

Preamble:

In Reference 1, Milton Hydro states the following:

“MHDI will only seek disposition and recovery of balances recorded in the Corporate Cost Allocation VA provided that MHDI average actual regulated ROE, for the fiscal years from 2025 until the last audited fiscal year for the next rebasing application, does not exceed the OEB approved ROE.”

Question(s):

- a) Please clarify whether Milton Hydro is proposing any deadband of a certain number of basis points for not meeting the OEB approved ROE (i.e., underearning).
- b) If yes, please provide an updated accounting order reflecting the proposed deadband.
- c) If not, please comment on the use of a -300 basis points deadband for determining under-earning, as set out in section 3.2.10 of Chapter 3 of the OEB’s Filing Requirements.