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BY EMAIL AND RESS

October 7, 2025

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON, M4P 1E4

Attention: Ritchie Murray, Acting Registrar

Dear Mr. Murray:

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

Please find enclosed an electronic copy of Milton Hydro's responses to OEB Staff and Intervenor Interrogatories (IRR).

Milton Hydro will be making a request for confidential treatment of certain information contained in the IRRs, pursuant to the OEB's Practice Direction on Confidential Filings.

Respectfully submitted,

Dan Gapic, CPA, CMA
Director, Regulatory Affairs
Milton Hydro Distribution Inc.

cc: Igor Rusic, Executive Vice President, and Chief Financial Officer, Milton Hydro Distribution Inc.
Troy Hare, Chief Executive Officer and President, Milton Hydro Distribution Inc.
Colm Boyle, Borden Ladner Gervais LLP (BLG)
Daniel Smith, Manager, Regulatory Affairs, Milton Hydro Distribution Inc.

Milton Hydro Interrogatory Responses - Accounting Order Requested

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Attachments:

Schedule A - Manager's Summary (Updated Guardrail Mechanics)
Schedule B - Draft Accounting Order (Updated)
Atrium Economics Redacted Engagement Proposal
Redacted Water Billing Model (2023 Test Year)
MHDI MHHI Affiliate Agreement
MHDI MEGS Affiliate Agreement

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?

Atrium Response:

a) The Massachusetts Formula - an equal-weighted three-factor allocator using capital, revenue, and labor - was selected because it is a broadly recognized and widely applied industry standard for allocating shared corporate costs where no single cost driver can be directly tied to cost causation. It reflects the size and scope of operations across affiliates and is commonly used in utility affiliate cost allocation studies across North America. This approach is not new, other utilities use this approach as well.[1]

[1] EB-2021-0110 - HONI - PDF 369; HORCI in EB-2022-0041 at PDF 1593: Enbridge in EB-2022-0200 at PDF 677:

b) Yes.
   i. Please see the Atrium report at pages 14 through 16. The alternatives considered were direct assignment and single cost drivers. Direct Assignment is used when it can be reasonably determined that all or a designated portion of an activity is performed for a particular business. Single cost drivers are allocations based solely on a single physical or financial driver such as headcount, program costs, etc.
   ii. Not Applicable

c) The selected cost drivers were validated through interviews with Milton personnel familiar with how and for whom services are performed.

d) Time surveys and interviews were completed by employees with direct knowledge of the activities performed and were conducted and documented at the activity level within each business unit. This approach ensures that the method can be replicated and consistently applied in future periods.

e) No.
   i. Not Applicable
   ii. A detailed sensitivity analysis was not deemed necessary, as the selected methodology reflects accepted industry practice and the outcome of interview and review with Milon Hydro's management. Performing elaborate scenario testing would have imposed an unnecessary administrative burden and additional costs.

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?

Response:

a) Confirmed.

b) Milton Hydro did not undertake additional independent verification because the cost driver information (e.g., headcount, budgets, asset values) is already sourced from the Company's financial and human resources systems, which are subject to existing internal controls.

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?

Response:

a) No. Milton Hydro did not consider alternative metrics for determining IT usage among affiliates. For Information Technology, Milton Hydro applied two approaches. Certain costs, such as LDC-specific software and hardware, were directly assigned to MHDI and Water Billing. For remaining shared IT costs, headcount was used as the cost driver, as it reasonably reflects system access, licensing requirements, and overall IT support needs. Headcount was selected because it is readily available, objectively verifiable, and repeatable in subsequent years. No other alternative metrics were considered necessary.

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?

Response:

a) Prior to issuing a public tender, Milton Hydro conducted a market scan to identify potential vendors capable of providing water billing services. Milton Hydro's scan did not yield any suppliers that could meet the specific requirements of the project.

   Given the absence of suitable suppliers, Milton Hydro proceeded with issuing a public tender through the appropriate procurement platforms to ensure transparency, fairness, and to reach the widest possible pool of qualified vendors. Milton Hydro issued a public Request for Information (RFI) on December 7, 2023 seeking Proposals for water and wastewater billing and collection services through two widely used public procurement platforms: Biddingo and Bids & Tenders. These platforms are accessible to a broad base of vendors across Ontario and beyond. Several suppliers registered through these platforms to participate in the opportunity; however, no party submitted a proposal by the closing date of December 21, 2023. A two-week turnaround is Milton Hydro's standard practice for bids of this type on these platforms.

b) By using Bids & Tenders and Biddingo, Milton Hydro followed an open, transparent, and inclusive procurement process that made the RFI publicly available to any qualified third-party vendor interested in providing water and wastewater billing and collection services. These platforms are commonly used by utilities, municipalities, and government agencies to reach a broad spectrum of potential service providers.

   Given the open nature of the tender and the fact that multiple vendors registered to review the documents, Milton Hydro considers this to be a comprehensive approach to market outreach. The lack of responses suggests that either: The market for these services is not sufficiently developed or competitive, or the service offering is highly specialized where no market exists.

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?

Response:

(a) Please see below for estimated impact on regulated ROE between 2024 and 2027 for the entire context of the IRM period.

Atrium-validated updates to affiliate/shared-service corporate cost allocation increases distribution OM&A by $369,851/year. Using a 26.5% tax rate, the after-tax impact on net income is a reduction of $271,840. The table provides a comparison between forecasted ROE without the updated cost allocation methodology and with the updated cost allocation methodology.

ROE — Achieved vs. Counterfactual (without the methodology change)				
Year	**Deemed Equity**	**Achieved ROE (plan)**	**ROE impact from methodology**	**Counterfactual ROE (old method)**
2024	$44,799,651	**10.96%**	**0.61%**	**11.57%**
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

The entire expected IRM period is shown here as the recovery of the proposed DVA is assessed on the ROE for the entire aggregated 2025–2027 period[1]. Showing 2026–2027 alongside 2025 demonstrates that, on forecast, the aggregate achieved ROE does not exceed Milton Hydro's OEB-approved 8.66% ROE over the IRM period. Per the table above, Milton Hydro is forecasting its ROE to be [redacted]%. For clarity, these are prospective forecasts on a preliminary basis that have not been audited and will be subject to formal confirmation at a future date.

1 As updated In Milton Hydro's response to OEB Staff-9, the updated customer protection guardrail, and draft accounting order are provided in Schedules A and B.

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?

Response:

a) Per the response to Staff-1(a) above, the implemented cost allocation methodology is a broadly recognized and widely applied industry standard for allocating shared corporate costs where no single cost driver can be directly tied to cost causation. This methodology has also been used by other large utilities (e.g., HONI, HORCI and Enbridge). Milton Hydro will review and update the cost allocation methodology should it become aware of widely accepted industry updates or issues, however this is not expected before the next cost of service application.

b) Milton Hydro may revisit the cost allocation methodology to ensure that material changes to the organization accurately reflect its structure and service delivery. Milton Hydro cannot speculate on how hypothetical changes to its corporate organization may affect the cost allocation methodology.

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".

Response:

a) The intent of the proposed variance account is to record, each year commencing in 2025, a fixed amount of $369,851, representing the difference between:

- the annual common corporate costs and shared corporate services embedded in Milton Hydro's 2023 approved rates ($882,593), and
- the recalculated 2023 annual common corporate costs and shared corporate services embedded in Milton Hydro's 2023 approved rates based on the independent Atrium Economics allocation methodology ($512,742).

The fixed annual debit of $369,851 is proposed to be recorded to a new Account 1508 sub-account Corporate Cost Allocation Variance Account (CCAVA) on a prospective basis until Milton Hydro's next rebasing (or as otherwise directed by the OEB). No retroactive recovery is sought, and the 2023 settled amounts remain unchanged.

b) Not confirmed. Milton Hydro is not proposing to modify or re-open the 2023 test-year Other Revenue agreed to by the Parties and approved by the OEB in EB-2022-0049. The proposed account tracks prospectively the fixed difference between the amount embedded in rates and the amount derived from the independent methodology contemplated by the Settlement, until next rebasing.

c)

(i) Despite the answer to part (b) above is no, the following is Milton Hydro's rationale with the proposal:

- ARC: The Settlement linked the third-party review to confirming compliance with the ARC (no cross-subsidization, fair pricing for shared services). Implementing the study's allocation prospectively in the books and tracking the fixed difference keeps affiliate allocations aligned with ARC principles without re-opening the 2023 test year.

- Chapter 2 Filing Requirements: The OEB's evidence framework (e.g. Appendix 2-N for Shared Services and Corporate Cost Allocation) expects allocations to be supportable and current. Where improved evidence materially changes an underlying input, the OEB has previously allowed narrow, well-defined deferral/variance accounts via accounting orders to record variances prospectively until the next rate-setting point.

- Accounting Orders / DVA practice: The OEB has a consistent practice of approving targeted DVAs when (a) better evidence becomes available, (b) the impact is material, and (c) a prospective tracking mechanism is the least disruptive and most transparent way to preserve just and reasonable rates between rebasing cycles.

- OEB Act, s. 78 (just and reasonable rates): Leaving the outdated embedded amount unadjusted would systematically understate the revenue requirement relative to the OEB-contemplated independent methodology. A narrowly tailored 1508 sub-account is a measured, transparent remedy that maintains rate integrity without revisiting the settled 2023 test year.

(i) Consistency with the OEB-approved Settlement ("not resulting in any modifications to Milton Hydro's proposed Other Revenue")

The cited Settlement language applies to the 2023 proceeding itself: commissioning the study did not change 2023 Other Revenue in that case. Milton Hydro's proposal is consistent with that commitment:

- No modification to the 2023 settled amounts and no retroactivity.
- The independent methodology contemplated by the Settlement has been implemented in Milton Hydro's records (post-study), and the fixed difference versus the amount embedded in current rates is tracked prospectively in a 1508 sub-account until next rebasing.

- The mechanism is transparent and limited in scope, avoiding re-litigation of the 2023 test year while aligning ongoing results with ARC-compliant allocations that the Settlement intended to validate.

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"

Response:

a) Comparison of Milton Hydro's request with the precedents:

Milton Hydro's parallels to Oakville Hydro (EB-2017-0202):

- In the 2014 Cost of Service Proceeding, the OEB approved an Oakville Hydro settlement agreement which provided that an independent third-party would conduct a study of the cost allocation between Oakville Hydro and Oakville Hydro Energy Services Inc., and between

Oakville Hydro and its unregulated affiliate, Sandpiper Energy Solutions Home Comfort Inc. (Sandpiper) ("**Study**").

- The purpose of the Study was to conclude on the reasonability of the transfer price calculation and a dollar impact of any recommended methodology, if applicable.
- Like the Oakville case, Milton Hydro's independent study re-examines shared services/corporate allocations vis-à-vis affiliates and proposes a 1508 sub-account for the difference during the IRM period post-settlement proposal.

Milton Hydro's parallels to Halton Hills Hydro (EB-2017-0045):

- Prospective only: Like the Halton Hills Hydro case, Milton Hydro proposes no retroactive changes to finalized test-year results; the 1508 - CCAVA is effective for transactions on and after January 1, 2025, with the fixed annual amount recognized on December 31 of each of 2025, 2026, and 2027 (carrying charges accruing from January 1 following each recognition date).
- Fixed annual entry: Milton Hydro mirrors the fixed annual amount approach, set at $369,851.
- 1508 sub-account and ROE condition: Milton Hydro proposes Account 1508 - CCAVA and an ROE guardrail under which Milton Hydro will only seek disposition if the average achieved regulated ROE over the accumulation period does not exceed the OEB-approved ROE; disposition at next rebasing is proposed.
- Rationale (better evidence vs. error): While the Halton Hills Hydro case addressed a depreciation error, Milton Hydro's case addresses updated, independent evidence to revisit allocation standards identified in the 2023 settlement context. The OEB in Halton Hills Hydro case indicated that a new DVA may be approved on an exception basis where warranted; Milton Hydro's measured, prospective approach falls within that framework.
- The OEB stated that it has approved new DVAs during an IRM term for other electricity distributors.[3]
- Summary; regarding structure and safeguards. Milton Hydro's proposal remains aligned with the Halton Hills Hydro conditions the OEB accepted for a DVA during an IR term (prospective only; fixed annual amount; Account 1508 sub-account; ROE safeguard; disposition at rebasing).

Milton Hydro seeks an accounting order to establish Account 1508 - CCAVA, recording a fixed annual debit of $369,851 from 2025 until the end of the year preceding the rebasing year. This amount equals the difference between the 2023 allocated shared services and corporate costs embedded in rates ($882,593) and the amount recalculated using the independent Atrium methodology ($512,742). Disposition would be sought only if Milton Hydro's average actual regulated ROE for the accumulation period does not exceed the OEB-approved ROE, with disposition at the next rebasing. No reopening or modification of 2023 Other Revenue is requested; entries are prospective only. These mechanics are set out in Milton Hydro's application and draft accounting order.

Accordingly, Milton Hydro's proposed Account 1508 - CCAVA is a measured, policy-consistent remedy that respects the 2023 Settlement, protects customers, and maintains just and reasonable rates until the next rebasing.

[3] EB-2017-0045, page 19 last paragraph, and footnote 24.

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.

Response:

Further to OEB Staff-9, Milton Hydro files some updates to the wording of the Manager's Summary see Schedule A, and a revised Draft Accounting Order, see Schedule B. These documents clarify the ROE guardrail mechanics and related accounting only; they do not change the relief sought. The clarifications are: (i) December 31 recognition of the fixed annual amount for 2025 up to the year preceding Milton Hydro's next rebasing year, with carrying charges beginning January 1 following each recognition date; (ii) authorization to forecast the last year preceding the next rebasing year; (iii) a preliminary rate rider effective January 1, of Milton Hydro's next rebasing year with collections escrowed in Account 1595; (iv) a Halton-Hills Hydro style, no-deadband ROE guardrail applied over Jan 1, 2025 to Dec 31 of the last year preceding Milton Hydro's next rebasing year, a post-audit confirmation (filed by May 1 of the next rebasing year); (v) Pass: preliminary rider deemed final and 1508 to 1595 reclass; and (vi) Fail: cease collections, refund all escrowed amounts with interest via 1595, cease carrying charges on 1508, and immediate write-off of the 1508 balance to Account 5XXX - Regulatory Expense. Milton Hydro respectfully requests that the OEB accept these documents into the record as the operative information.

a) **Deadband proposal**

Milton Hydro is not proposing a deadband. Further to Staff-9, MHDI is clarifying and updating the ROE guardrail to closely mirror the Halton Hills Hydro approach, please see Schedule A:

- A binary guardrail with no deadband: Disposition would not be permitted if Milton Hydro's aggregated actual regulated ROE for January 1, 2025 through December 31 of the last audited fiscal year before the next rebasing (currently 2027) exceeds the OEB-approved ROE. How the guardrail is applied: The guardrail is tested at post-audit confirmation with a filing by May 1 of the next rebasing year. If the guardrail passes, the preliminary rider becomes final; if it fails, collections cease immediately and all amounts billed under the preliminary rider are refunded with interest via Account 1595.

This update improves clarity, preserves virtual parity with Halton Hills Hydro, and maintains strong ratepayer protections already embedded in Milton Hydro's proposal (prospective recognition, escrow in 1595, and pass/fail confirmation).

b) **Updated accounting order reflecting the guardrail**

Please see Schedule B - Draft Accounting Order (Updated). It sets out the updated guardrail clause (no deadband), timing of the test, and the pass/fail consequences, together with the related accounting entries and escrow treatment in Account 1595.

c) **Comment on the 300 bps deadband in Chapter 3**

Section 3.2.10 of Chapter 3 addresses off-ramps in Price Cap IR/Annual IR Index years and the OEB's monitoring of earnings outside ±300 bps. It is not a disposition test for a utility specific request for a deferral and variance account.

In this proceeding, Milton Hydro seeks treatment analogous to Halton Hills Hydro (EB-2017-0045) with a binary, multi-year guardrail: disposition is not permitted if the aggregated actual regulated ROE for 2025-2027 exceeds the OEB-approved ROE. Given the additional protections embedded in the Milton Hydro proposal: prospective fixed entries, escrow of collections in Account 1595, post-audit confirmation, cease-and-refund on a fail, and immediate write-off of Account 1508 if the guardrail fails; introducing a -300 bps deadband is unnecessary in this case.

SEC-1

[p.2] Please provide the specific regulatory mechanism or policy that MHDI is relying on for the relief it seeks (e.g. Z-Factor, ICM, etc.), and how MHDI meets each of its specific requirements.

Response:

This question is addressed in CCC-2. Please see Milton Hydro's responses to CCC-2(d)-(e).

SEC-2

[EB-2022-0049, Decision and Order, October 13, 2022] Please confirm that the terms of the approved EB-2022-0049 Settlement Proposal make no provision for MHDI to seek an accounting order or any other relief regarding the outcome of the independent third-party review during the IRM term.

Response:

The EB-2022-0049 Settlement Proposal is silent on and contains no provisions permitting or restricting relief tied to the third-party review.

SEC-3

[p.7] MHDI states: “The decision to advance the study was a proactive measure to identify and correct
potential inaccuracies sooner, rather than waiting for the next rebasing. MHDI is committed to accurate accounting and compliance with the OEB's ARC”.

a. Is MHDI’s position that before the changes to its corporate cost allocation methodology its accounting was inaccurate? If so, please explain how.
b. Is MHDI’s position that before the changes to its corporate cost allocation methodology it was out of compliance with the OEB’s ARC? If so, please explain how, including with reference to specific provisions of the ARC.

Response:

a. No. Milton Hydro is not asserting that its financial accounting records were inaccurate.

b. No. Milton Hydro is not asserting that it was out of compliance with the OEB’s Affiliate Relationships Code (ARC) prior to the update.

SEC-4

With respect to the 2023 rate year:

a. Please confirm that the approved EB-2022-0049 Settlement Proposal set rates for 2023.
b. Please confirm that MHDI’s actual ROE was higher than the amount included in approved rates.
c. If (b) is confirmed, please provide all drivers for the overearning and explain all costs and revenue variances, between the approved amount. For each variance in specific cost or revenue, please explain why it is not a similar inaccuracy.

Response:

a. Confirmed.

b. Confirmed 2023 actual ROE was higher than included in approved rates and was within the 300 basis points deadband.

c. This question is outside scope of this application and not relevant. Furthermore, the allotted time is insufficient needed to fulsomely respond to this question and, in any event, is disproportionate to the scope and complexity of an accounting order proceeding during an IRM Term.

SEC-5

[p.2; Appendix 2, p.5-6] MHDI states that, "Atrium Economics was retained by MHDI to support the process of updating and evaluating Milton Hydro's affiliate cost allocation methods to ensure that Milton Hydro's methodology to allocate costs between its affiliates is reasonable." However, the Atrium Report appears to simply provide an opinion on the appropriateness of the updated cost allocation methodology and makes no reference to supporting the process of updating the methodology.

a. Please confirm the scope of Atrium's engagement.
b. Please provide a copy of the Atrium engagement letter, scope of work, and any similar documents.
c. Please provide all written analysis and opinions of Atrium regarding the methodology used in the 2023 rates application.

Response:

a) Milton Hydro confirms the scope of Atrium's engagement is found in the Atrium Economics Report Page 5, of Appendix 2, paragraphs 1 and 2.

b) **Atrium Economics Proposal**
Due to the commercially sensitive terms (e.g., pricing, proprietary information, and references) contained in the Atrium Economics Proposal, Milton Hydro will file a redacted document on public record, and an unredacted document filed pursuant to the OEB's Practice Direction on Confidential Filings.

c) **Atrium's Opinion Regarding 2023 Methodology**
Atrium's initial task when kicking off their engagement was to review the existing methodology of cost allocations with the current process owners. After that initial review, it was determined that an update to allocation factors would best reflect the current organizational and cost structure. As such, Atrium's opinion on the methodology used in the 2023 rates application is limited to the need to update the allocation factors to reflect the current organizational and cost structure, which is fully described in Atrium's report.

SEC-6

[Appendix 2] With respect to the shared service allocation:

a. Please provide a copy of the most recent financial statement of MHDI and each of the affiliates (MHHI and MEGS).
b. Please provide a copy of each shared service (or similar) agreement between MHDI and its affiliates, both in place at the time of the 2023 application and now.
c. Please provide the basis, and all supporting calculations, and working papers, used to calculate the changes in the allocation methodology.

Response:

a. Milton Hydro provides its 2024 financial statements of MHDI, but objects to producing affiliate financial statements for non-regulated entities. Those financial statements have no semblance of relevance to the issues in this case.

b. Milton Hydro provides a copy of each of the current service level agreements (SLA) between MHDI and its affiliates. The 2023 SLAs have not been provided as they have no relevance to the current application as relief is only being sought on a go-forward basis.

c. Milton Hydro provides the following information:

   1. Water Billing Model – (2023 Test Year) being filed confidentially, and also provides in a fully redacted format for the public record. [redacted]

[redacted]

2. Information regarding calculations and context related to Shared Corporate Services:
   - Table 1 of the Managers Summary on page 9 of 10 provides the Shared Corporate Services in the 2023 Test Year - Approved and the 2023 Test Year – Adjustment Proposed. Table A below summarizes the components excluding Water Billing:

Table A - Shared Services & Corporate Cost Allocation Excluding Water Billing

			2023 Test Year - Approved	2023 Test Year - Adjustment Proposed	2024 Actual
From / To	Service Offered	Pricing Methodology	Cost for the Service $	Cost for the Service $	Cost for the Service
MHDI to MHHI	Administration Fee	Fully-Allocated Cost Based	$ 39,480	$ 106,239	$ 111,338
MHDI to MEGS	Administration Fee	Fully-Allocated Cost Based	$ 99,891	$ 36,538	$ 38,292
MHDI to MEGS	Billing Sentinel Rentals	Fully-Allocated Cost Based	$ 3,828	$ 3,828	$ 4,012
MHDI to MEGS	Chisholm Roof Rental	Fully-Allocated Cost Based	$ 3,897	$ 3,817	$ 4,000
MHHI to MHDI	Management Fee	Fully-Allocated Cost Based	-$ 120,658	-$184,981	-$ 193,860
Total			$ 26,438	-$ 34,559	-$ 36,218

   - Calculated amounts for Shared Corporate Services reconciled to Application Table 1 are provided below:

Table B - 2024 Shared Corporate Services Reconciled to Application Table 1

Shared Corporate Services ($ Thousands)		2024 Allocated Costs		
	Total	MHHI	MHDI	Affiliated Companies
Costs before allocations	$14,804,539	$1,949,169	$11,696,270	$1,159,100
Costs allocated:				
MHHI to MEGS[1]	$0	-$335,539		$335,539
MHHI to MHDI[2]	$0	-$1,523,750	$1,523,750	
MHDI to MEGS	$0		-$4,000	$4,000
MHDI to MEGS	$0		-$4,012	$4,012
MHDI to MHHI	$0	$111,338	-$111,338	
MHDI to MEGS	$0		-$38,292	$38,292
Total Shared Corporate Services (OM&A)	$14,804,539	$201,218	$13,062,378	$1,540,943
MHHI Reallocated	$0	-$201,218	$193,860	$7,359
Total Shared Corporate Services (OM&A)	$14,804,539	$0	$13,256,237	$1,548,302
Total Shared Assets	$943,560	$0	$940,260	$3,300
Total Shared Corporate Services and Shared	$15,748,099	$0	$14,196,497	$1,551,602

MHDI to MHHI - Administration Fee	$0	-$4,000	$4,000
MHDI to MEGS - Administration Fee	$0	-$4,012	$4,012
MHDI to MEGS - Billing Sentinel Rentals	$111,338	-$111,338	$0
MHDI to MEGS - Chisholm Roof Rental	$0	-$38,292	$38,292
MHHI to MHDI - Management Fee	-$201,218	$193,860	$7,359
	-$89,880	$36,217	$53,663

Table C - 2023 Shared Corporate Services Reconciled to Application Table 1

Shared Corporate Services ($ Thousands)		2023 Allocated Costs		
	Total	MHHI	MHDI	Affiliated Companies
Costs before allocations	$14,126,469	$1,859,895	$11,160,563	$1,106,011
Costs allocated:				
MHHI to MEGS[1]	$0	-$320,171		$320,171
MHHI to MHDI[2]	$0	-$1,453,960	$1,453,960	
MHDI to MEGS	$0		-$3,817	$3,817
MHDI to MEGS	$0		-$3,828	
MHDI to MHHI	$0	$106,239	-$106,239	
MHDI to MEGS	$0		-$36,538	$36,538
Total Shared Corporate Services (OM&A)	$14,126,469	$192,002	$12,464,101	$1,466,537
MHHI Reallocated	$0	-$192,002	$184,981	$7,022
Total Shared Corporate Services (OM&A)	$14,126,469	$0	$12,649,082	$1,473,559
Total Shared Assets	$943,560	$0	$940,260	$3,300
Total Shared Corporate Services and Shared Assets	$15,748,099	$0	$14,208,509	$1,539,590

MHDI to MHHI - Administration Fee	$0	-$3,817	$3,817
MHDI to MEGS - Administration Fee	$0	-$3,828	$0
MHDI to MEGS - Billing Sentinel Rentals	$106,239	-$106,239	$0
MHDI to MEGS - Chisholm Roof Rental	$0	-$36,538	$36,538
MHHI to MHDI - Management Fee	-$192,002	$184,981	$7,022
	-$85,764	$34,558	$47,377

1 . Between Affiliates and not applicable.

2. MHHI Charges Directly to MHDI for Senior Leadership Team.

- Table B above shows the net shared corporate services excluding water billing calculated for 2024. There was a net charge of $36,217 to MHDI. The updated shared corporate services allocation was implemented by MHDI in 2024. The shared corporate services allocation from the 2023 cost of service rate application was based on a legacy allocation methodology, that was established several years prior to 2023. The annual charges for shared corporate services for subsequent years were simply increased by inflation every year since 2023, until the new shared corporate services study was conducted for 2024 by Atrium Economics. An updated shared corporate services allocation was not conducted for the 2023 OEB approved year given that data was only available for shared corporate services commencing 2024. The updated 2023 shared corporate services were derived based on the 2024 study, by reducing the values by inflation for one year. This was deemed reasonable as the same cost elements existed in 2023 as existed in 2024, and the only change to the 2023 values based on the updated allocation methodology would have been inflation.

CCC-1

Ref: Application,p.4

Question(s):

Please provide Milton Hydro's achieved and deemed ROEs for 2023 and 2024.

Response:

Milton Hydro provides the following information for its achieved and deemed regulated ROE for 2023 and 2024:
- 2023 Achieved ROE: 10.66% (within ±300 basis points of deemed ROE of 8.66%).
- 2024 Achieved ROE: 10.96% (within ±300 basis points of deemed ROE of 8.66%).

Note: These historical figures are provided for completeness only. The disposition condition for Account 1508 would be assessed over 2025–2027 under the ROE Guardrail if approved in this proceeding[4].

[4] Subsequent to filing, Milton Hydro clarified in its response to Staff-9 (with Schedule A – Updated Manager's Summary and Schedule B – Revised Draft Accounting Order) that the ROE Guardrail assessment period for Account 1508 - CCAVA is January 1, 2025 to December 31, 2027 (aggregated). Disposition is not permitted if the aggregated actual regulated ROE exceeds the OEB-approved ROE over this period.

CCC-2

Ref: Application, pp.6-7
EB-2022-0049, Settlement Proposal,p. 22 Question(s):

a) Please confirm that Milton Hydro's 2023 rates were established based on the OEB's approval of a full settlement between the company and CCC, SEC, VECC and an independent intervenor.

b) Please confirm that the Parties to the settlement proposal agreed that the independent third-party review of the methodology to allocate common cost among its affiliates was to be filed at Milton Hydro's next rebasing.

c) Please confirm that Milton Hydro's rates for the 2024-2027 period are expected to be established on the basis of the OEB's price-cap IR framework.

d) Please advise and discuss what regulatory mechanism (e.g., ICM, Z-factor, etc.) would allow Milton Hydro to recover incremental amounts (in a variance account) associated with a change to shared service and corporate cost allocation in an incentive ratemaking term.

e) Please provide Milton Hydro's position on the applicability of the OEB's eligibility requirements regarding the establishment of new deferral or variance accounts (as set out in the Chapter 2 – Cost of Service filing requirements) to applications made in an incentive ratemaking term.

Response:

a) Confirmed.

b) The Parties to the Settlement Proposal agreed 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." Milton Hydro advanced the review earlier to identify and correct a material cross-subsidy sooner and to streamline the next rebasing record. The independent Atrium Economics report is therefore filed with this stand-alone Application

c) Confirmed. Milton Hydro's rates for 2024–2027 are set under the OEB's price-cap IR framework. The requested accounting order is intended to operate during the prospective IR years only.

d) The appropriate mechanism is an accounting order establishing a deferral/variance account under Account 1508 – Other Regulatory Assets - CCAVA to prospectively record the annual revenue requirement understatement that results from the updated affiliate/shared-service cost allocation methodology validated by the independent Atrium Economics review. Milton Hydro is not seeking ICM or Z-factor treatment. Milton Hydro is seeking approval of a variance account:

"Deferral and Variance Accounts
Variance accounts track the difference between the forecast cost of a project or program, which has been included in rates, and the actual cost. If the actual cost is lower, then the extra money is refunded to customers. If the actual amount is higher, then the utility can request permission to recover the extra amount through future rates. A deferral account tracks the cost of a project or program which the utility could not forecast when the rates were set. When the costs are known, the utility can then request permission to recover the costs in future rates."[5]

The OEB has previously approved the requested deferral and variance account as set out in the response to Staff-8. Milton Hydro intends to seek disposition of this account at a later date, which may be recovered through rate riders.

e) Milton Hydro's position is that the OEB's Chapter 2 DVA eligibility framework applies to stand-alone accounting-order requests during an IR term, and the Company's request meets all three tests as set out at pages 6 to 10 of the Application.

Consistent with prior OEB practice, the use of a variance account during an IR term to address a material understatement identified via improved information is appropriate and avoids retroactivity while preserving customer protections at disposition. (See Milton Hydro's references to analogous precedents in its Application[6].)

[5] Handbook: Handbook for Utility Rate Applications (Rate Handbook) page iii, paragraph 2.
[6] Halton Hills Hydro Inc. EB-2017-0045, and Oakville Hydro Electricity Distribution Inc. EB-2017-0202

CCC-3

Ref: Application, pp.4-5
EB-2017-0045, Decision and Order, pp. 17-18
EB-2017-0202, Decision and Order

Question(s):

a) With respect to the referenced decision regarding Halton Hills Hydro Inc.'s 2018 IRM application (EB-2017-0045), please confirm that the account conditionally approved by the OEB was related to an error in its depreciation expense that underpinned base rates. Please explain how this case is a relevant comparison to the request made by Milton Hydro in the current application.

b) With respect to the referenced proceeding regarding Oakville Hydro Electricity Distribution Inc.'s request for an accounting order (EB-2017-0202), please confirm the following:

   i. The application was considered without holding a hearing.
   ii. The decision was rendered by OEB staff and not a panel of commissioners.
   iii. In Oakville Hydro's 2014 rebasing proceeding (prior to the filing of the relevant study), the parties agreed, as part of a settlement proposal, that Oakville Hydro would file the relevant cost allocation study in its 2016 IRM application (i.e., during the IR term and not at the next rebasing) with the intent that the OEB would determine how to proceed once the study was filed.
   iv. The amount that was eventually recorded in the approved account was a credit to ratepayers.

c) With respect to the referenced decision regarding Oakville Hydro Electricity Distribution Inc.'s request for an accounting order (EB-2017-0202), please explain how this case is a relevant comparison to the request made by Milton Hydro in the current application.

Response:

a) While the driver of the revenue deficiency in the Halton Hills Hydro (EB-2017-0045) and Milton Hydro cases is different, the result is the same. Both cases involve a material impact on revenue requirement on the utility during the IRM term that will impair the utility's ability to earn a fair return for the distribution of electricity. The OEB conditionally approved a deferral account on a prospective basis with an ROE-based guardrail for disposition for Halton Hills Hydro. Milton Hydro cites this decision because the regulatory construct is analogous: in both cases, a material understatement of revenue requirement identified during an IR term is tracked prospectively in a DVA with an ROE cap condition to protect customers.

b) Oakville Hydro (EB-2017-0202) is relevant for the principle that the OEB approved a variance account during an IR term grounded in an independent third-party study addressing cost allocation between a distributor and an affiliate, with the account used to record the resulting impacts. Milton Hydro relies on that principle here. The Application does not take a position on the internal decision-maker or hearing format; the relevance is the acceptance of the accounting-order approach tied to a third-party study.

c) The Oakville case is relevant to the request made by Milton Hydro because both cases involve: (i) a third-party review addressing affiliate/shared allocations; (ii) timing during an IR term (outside a rebasing proceeding); and (iii) the use of an accounting order to establish a variance account to prospectively record impacts. Milton Hydro also proposes the ROE disposition condition modeled on Halton Hills to further protect customers.

VECC-1

Ref: Application p. 4
Please provide the forecast ROE for 2025.

Response:

Please see Milton Hydro response to OEB Staff-5.

VECC-2

Ref 1: EB-2022-0049 Settlement Proposal p. 22

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.

Ref 2: Oakville Hydro EB-2017-0202 Decision and Order October 26, 2017 p.

The settlement agreement indicated that Oakville Hydro's shared services and corporate cost allocation were appropriate, subject to the potential revision of corporate cost allocation as a result of the Study. Oakville Hydro's 2016 and 2017 rates were declared interim pending the results of the Study. As a result, the intention was to consider the impact of the Study in the determination of final distribution rates. In addition, the amount proposed to be disposed is a credit to ratepayers.

Please confirm that as part of the settlement in EB-2022-0049, Milton Hydro was to produce a report as part of its next rebasing application and there was no intention or provision in the Settlement Proposal to consider the impact of the third party study during the IRM term prior to rebasing.

Response:

Milton Hydro confirms that, under the EB-2022-0049 Settlement Proposal, it committed to undertake an independent third-party review of its methodology to allocate common costs among affiliates and produce a report as part of its next rebasing application. This commitment is described in Milton Hydro's current Application.

At the same time, the Settlement Proposal did not preclude Milton Hydro from: (i) advancing that review prior to the next rebasing, or (ii) bringing a stand-alone accounting-order request during the IR term. Consistent with prudent utility management and to address an identified cross-subsidy sooner, Milton Hydro proactively retained Atrium Economics and completed the third-party review before its next cost-of-service application.

Importantly, Milton Hydro is not proposing to change base rates during the IR term or to seek retroactive adjustments. Rather, Milton Hydro requests approval to establish a deferral/variance account (Account 1508 sub-account: CCAVA) to record, on a prospective basis starting in 2025, the quantified understatement in revenue requirement associated with the updated affiliate/shared-service cost allocation methodology validated by the independent study. Disposition would occur at the next rebasing and only if the average achieved ROE (2025 through the last audited year before rebasing) does not exceed deemed ROE-a customer-protection guardrail set out in the Application's draft accounting order[7].

[7] As updated In Milton Hydro's response to OEB Staff-9, the updated customer protection guardrail, and

The Application also documents the materiality (~$369,851/year, ~1.6% of the 2023 Base Revenue Requirement) and prudence (independent review; ARC alignment) supporting the account, which are the relevant Chapter 2 eligibility considerations for a variance account during an IR term.

In summary: The EB-2022-0049 settlement obligation (to file the study at next rebasing) is acknowledged and will be met; however, nothing in that settlement barred Milton Hydro from advancing the study now or from seeking a prospective variance account during the IR term to prudently prevent the continued accumulation of a known understatement, with disposition deferred to rebasing under the ROE guardrail described in the Application[8].

draft accounting order are provided in Schedules A and B.

[8] Ibid

VECC-3

Ref: Appendix 2 p. 5

The primary consultant supporting this project is John Taylor who was formerly employed by Black & Veatch and supported similar projects for Hydro One Networks and Alectra Utilities Corporation.

Milton Hydro provided the OEB case number for the Hydro One project. Please provide the OEB case number for the Alectra project.

Response:

The project John Taylor completed for Alectra did not result in a filing with the OEB, and thus, there are no associated OEB case numbers.

VECC-4

Ref: OEB Affiliates Relationship Code

Section 2.7.1 of the Affiliates Relationship Code (ARC) states:

A utility shall be responsible for ensuring compliance with this Code and shall:
(a) perform periodic compliance reviews;
(b) communicate the Code to its employees; and
(c) monitor its employees' compliance with this Code.

Please provide Milton Hydro's response to each of the above requirements in the ARC.

Response::
This matter is not within the scope of the current proceeding and Milton Hydro refuses to respond on the basis of relevance. Milton Hydro observes and takes its obligations under the ARC seriously when conducting its operations.

Schedule A — Manager's Summary

(Updated Guardrail Mechanics)

Preliminary Rate Rider; Prospective Year-End Recognition; ROE Guardrail & Post-Audit Confirmation (Halton Hills–style)

Milton Hydro proposes to dispose of Account 1508 - Corporate Cost Allocation Variance on a preliminary basis effective January 1 of the next rebasing year (currently planned 2028), using the accumulation of the full January 1, 2025 to December 31 of the last audited fiscal year immediately preceding the next rebasing year (currently expected to be 2027, based on a 2028 rebasing).

Each year's fixed amount ($369,851) will be recognized on December 31 of 2025, 2026, and 2027 (or, if the next rebasing year is later than 2028, through December 31 of the last audited fiscal year immediately preceding that rebasing year), and carrying charges will begin on January 1 following each recognition date at the OEB-prescribed DVA rate. The December 31 recognition dates are requested prospectively as standard year-end regulatory adjusting entries; these entries do not alter previously approved rates, do not recognize revenue, and although they affect Milton Hydro's reported regulated ROE, Milton Hydro will file a supplemental "ROE excluding CCAVA effects" and will file a schedule alongside the RRR-basis achieved ROE in the Guardrail package (clearly labelled as a non-RRR supplemental view).

Because the 2028 rebasing application is currently expected to be filed in February 2027, the preliminary calculation will include a forecast of the 2027 fixed entry ($369,851) (recognized December 31, 2027) and forecast carrying charges through December 31, 2027 using the OEB-prescribed rates available at filing. If the next rebasing is delayed beyond 2028, Milton Hydro will align the forecast year and filing references to the revised rebasing timeline.

All amounts billed under the preliminary rate rider will be recorded to Account 1595 as a refundable liability (escrow) and will not be recognized as earnings until confirmation.

Consistent with the Halton Hills precedent, disposition shall not be permitted if Milton Hydro's aggregated actual regulated ROE for January 1, 2025 to December 31 of the last audited fiscal year immediately preceding the next rebasing year ((currently expected to be 2027, based on a 2028 rebasing) exceeds the OEB-approved ROE (the Guardrail).

By May 1 of the next rebasing year, Milton Hydro will file the audited regulated ROE for the last audited fiscal year immediately preceding that rebasing year and the Aggregated Period Guardrail test will cover the period from January 1, 2025 through December 31 of that year.

- Pass (no exceedance): the preliminary rate rider is deemed final as of its effective date; Milton Hydro will reclassify the approved actual balance from Account 1508 to Account 1595, and the 1595 receivable will continue to clear per the approved schedule.

- Fail (exceedance): Milton Hydro will cease collections immediately, refund all amounts billed under the preliminary rate rider with interest via Account 1595, cease carrying charges on Account 1508 as of the fail determination date, and immediately write off the remaining Account 1508 balance (principal and accrued carrying charges) to Account 5XXX – Regulatory Expense.

Schedule B - Draft Accounting Order (Updated)

1. **Purpose and Scope -** This Accounting Order establishes a Corporate Cost Allocation Variance Account (CCAVA) for Milton Hydro Distribution Inc. ("Milton Hydro") to record a fixed annual amount related to the updated corporate cost allocation methodology, together with carrying charges, subject to a Guardrail based on Milton Hydro's achieved regulated return on equity (ROE). The Accounting Order provides for a preliminary disposition mechanism at the next rebasing year and a post-audit confirmation step. The Order is drafted to apply whether the next rebasing year is 2028 (currently planned) or a later year if rebasing is deferred.

2. **Establishment and Prospective Authorization -** The OEB authorizes Milton Hydro to establish Account 1508 – Other Regulatory Assets, sub-account "Corporate Cost Allocation Variance Account (CCAVA)," on a prospective basis. If the next rebasing year is later than 2028, Milton Hydro is authorized to continue the fixed annual recognition on each December 31 through the last audited fiscal year immediately preceding that rebasing year.

3. **Amount Recorded (Principal) -** Milton Hydro shall record the following journal entry to record a fixed annual debit amount of $369,851 in Account 1508 - CCAVA on December 31 of each of 2025, 2026, and 2027 (and, if the next rebasing year is later than 2028, on each December 31 thereafter through the last audited fiscal year immediately preceding that rebasing year).:

Dr. 1508 - CCAVA (principal)	$369,851	
Cr. 5XXX - OM&A		$369,851

No amounts are recorded retroactively for periods prior to January 1, 2025.

4. **Carrying Charges** - Milton Hydro shall record the following journal entry to record Carrying charges monthly on the principal balance in Account 1508 – CCAVA using the OEB-prescribed rate for deferral and variance accounts.

Dr. 1508 - CCAVA (carrying charges)	$X,XXX	
Cr. 4430 – Interest on Regulator Assets		$X,XXX

Carrying charges begin on January 1 following each December 31 recognition date and continue until the balance is disposed or otherwise directed by the OEB. This treatment applies to each additional year recognized under Section 3.

5. **Forecast Use at Filing -** For purposes of calculating the preliminary disposition rate rider effective January 1 of the next rebasing year (currently 2028), Milton Hydro may use the most recent available audited year(s) and, where necessary, reasonable forecasts for the final year of the Aggregated Period defined in Section 6. If the next rebasing is delayed

beyond 2028, Milton Hydro will align the forecast year(s) and filing references to the revised rebasing timeline.

6. **ROE Guardrail (Aggregated Period Test) -** Recovery of the CCAVA is subject to a Guardrail such that the OEB will only approve disposition of the balance if Milton Hydro's average achieved regulated ROE over the Aggregated Period does not exceed its OEB-approved ROE for that period. Aggregated Period: January 1, 2025 to December 31 of the last audited fiscal year immediately preceding the next rebasing year (currently, 2025–2027 if the next rebasing year is 2028).

7. **Preliminary Disposition and Escrow in Account 1595 -** Preliminary Rate Rider, Effective January 1 of the next rebasing year (currently 2028), the OEB may approve a preliminary rate rider calculated on the full accumulation in Account 1508 – CCAVA for the Aggregated Period, subject to escrow treatment if in Section 8 there is a fail (exceedance). Amounts billed and collected under the preliminary rate rider shall be credited to Account 1595 and held in escrow pending post-audit confirmation under Section 8.

8. **Post-Audit Confirmation; Guardrail Pass/Fail - Filing**. By May 1 of the next rebasing year, Milton Hydro shall file:

   - MHDI will utilize for the Guardrail Pass/Fail a supplemental "ROE excluding CCAVA effects" and will file a schedule alongside the RRR-basis achieved ROE in the Guardrail package (clearly labelled as a non-RRR supplemental view).
   - the audited regulated supplemental ROE for the last audited fiscal year immediately preceding that rebasing year; and
   - the Aggregated Period Guardrail test covering January 1, 2025 through December 31 of that year.

   Pass (no exceedance). The preliminary rate rider is deemed final as of its effective date. Milton Hydro shall reclassify the approved actual balance from Account 1508 to Account 1595 (principal and carrying charges to transfer date). The 1595 receivable shall continue to be cleared by the rate rider per the approved schedule.

   Fail (exceedance). Milton Hydro shall cease collections immediately and file, for OEB approval within 60 days, a true-up/refund to return all amounts billed under the preliminary rate rider, with interest at the OEB-prescribed rate, via Account 1595. No transfer from Account 1508 to Account 1595 shall occur.

9. **Treatment of Account 1508 upon Guardrail Fail (Immediate Write-Off)**
   If the Guardrail test in Section 8 demonstrates an exceedance:
   (a) Milton Hydro shall cease carrying charges on Account 1508 – CCAVA as of the fail determination date; and
   (b) Milton Hydro shall immediately write off the balance then recorded in Account 1508 (principal and accrued carrying charges) to Account 5XXX – Regulatory Expense on the fail determination date.

For clarity, amounts provisionally billed and held in Account 1595 shall be refunded with interest in accordance with Section 8.

10. **Accounting Entries (Illustrative) -** The following entries illustrate the required accounting. Actual entries shall follow the OEB Accounting Procedures Handbook and related guidance.

(a) Annual principal recognition (each Dec 31 in the years recognized under this Order):
Dr 1508 - CCAVA (principal)
Cr 5XXX - OM&A

(b) Monthly carrying charges (from Jan 1 following each year-end):
Dr 1508 - CCAVA (carrying charges)
Cr 4430 - Other Interest Income

(c) Preliminary rate rider billings (escrow in 1595):
Dr Accounts Receivable
Cr 4080 - Distribution Services Revenue/Other Rate Riders
- and -
Dr 4080 - Distribution Services Revenue/Other Rate Riders
Cr 1595 - Disposition and Recovery/Refund of Regulatory Balances (escrow)

(d) Post-audit confirmation (Pass) - transfer 1508 - CCAVA balances:
Dr 1595 - Disposition and Recovery/Refund of Regulatory Balances
Cr 1508 - CCAVA (principal)
Cr 1508 - CCAVA (carrying charges)

(e) Post-audit confirmation (Fail) - refund amounts to customers in escrow:
Dr 4080 - Distribution Services Revenue/Other Rate Riders
Cr Accounts Receivable
-and-
Dr 1595 - Disposition and Recovery/Refund of Regulatory Balances
Cr 4080 - Distribution Services Revenue/Other Rate Riders

(f) **Post-audit confirmation (Fail) - Write of balance of 1508 - CCAVA:**
Dr 5XXX - Regulatory Expense
Cr 1508 - CCAVA (principal)
Cr 1508 - CCAVA (carrying charges)

11. **Disposition at Next Rebasing -** Final disposition of the CCAVA principal and carrying charges for the Aggregated Period shall be determined in Milton Hydro's next rebasing application. If the next rebasing year is later than 2028, the Aggregated Period and all related references in this Order shall be read accordingly.

12. **Administration and Reporting -** Milton Hydro shall maintain detailed supporting records for all CCAVA entries and carrying charges and shall provide such records upon request. Milton Hydro shall also report annually on the balance in Account 1508 - CCAVA in its RRR filings or as otherwise directed by the OEB.

13. **Effective Date -** This Accounting Order takes effect immediately upon issuance and applies to transactions on and after January 1, 2025, with annual recognition entries on each December 31 for the years specified in Section 3 and, if applicable, for any additional years up to and including the last audited fiscal year immediately preceding the next rebasing year.

ATRIUM ECONOMICS
CENTERED ON ENERGY

Milton Hydro Holdings Inc.
Request for Proposal No. RFP-23-01
Affiliate Cost Allocation Review Services

May 23, 2023

ATRIUM ECONOMICS
CENTERED ON ENERGY

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May 23, 2023

Scott Tyler
Manager, Supply Chain Management
Milton Hydro Distribution Inc.
200 Chisholm Drive
Milton, Ontario, L9T 3G9

Reference: RFP-23-01, Affiliate Cost Allocation Review Services

Dear Proposal Scott:

Atrium Economics, LLC. (“Atrium”) is pleased to present this proposal to Milton Hydro Holdings Inc. (“MHHI”, “Milton”, or “Company”) for consulting services in support of Milton’s affiliate cost allocation review. Specifically, Milton is requesting an evaluation of its current affiliate cost allocation processes, updating the allocation methods to reflect necessary changes to the organizational structure of Milton and its affiliated companies.

Our firm’s foundational business philosophy is to bring objectivity, centered on expertise and critical thinking, to address our client’s specific needs. We value our ability to work collaboratively and effectively with our clients and establish lasting relationships by maintaining an ongoing interest in successfully implementing our advice and recommendations. We are passionate about our work in the energy industry, with a deep understanding of the critical issues facing the industry, our clients, and their future.

The members of our firm have extensive backgrounds and experience in executive management positions inside electric and gas utilities, and as advisors to our clients. Our experts have conducted affiliate cost allocation, overhead capitalization rate, and shared asset allocation reviews for utilities in jurisdictions across North America and are recognized experts across a broad range of utility regulatory policies, costing and ratemaking practices, and supported expert witness testimony before federal, state, municipal and provincial regulatory agencies.

Our proposed project team possesses a depth of experience and knowledge that enables us to offer you the full range of services required to provide the type of affiliate allocation consulting services requested. Atrium's team members have led successful projects for other utilities similar to that requested by Milton, as shown in our resumes and project experience. In particular, Atrium consultants have recently led the review and update to the affiliate cost allocation methods for Alectra and Hydro One. As such, we are very familiar with the Ontario Energy Board ("OEB") precedent and regulatory practice relating to the OEB's Affiliate Relationships Code. We will work closely with Milton's staff and management team throughout the engagement to promote input by the Company's representatives and efficient engagement completion.

We sincerely hope this proposal conveys Atrium's commitment to assisting Milton in this critical regulatory assignment. If you have any questions concerning our relevant experience and capabilities or require further detail concerning how we intend to undertake the expected work effort, please do not hesitate to contact me at 314-307-5237 or jtaylor@atriumecon.com.

Sincerely,

John D. Taylor

John D. Taylor
Managing Partner

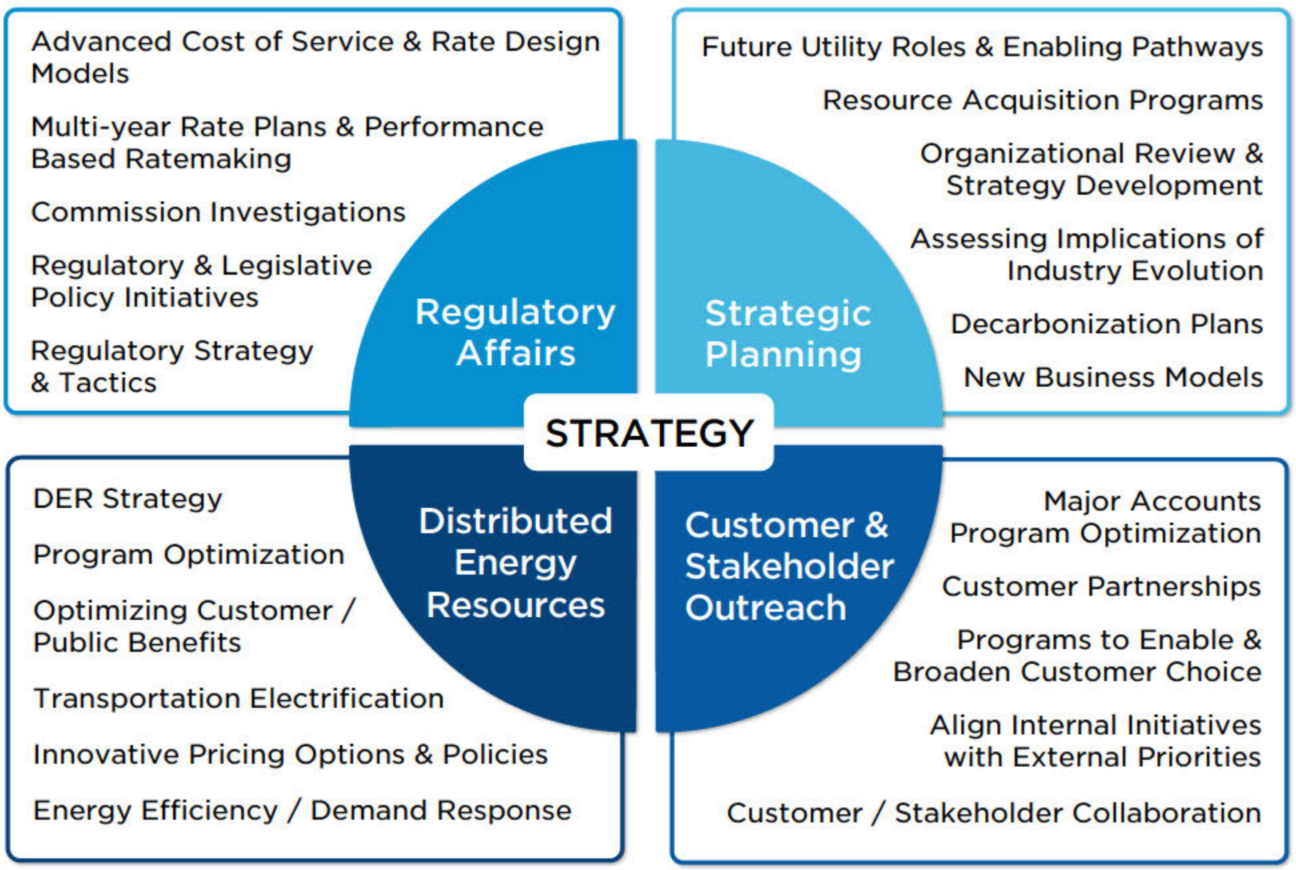
Table of Contents

Corporate Capabilities and Experience

Strategy, Policy, Planning & Multi-Discipline Services

Our consulting team brings a comprehensive range of capabilities and experience to assist utilities in developing customer-centric solutions. We have four primary offices in Hilton Head, Kansas City, Boston, and Seattle with virtual staff located throughout the United States. Atrium is fully focused on the energy sector with 90% of our projects for utilities relating to regulatory initiatives and ratemaking. Of those projects approximately half are with electric divisions and half with gas divisions. The other 10% of projects relate to clean tech development and M&A support. Since its founding over two years ago, Atrium has advised over 50 clients, on 51 engagements, in 30 different jurisdictions across the US and Canada. Atrium has twelve full-time employees who either are currently or have recently worked on projects for Canadian utilities.

Our experts are capable of guiding energy utility organizations through the following areas.



Regulatory Affairs

A thorough grasp of legislation and regulatory precedents across the utility industry will help navigate the regulatory landscape, its constraints, and opportunities. Regulatory solutions are critical to support business initiatives where deep experience matters.

Strategic Planning

In our rapidly transforming industry, utilities must explore a range of new roles and business models. It is critical to examine and select new roles and initiatives whereby the utility can create and deliver superior value, while the organization develops and maintains a durable advantage over potential competitors.

Customer & Stakeholder Outreach

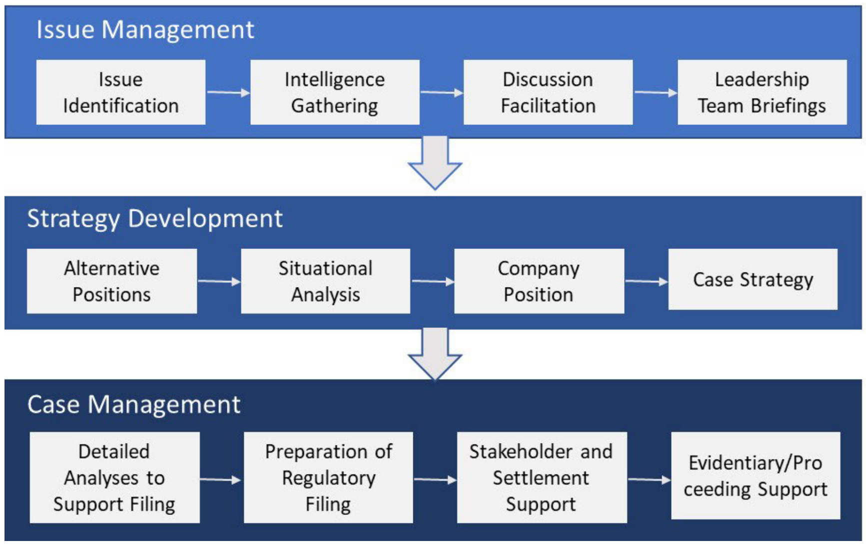
An important component to the success of a stakeholder outreach strategy is an assessment of the internal processes and policies that will interact with or otherwise impact the initiative. Many programs succeed or fail based on the effectiveness of customer outreach and engagement, particularly among target communities, regulators, and customers who the particular program would serve. Our team has extensive experience managing the stakeholder engagement process for a variety of industry activities. This experience includes initial stakeholder outreach, identification of key issues across the stakeholder spectrum, public meetings, and presentations at key stages during the process and early and targeted problem solving to maximize buy-in from all stakeholders.

Distributed Energy Resources

Innovation and engagement around DER penetration is a critical issue for utilities. The role of distributed generation includes maximizing existing resources, potential additional resources, and integrating assets. Utilities will need to work with both governments and customers to enable a future where they can reliably offer alternative energy solutions and programs that optimize value for customers and utilities.

Regulatory Case and Issue Management Support

The consulting team has extensive experience with developing ratemaking and regulatory policy. The nature of the services provided by our team encompass all areas of rate case planning, strategy development, and execution, whether on a turn-key basis or selective service offerings. We employ a stepwise approach to regulatory issue resolution:



- Internal Implications
- External Implications

- Timing/Schedule
- Approach
- Performance Measurements
- Responsible Individuals
- Negotiating Positions
- Risk Assessment
- Costs/Benefits of Potential Outcomes
- Communication Plan
- Facilitation and Education of Parties

We have found in our other rate case and regulatory projects that this type of structured process enables the client and consultant to properly think through, on a collaborative basis, the implications of treating an issue in a particular way, and how the resolution of the issue impacts other aspects of the rate case as they are being developed. In addition, it provides an early sense of the type of evidentiary support that will be required to be included in the client's pre-filed testimony and exhibits as part of its rate case filing.

Project Team

It is Atrium's practice to assign a fully experienced team to engagements of this nature where the scope of work involves critical and potentially complex cost analysis and retail rate structures. We believe our consulting staff has the expertise, relevant qualifications, and judgment to be fully responsive to Milton's needs in this work effort.

To ensure the depth of experience expected by Milton is provided, we have proposed senior members of our team, along with junior Atrium consultants who will provide analytical and research support to moderate the overall project cost without sacrificing project content. Mr. Taylor will function as the primary subject matter expert and is available as an expert witness. Mr. Taylor will also serve as the primary point of contact. Bios of the members of the project team are presented below.

John Taylor, Managing Partner

Mr. Taylor is a utility pricing expert with experience developing cost of service studies for both electric and gas utilities and transmission companies. He has deep experience with developing residential and commercial rates, analyzing midstream transportation and storage capacity resources, and assessing the relationship between price signals and the adoption of distributed generation assets. He has filed testimony as an expert witness on class cost of service studies for both electric and natural gas utilities, return on equity, and on the appropriate use of statistical analysis during audit testing. Mr. Taylor has supported projects involving financial analysis, regulatory support and strategy, market assessment, litigation support, and organizational and operations reviews. He has an expert knowledge of cost allocation principles for utility cost of service studies and for affiliate transaction and service agreements. He has worked as the market monitor for New England ISO's capacity market, supported the negotiation of PPAs, and supported feasibility and prudence studies of generation investments. He has also been involved in the sale of generating assets as sell side advisors, supporting due diligence efforts, financial analyses, and regulatory approval processes.

His consulting career includes *Managing Partner with Atrium Economics, LLC; Principal Consultant – Advisory & Planning with Black & Veatch Management Consulting, LLC; Senior Project Manager & Principal of Concentric Energy Advisors, Inc.; and CEO of Nova Data Testing, Inc.* Mr. Taylor started his career working on Capitol Hill for NGOs that were seeking Public – Private Partnerships with the Federal Government, World Bank, and International Monetary Fund to pursue various projects in developing countries. Mr. Taylor's office location is Hilton Head, SC.

Chris Hutchinson, Consultant

Mr. Hutchinson is an energy industry professional with over 10 years of electric utility and consulting experience providing analytical support and research expertise. Mr. Hutchinson excels at crafting high impact short- and long-term optimization analyses for budgeting, risk management, and commodity trading resource planning. He is well versed in various time-of-use rate modeling for whole facilities and electric vehicles and has recent experience with gas LDCs tariff provisions including a focus on balancing services. His previous utility work involved power trading, managing meter data systems, load forecasting, producing regulatory filings and compliance reports, and developing annual capital budgets. Other preceding client work focused on supporting utility cost of service studies, revenue requirement analysis, and rate design. Prior to joining Atrium, Mr. Hutchinson was employed as a Utility Specialist by the San Francisco Public Utilities Commission and as a Resource Planner for the City of Palo Alto Utilities. Mr. Hutchinson's office location is Minneapolis, MN.

Kara Hounam, Senior Analyst

Ms. Hounam is an experienced Business and Accounting Professional with over 20 years of demonstrated and proven history working in the energy, engineering, architecture, and industrial inspection industries. Kara has broad experience providing functional and analytical support on a variety of energy consulting projects, including regulatory research, information management, accounting, auditing, financial analysis, and business process improvement. Prior to joining Atrium, Kara was employed by CHA Consulting, an engineering and architectural consulting firm and as a Senior Auditor for KPMG, LLP. During her time at KPMG, Ms. Hounam performed financial statement audits and has experience with Sarbanes Oxley 404 internal control audits and reviews. Ms. Hounam is highly effective in supporting the objectives of Atrium's clients through the development of standard processes and procedures, insightful reporting and analysis, and solutions to improve decision making and bottom-line success. Kara graduated from Butler University with a B.S. in Accounting. Ms. Hounam's office location is Hilton Head Island, SC.

References

Reference	Project	Project Team
[redacted]	Affiliate Cost Allocation, Service Level Agreements, Shared Asset Study, Fleet Service Cost Allocation Review	John Taylor Greg Macias Chris Hutchinson Kara Hounam
[redacted]	Affiliate Cost Allocation, Overhead Capitalization Rate, Shared Asset Study	John Taylor Greg Macias Chris Hutchinson Thomas Feldman
[redacted]	Allocation Review	Ron Amen John Taylor Greg Macias Chris Hutchinson
[redacted]	Cost of service & Rate Design, LED Lighting, EV Program, TOU Rates, Gas and Electric Cases NH and MA	Ron Amen John Taylor Greg Macias Chris Hutchinson Kara Hounam
[redacted]	Cost of Service and Rate Design, Decoupling, Attrition Adjustment, Multi-Year Rate Plan	John Taylor Ron Amen Kara Hounam

Selected Client Engagement Examples

Alectra Utilities - Affiliate Cost Allocation & Fleet Electrification Review (2017-2022)

Atrium has conducted evaluations of Alectra's affiliate cost allocation processes, updating the allocation tables to reflect necessary changes to the organizational structure of Alectra and its affiliated companies. The reviews are identical to the scope of work outlined in this proposal and occurred in 2017 and again in 2021/2022.

Atrium also provided consulting services in support of Alectra's Fleet Services Cost Review. Specifically, an evaluation of average cost of ownership and operations for various fleet vehicle types to support the development of use rates to be charged across affiliates, and the development of a decision tool to ascertain the capital and ongoing costs of internal combustion vehicles compared to electric vehicles.

Hydro One Networks, Inc. - Review of the Allocation of Common Corporate Functions and Services to Business Units (2004 – 2019)

Atrium consultants have been engaged by Hydro One to recommend best practice methodologies to distribute Common Corporate Costs to Hydro One and its subsidiaries and partnerships. On multiple occasions over the past eight years Atrium consultants have conducted a comprehensive cost allocation study which evaluated whether the utility's current cost allocation methodology continues to be appropriate, and to identify any changes that are necessary or desirable. The project deliverables included the development of recommendations on: (1) a best practice methodology to distribute the costs of Hydro One's common corporate functions and services among the business units that use them; (2) a best practice methodology to distribute an appropriate amount of the utility's common corporate costs to capital expenditures through the overhead capitalization rate; and (3) a common assets methodology to be used in future rate applications.

Manitoba Hydro, Centra Gas – Cost of Service Review (2021-2022)

PUB Order No. 152 required Centra Gas to retain an outside expert to review their entire cost of service methodologies and provide an opinion on the methods utilized. Atrium was selected to review and assist in this review and was involved in the regulatory approval process of the cost of service for Centra Gas Manitoba Inc.'s operations. Atrium prepared an expert report documenting and supporting our assessment of Centra's proposed COSS method in conformance with the regulatory requirements of the Manitoba Public Utilities Board.

Puget Sound Energy, Bellevue, Washington - Electric & Gas Rate Case Support and Allocation of Costs to LNG Affiliate (2001 - 2002, 2006 - 2007, 2019 – 2020, 2021-2022, 2023)

Messrs. Amen and Taylor provided electric and gas revenue requirement support, including historical trending and regression analysis to support an attrition adjustment for the recently concluded electric and gas general rate case, including expert witness testimony by Ron Amen and

John Taylor. Cost of service, rate design support, and an evaluation and allocation of upstream gas transportation and storage resources, including expert testimony, was also provided in the case. In addition, Atrium is currently supporting Puget Sounds Energy with the allocation of costs to an affiliated company which operates an LNG facility for purposes of developing a trackers mechanism and setting rates for distribution service.

In two prior Washington general rate proceedings, Ron Amen provided cost of service and rate design support, including expert witness testimony in support of the utility's proposed revenue decoupling mechanism. Research on accelerated cost recovery mechanisms for infrastructure replacement, electric power cost adjustment mechanisms and gas supply pricing options of utilities in North America was also provided.

Other prior engagements led by Atrium's team include:

- A review of PSE's project management and capital spending authorization processes (CSA). The overall project objectives were to educate project management (PM) staff as to the importance and relevance of regulatory prudence standards, evaluate existing PM processes along with newly introduced corporate CSA processes, and propose PM and corporate process and documentation efficiencies.
- A review of how PSE compares to similarly situated utilities in the areas of the underlying capitalized costs related to new customer additions and the management policies and practices that influence the new business capital investment. Examined the interrelationships of PSE's management policies and practices in the functional areas related to new business investment and the costs captured by the new business investment process. Benchmarked those costs relative to peers' cost factors and management capital expenditure practices and performed targeted peer group interviews.
- A review of its electric transmission planning and project prioritization process. The emphasis of the review was to determine if the process implemented by PSE could be expected to meet the regulatory standard of prudence, as adopted by the state regulatory commission. Reviewed the prudence standard adopted by the commission in several recent regulatory proceedings, supplemented by our knowledge of the prudence standard adopted at a national level and in other states.

Unitil Energy Systems – Electric & Gas Rate Case Support, EV Programs, TOU Rates (2018-Present)

Atrium supported Unitil across their Massachusetts and New Hampshire jurisdictions in four different docketed proceedings. Our work involved embedded class cost of service studies, marginal class cost of service studies, and rate design for both their gas utility and electric utility ion New Hampshire. Messrs. Amen and Taylor sponsored expert testimony in these two proceedings, with additional testimony and support provided to a docketed proceeding specific to EV TOU rate proposals and alternative demand charges for EV charging stations. In addition, a LED lighting rate review was conducted by Atrium leading to an expansion of proposed LED lighting rates. Mr. Taylor also supported Unitil's affiliate Fitchburg in Massachusetts's relating to a proceeding involving all electric IOUs where a collaborative process across the utilities resulted in a proposed demand charge alternative and for Fitchburg a TOU rate for domestic/residential customers.

Statement of Work

Atrium proposes to support Milton through eight primary tasks; (1) Review General Methods Employed, Identify Refinements, and Review & Finalize Workplan, (2) Review the Functions and Services Provided to Each of Milton's Business Entities, (3) Review Each of Milton's Business Entities and Understand How Each Utilizes Common Corporate Services, (4) Review And Assign Cost Drivers, (5) Review and Develop Allocation of Shared Assets, (6) Develop and Review Input Tables for Incorporation within Milton's Budgeting, (7) Review and Finalize Methodology to Allocate Costs, and (8) Review Results and Issue Report. A description of each of these tasks follows.

Task 1 – Review General Methods Employed, Identify Refinements, and Review & Finalize Workplan

Atrium will conduct a kick-off meeting with the current process owner(s) of the cost allocations and service agreements and review how the current allocation practice was fully implemented, any issues that arose over the last two years, and validation/review processes that exist at Milton. We will also examine examples of related data records used to develop the existing cost allocations. Our goal is to determine if any changes are required or can provide enhancements to the current allocation process employed. We will also discuss the changes that occurred to the organizational structure that warrant any new functions or services.

Task 2 – Review the Functions and Services Provided to Each of Milton's Business Entities

For organizational reporting purposes, Milton is organized into approximately 28 different business units. These business units were the starting point in identifying the functions and services being provided to each of the affiliates and can be rolled-up into approximately ten functions (e.g., Customer Service, Finance, Regulatory). The primary purpose of Task 2 is to review these business units and functions noting any changes to the activities being provided by the functions and if any functions or services need to be added or removed from the common corporate cost pool. This task will require details on the budget by business unit to understand the various components of the total pool of costs to be included in the common corporate cost allocation. Atrium will also review organization charts and conduct discussions with Milton finance personnel and managers in the departments that incur common costs and provide shared services.

Task 3 – Review Each of Milton's Business Entities and

Understand How Each Utilizes Common Corporate Services

In addition to interviewing the financial personnel and managers responsible for the identified functions and services, Atrium will also gather information on the affiliates to understand what services they are utilizing and to what extent they relied on these services to operate their business. This will allow us to understand both the service providers' perspective and the service recipients' perspective.

Task 4 – Review and Assign Cost Drivers

The purpose of this Task is to assign a cost driver that reflects cost causation for each function/business unit or activity identified in Task 2. In Task 5, the cost drivers will be summarized in tables for use within the IBM Planning and Analytics software so that budgeted costs can be allocated among Milton's business units.

Working with Milton's managers, Atrium will directly assign the cost of each common cost or shared service function to a single business unit, when possible. However, in most cases, it will be necessary to use a cost driver approach.

In accordance with OEB policy and best practices, Atrium will select cost drivers based on cost causation principles, utilizing existing cost drivers as a starting point for this review. Cost causation means there is a causal relationship between the cost driver and the costs incurred in performing an activity. If cost causation cannot be easily established, cost drivers are selected based on benefits received by the recipient of the activity.

Other factors considered in assigning cost drivers include practicality (i.e., the cost driver should be understandable, obtainable at reasonable cost and objectively verifiable); stability; transparency; (when estimates are used, the cost driver should be able to be estimated with reasonable accuracy, and estimates should be unbiased); materiality (when choosing between cost drivers, small differences can often be ignored in favor of practicality and stability); and effects on behavior (when costs are allocated based on actual data rather than budget, consider the effect that the cost driver may have on the behavior of users or service providers).

The distribution of labor costs can be based on time estimates if there is no sufficient basis to assign such costs. Time estimates will be based on interviews with Milton managers and/or other personnel in the departments that incur common costs and provide shared services. The distribution of non-labor costs will be based on chosen cost drivers or allocation factors. Some non-labor costs, such as supervision, training, and travel, will be allocated based on the labor costs for a particular function.

Task 5 – Review and Develop Allocation of Shared Assets

In addition to the allocation of Operations, Maintenance, and Administration ("OM&A") costs it is necessary for compliance with the OEB Affiliate Relationship Code to also allocate the use of shared assets to each business entity. These shared assets relate to information technology assets, office buildings, and possibly other tangible and intangible assets. Atrium will review the group of assets included in the previous study and discuss with Milton what other asset categories or cost center's assets should be included in this analysis. We will then assess the best allocation approach for these assets to Milton's business entities and work with Milton personnel to gather the required information to develop those cost allocations. We recognize that Milton does not cross charge and/or fully allocate business unit costs across the existing business units.

It is necessary to work with information technology group to ascertain which of the intangible assets should be allocated to each affiliate. As a result of these allocations, the total costs allocated from one entity to another for services will include both the OM&A costs of services being rendered and the carrying costs of assets being utilized by the other entities.

Task 6 – Develop and Review Input Tables for Incorporation within Milton's Budgeting Processes

The purpose of this Task is to develop input tables for use within Milton's **Cost Allocation model**. This Task serves as the culmination of Tasks 1 – 4 and includes the necessary gathering of details to populate the cost allocation methods (e.g., number of employees, computers, purchase orders, etc.).

This Task will allow Milton to distribute the cost of each function and service identified (during Task 2) among Milton's business entities (reviewed in Task 3) using the cost drivers identified (during Task 4).

This Task will rely on Milton to provide Atrium the correct format for the cost allocation input templates and will require Milton to incorporate those templates into its model.

Task 7 – Review and Finalize Methodology to Allocate Costs

The purpose of this Task is to review and finalize the methodology to allocate costs. Once the input tables for incorporation in Milton's budgeting process are developed Atrium will support the review of results of the allocation for each Business Unit to each Business Entity. In short, both the input tables and the resulting allocated costs will be reviewed by business unit managers and Milton business entity executives to ensure the allocations and results match the level of services being rendered and received. The goal is for the methods and specific allocations to be approved by each business entity executive and MHHI executives.

Task 8 – Review Results and Issue Report

Atrium will also draft a report for review to document the process and the methods employed by the common corporate cost allocation. This draft report will be reviewed by Milton as to the content and accuracy prior to issuing the final report.

Atrium will provide analysis of the review and provide recommendations to update future allocation methodology used by MHHI and each company. Recommendations will be used to prepare future financial plans and budgets as well as support MHDI's 2028 rate rebasing application. MHHI may require additional services during the 2028 rate application process to support the methodology provided with this consulting engagement.

Fee Estimate

Our fees for the consulting services of Atrium are based upon the time spent on the assignment by our professional staff at the billing rates established for the individuals involved, as provided in Table 2. In addition to services fees, travel and administrative expenses related to data acquisition and production of presentation materials are billed to clients at our actual cost.

Based upon our current understanding of the scope of work to be performed and the schedule for the completion of the work, we estimate on a time and materials basis that professional fees for completion of Tasks 1-8 of the engagement will be approximately [redacted] consultant hours as detailed in Table 1 below.

Table 1 Estimated Hours by Task

Milton Affiliate Cost Allocation Review	Total Hours	Fee Estimate
Task 1 – Review Methods, Identify Refinements, & Finalize Workplan	[redacted]	
Task 2 – Review Functions and Services		
Task 3 – Review Business Entities and Services Received		
Task 4 - Review and Assign Cost Drivers		
Task 5 - Review and Develop Allocation of Shared Assets		
Task 6 - Develop and Review Draft Input Tables		
Task 7 - Review and Refine Methodology		
Task 8 - Review Results and Issue Report		
Totals		

Table 2 Billing Rates

Staff Position	Hourly Rate
Managing Partner	[redacted]
Director	
Managing Consultant	
Senior Consultant	
Consultant	
Senior Analyst	
Analyst	
Project Assistant	

Project Timing

Atrium understands Milton is requiring the services to be performed before the end of September 2023 to align with financial planning schedules. Atrium's proposed project schedule, provided as Table 3, is based upon a project start date at Milton's earliest convenience following the Bid Award date of June 5, 2023, and an executed Consulting Services Agreement and Mutual Confidential Non-Disclosure Agreement between Milton and Atrium.

To initiate the project, we recommend a kickoff meeting, as described in Task 1, to include discussions of project deadlines, critical path tasks, assignment of responsibilities between Milton and Atrium, and broad discussions of Milton's costing, pricing, and regulatory objectives. The specific timeline and critical milestone dates for these work tasks can be established in conjunction with the finalization of the workplan for this project.

We expect that once Milton prepares a detailed workplan for its planning and preparation process, we will work with Milton staff to incorporate Atrium's work tasks into the workplan to be sure all critical path items are identified and committed to by Milton's rate case team and Atrium's team of consultants.

Table 3 Proposed Project Schedule

Task	Completion Date
Start Date	June 5, 2023
Task 1 – Review Methods, Identify Refinements, & Finalize Workplan	June 16, 2023
Task 2 – Review Functions and Services	June 30, 2023
Task 3 – Review Business Entities and Services Received	July 7, 2023
Task 4 - Review and Assign Cost Drivers	July 14, 2023
Task 5 - Review and Develop Allocation of Shared Assets	July 21, 2023
Task 6 - Develop and Review Draft Input Tables	August 11, 2023
Task 7 - Review and Finalize Methodology	August 11, 2023
Task 8 - Review Results and Issue Report	
Draft Report	August 25, 2023
Final Report	September 15, 2023

Potential Conflicts

Atrium knows of no actual or potential conflict of interest that would prevent our firm from providing services to Milton.

Contracting

Atrium proposed to perform the above services under the Agreement in Appendix B of the "Milton Hydro Shared Service RFP." We look forward to the opportunity to support Milton on this engagement.

SHARED SERVICE AGREEMENT

THIS MEMORANDUM OF AGREEMENT made as of the ________________.

BETWEEN:

Milton Hydro Distribution Inc.

(“Distco”)

and

Milton Hydro Holdings Inc.

(“Servco”)

WHEREAS Servco desires Distco to provide to Servco the Shared Services referred to herein;

AND WHEREAS Distco wishes to provide the Shared Services to Servco upon the terms and conditions set forth herein;

AND WHEREAS Distco desires Servco to provide to Distco the Shares Services referred to herein;

AND WHEREAS Servco wishes to provide the Shared Services to Distco upon the terms and conditions set forth herein;

NOW THEREFORE in consideration of the mutual covenants and agreements herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Distco and Servco (together, the “Parties”) agree as follows:

1. PURPOSE

1.1 The purpose of this Agreement is to describe the Shared Services to be provided by Distco to Servco on the one hand and Servco to Distco on the other hand, the charges to be paid for the performance of such Shared Services, and the working relationship between Distco and Servco relating to such Shared Services.

2. DEFINITIONS AND INTERPRETATION

2.1 As used in this Agreement, the following terms shall have the following meanings:

(a) “**Affiliate Relationships Code**” means the Affiliate Relationships Code for Electricity Distributors and Transmitters issued by the Ontario Energy Board on April 1, 1999, including any and all amendments, revisions or replacements made thereto;

(b) “**Agreement**” means this Shared Services Agreement and all instruments supplemental to it or in amendment or confirmation of it;

(c) “**Confidential Information**” shall have the meaning prescribed to it in Section 13.1 of this Agreement;

(d) “**Disclosing Party**” shall have the meaning prescribed to it in Section 13.1 of this Agreement;

(e) “**Parties**” means Distco and Servco collectively, and “**Party**” means any one of them;

(f) “**Recipient**” shall have the meaning prescribed to it in Section 13.1 of this Agreement;

(g) “**Representatives**” means any employee, agent, or subcontractor, of the Party in question, including without limitation any third party retained to perform any or all of the Shared Services pursuant to Section 4 of this Agreement;

(h) “**Shared Services**” shall have the meaning prescribed to it in Section 4.1 of this Agreement;

(i) “**Term**” shall have the meaning prescribed to it in Section 3.1 of this Agreement; and

(j) “**Transfer Price(s)**” shall have the meaning prescribed to it in Section 5 of this Agreement.

2.2 Unless the context of this Agreement requires otherwise, the singular number shall include the plural and vice versa and any gender includes any other gender.

2.3 The following schedules are attached to, and form, an integral part of this Agreement:

Schedule “1”	Services Provided by Distco to Servco
Schedule “2”	Services Provided by Servco to Distco

(collectively, the “Schedules”)

3. TERM AND TERMINATION

3.1 The Parties agree that, notwithstanding any provision contained herein, the Agreement made between them is terminated five years from the effective date thereof (“Term”).

3.2 This Agreement will, subject to section 3.1, remain in effect until terminated by either Party, in whole or in part, upon no less than sixty (60) days' prior written notice to the other Party. Upon termination for convenience, the Parties shall make any adjustments required to ensure that the Transfer Prices remain consistent with the Affiliate Relationships Code. Any partial termination of the Agreement shall be evidenced by a written agreement as between the Parties specifying the specific Shared Services to be terminated, and the adjustment in Transfer Price pursuant to such partial termination.

3.3 Either Party may terminate this agreement in the event of default in performance of any material covenant in this Agreement caused by the other Party that cannot be corrected, and on no less than fourteen (14) days written notice to the defaulting Party of the occurrence of the event of default, where such event of default is correctable but is not corrected by the defaulting Party within such fourteen (14) day period, the non-defaulting Party shall be entitled to terminate the Agreement.

4. SHARED SERVICES

4.1 Subject to Section 4.5 of this Agreement, Distco shall provide Servco with the services listed in Schedule "1" attached hereto and any additional services required by Servco from time to time. Servco shall provide Distco with the services listed in Schedule "2" hereto and any additional services required by Distco from time to time. The services contemplated in Section 4.1 shall collectively be referred to as the "Shared Services". With respect to any additional services required with mutually agreed upon terms, conditions and Transfer Prices, such terms, conditions and Transfer Prices shall be in compliance with the requirements contained and/or contemplated in the Affiliate Relationships Code.

4.2 Distco shall provide the Shared Services listed in Schedule "1" to this Agreement to Servco and Servco shall provide the Shared Services listed in Schedule "2" to this Agreement to Distco at quality levels which are mutually acceptable. These levels shall be reviewed from time to time.

4.3 Subject to Sections 4.4 and 4.5 hereof, each of Distco and Servco shall have the right, in its sole discretion, to contract with a third party to deliver all or part of the Shared Services, provided however that such third party shall be capable of providing such Shared Services to the same or better quality levels than those set forth in Section 4.2. The Parties agree that Distco shall be acting as the agent of Servco in procuring the delivery of such Shared Services of Servco contemplated in Schedule "1" and Servco shall be acting as the agent of Distco in procuring the delivery of such Shared Services of Distco contemplated in Schedule "2".

4.4 Where Distco or Servco has contracted with a third party to provide part or all of the Shared Services pursuant to Section 4.3 above, Servco (or Distco, as the case may be) shall pay the amount charged by such third party for the portion of the Shared Services delivered.

4.5 This Agreement shall be deemed to be an exclusive service agreement as between Distco and Servco, and Servco shall not have the right to provide itself, or retain a third party to provide itself, any of the Shared Services unless agreed to by Distco.

4.6 No employee shall be shared between Distco and Servco; provided that an employee may be transferred or seconded from Distco to Servco or from Servco to Distco with the prior written approval of the senior executive manager of Distco and Servco. Such approval shall set forth the terms and conditions of such transfer including all appropriate measures required to preserve the confidentiality of customer information. When on a secondment or transfer, the employee will not provide any services whatsoever to the original company during the period of secondment or transfer.

4.7 Distco shall bear all costs incurred and all risk involved in delivering the Shared Services to Servco, including all risks related to over provision of service and Servco shall bear all costs incurred and all risk involved in delivering the Shared Services to Distco, including all risks related to over provision of service. Cost allocation and pricing mechanism of the Shared Services is provided in Schedule “1” and Schedule “2” to this Agreement.

5. TRANSFER PRICING

5.1 All Shared Services provided by a Party or its Representatives to the other Party will be charged at the transfer prices determined in accordance with the Affiliate Relationships Code and set out in the attached Schedules (the “Transfer Price” or “Transfer Prices”, collectively). The Transfer Prices do not include HST or any other taxes payable in respect of the Transfer Price, which shall be paid by the recipient to the provider of the Shared Services.

5.2 The Parties hereby agree and acknowledge that they shall renegotiate the Shared Services and Transfer Prices described in Schedules hereto at such times as necessary in order to ensure that the Transfer Prices remain consistent with the requirements of the Affiliate Relationships Code.

5.3 Invoices shall be rendered to the Party receiving the Shared Services on or before the 15th day of each month (or such other time as may be agreed), setting forth the total amount due to the Party providing the Shared Services in respect of each of the Shared Services provided during the previous calendar month and the amount of any taxes which receiving Party has an obligation to pay.

5.4 Payment for Shared Services shall be paid no later than thirty (30) days after receipt of an invoice. This Section 5.4 shall survive any termination of this Agreement or the expiry of the Term for a period of twelve (12) months from the date on which the last invoice is rendered to the Party receiving the Shared Services pursuant to this Agreement.

6. NOTICES AND CONTACTS

6.1 Any notice or communication required as between the Parties pursuant to this Agreement shall be delivered to the following individuals, or to such other individual as either Party may stipulate by notice to the other:

For Distco: **Troy Hare**
President & Chief Executive Officer
200 Chisholm Drive, Milton, ON L9T 3G9
Telephone: **(905) 876-4611**
Email: **troyhare@miltonhydro.com**

For Servco: **Igor Rusic**
EVP & Chief Financial Officer
200 Chisholm Drive, Milton, ON L9T 3G9
Telephone: **(905) 876-4611**
Email: **rusici@miltonhydro.com**

7. AMENDMENTS

7.1 If at any time during the term of this Agreement the Parties deem it necessary or expedient to make any alteration or addition to this Agreement, they may do so by means of a written agreement between them which shall be supplemental and form part of this Agreement.

8. FURTHER ASSURANCES

8.1 The Parties agree that each of them shall, upon reasonable request of the other, do or cause to be done all further lawful acts, deeds and assurances whatever for the better performance of the terms and conditions of this Agreement.

9. SUCCESSORS AND ASSIGNS

9.1 This Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties, provided however that neither Party may assign this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld.

10. SEVERABILITY

10.1 If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision and everything else in this Agreement shall continue in full force and effect.

11. COUNTERPARTS

11.1 This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all counterparts shall together constitute one and the same instrument.

12. DISPUTE RESOLUTION

12.1 The Parties will use their best efforts to resolve, at an operational level, any disputes which may arise concerning this Agreement. Any issues which remain unresolved for more than fifteen (15) days will be referred to the most senior executives of each of the Parties. The parties agree to use their best efforts to resolve all disputes in a timely and professional manner utilizing a process appropriate to the issues involved.

13. CONFIDENTIALITY

13.1 “Confidential Information” means all information, whether disclosed orally, in writing, or otherwise, designated as being confidential, which is disclosed by one party (the “Disclosing Party”) to the other party (the “Recipient”) relating to the business of the Disclosing Party or in connection with the subject matter of this Agreement and includes, but is not limited to, business, financial, and marketing information, plans and strategies, contractual, customer and supplier information, technical information related to hardware, software and firmware, and know-how, trade secrets and any other intellectual property rights, and the terms of this Agreement.

13.2 Notwithstanding the foregoing, Confidential Information shall not include information which (i) now is, or hereafter properly becomes, generally available to the public other than as a result of disclosure in breach of this Agreement; (ii) is required to be disclosed in compliance with any applicable law, under order of a court of competent jurisdiction or other similar requirement of a governmental agency, so long as the Recipient provides the Disclosing Party with prior written notice of any required disclosure pursuant to such law, order or requirement and cooperates, to the extent permitted by law with the Disclosing Party in seeking an order eliminating or restricting the disclosure or a protective order or otherwise ensuring the confidential treatment of the Confidential Information; (iii) is disclosed with the prior written approval of an authorized officer of the Disclosing Party; (iv) is previously known to the Recipient at the time of disclosure; (v) is discovered by the Recipient without reference to the Confidential Information of the Disclosing Party; or (vi) is lawfully obtained from a third party which was not bound by a confidentiality agreement respecting the disclosure.

13.3 Each agrees not to disclose any Confidential Information to any person except those of its Representatives who have a need to know such Confidential Information in connection with this Agreement and who are informed of the confidential nature of the Confidential Information and who agree to be bound by the terms of this Section 13.

13.4 The Recipient will not use any Confidential Information relating to the Disclosing Party for any purpose other than in connection with the performance of its obligations, or exercise of its rights, under this Agreement, and will exercise the same security measures normally exercised with respect to its own Confidential Information, and at a minimum a reasonable degree of care, to safeguard the Confidential Information from disclosure to anyone other than as permitted hereby.

13.5 Upon expiry or termination of this Agreement, or upon written notice from the Disclosing Party requesting return of any or all Confidential Information, the Recipient shall forthwith return all such Confidential Information to the Disclosing Party and shall keep no copies. Where deletion of information is necessary to fulfill this requirement, it shall be performed within the confines afforded by existing technology limitations, and shall exclude archival or long term back up storage. Upon request, the Recipient shall provide to the Disclosing Party an officer's certificate confirming that such actions have been completed and that there are no tangible and/or electronic versions of the Confidential Information in the Recipient's possession or control, except for archival purposes, long term back up storage of such versions or copies required to be maintained to comply with applicable laws or the terms of this Agreement, and for which the obligations of confidentiality herein shall continue.

13.6 The provisions of this Section 13 shall survive termination of this Agreement. In the event of any breach of this Section 13, the Disclosing Party shall be entitled to seek interim and permanent injunctive relief, which remedy shall be in addition to any other rights or remedies to which such Party may be entitled under this Agreement or otherwise under applicable laws.

13.7 Servco shall comply at all time with the data management and data access protocols implemented by Distco to protect access to Confidential Information.

13.8 Subject to Section 2.2.2 of the Affiliate Relationships Code, Distco employees shall not disclose Sensitive Information to Servco where Distco shares information services (as defined in the Affiliate Relationships Code) with Servco. "Sensitive Information" means information Distco has obtained relating to a specific smart sub-metering provider, wholesaler, consumer, retailer or generator in the process of providing current or prospective utility service.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this agreement effective as of the date first above written as attested by the hands of their respective officers duly authorized in that behalf:

MILTON HYDRO DISTRIBUTION INC.

____

Troy Hare
President & Chief Executive Officer
I have authority to bind the corporation

MILTON HYDRO HOLDINGS INC.

Igor Rusic
____

Igor Rusic
EVP & Chief Financial Officer
I have authority to bind the corporation

SCHEDULE “1”

Services provided by Distco to Servco

With respect to each service provided by Distco to Servco, Servco shall pay to Distco an amount as determined by the Pricing Methodology for each Service Offered in the table below, as may be amended or updated from time to time.

Service Offered	Pricing Methodology	Documentation to Evidence Billing	Shared Corporate Services[1]?	Affiliate Relationships Code Requirement	Detailed Description
Accounting and Finance Services	Fully-Allocated Cost	Fully allocated costs based on corporate cost allocation study	Yes	2.3.5.1	(a) Accounting: financial systems, financial processes, policies and procedures, financial controls and compliance, financial reporting and analysis, annual budgets, financial operations, managing external audit and managing insurance programs (liability, D&O, facilities). (b) Finance services: financing including banking, operating line of credit, cash flow management and investment of funds, financial guarantees including letters of credit, payroll services, accounts payable and receivable services.
Corporate Support Services	Fully-Allocated Cost	Fully allocated costs based on corporate cost allocation study	Yes	2.3.5.1	(a) Call centre services: call answering services and switchboard services. (b) IT services: personal computer systems support and communications support. (c) Human resources, health and safety and supply

[1] As defined in the Affiliate Relationships Code, “shared corporate services” means business functions that provide shared strategic management and policy support to the corporate group of which the utility is a member, relating to legal, regulatory, procurement services, building or real estate support services, information management services, information technology services, corporate administration, finance, tax, treasury, pensions, risk management, audit services, corporate planning, human resources, health and safety, communications, investor relations, trustee, or public affairs.

Service Offered	Pricing Methodology	Documentation to Evidence Billing	Shared Corporate Services[1]?	Affiliate Relationships Code Requirement	Detailed Description
					chain.

SCHEDULE "2"

Services provided by Servco to Distco:

With respect to each service provided by Servco to Distco, Distco shall pay to Servco an amount as determined by the Pricing Methodology for each Service Offered in the table below, as may be amended or updated from time to time.

Service Offered	Pricing Methodology	Documentation to Evidence Billing	Shared Corporate Services[2]?	Affiliate Relationships Code Requirement	Detailed Description
Management	Fully-Allocated Cost	Fully allocated costs based on corporate cost allocation study	Yes	2.3.5.1	Management services: including but not limited to taking direction from and reporting to Servco Board of Directors, risk and contract management and strategic management and policy support from the Chief Executive Officer and the Chief Financial Officer.

[2] As defined in the Affiliate Relationships Code, "shared corporate services" means business functions that provide shared strategic management and policy support to the corporate group of which the utility is a member, relating to legal, regulatory, procurement services, building or real estate support services, information management services, information technology services, corporate administration, finance, tax, treasury, pensions, risk management, audit services, corporate planning, human resources, health and safety, communications, investor relations, trustee, or public affairs.

SHARED SERVICE AGREEMENT

THIS MEMORANDUM OF AGREEMENT made as of the _________________.

BETWEEN:

Milton Hydro Distribution Inc.

("Distco")

and

Milton Energy & Generation Solutions

("Servco")

WHEREAS Servco desires Distco to provide to Servco the Shared Services referred to herein;

AND WHEREAS Distco wishes to provide the Shared Services to Servco upon the terms and conditions set forth herein;

AND WHEREAS Distco desires Servco to provide to Distco the Shares Services referred to herein;

AND WHEREAS Servco wishes to provide the Shared Services to Distco upon the terms and conditions set forth herein;

NOW THEREFORE in consideration of the mutual covenants and agreements herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Distco and Servco (together, the "Parties") agree as follows:

1. PURPOSE

1.1 The purpose of this Agreement is to describe the Shared Services to be provided by Distco to Servco on the one hand and Servco to Distco on the other hand, the charges to be paid for the performance of such Shared Services, and the working relationship between Distco and Servco relating to such Shared Services.

2. DEFINITIONS AND INTERPRETATION

2.1 As used in this Agreement, the following terms shall have the following meanings:

(a) "**Affiliate Relationships Code**" means the Affiliate Relationships Code for Electricity Distributors and Transmitters issued by the Ontario Energy Board on April 1, 1999, including any and all amendments, revisions or replacements made thereto;

(b) "**Agreement**" means this Shared Services Agreement and all instruments supplemental to it or in amendment or confirmation of it;

(c) "**Confidential Information**" shall have the meaning prescribed to it in Section 13.1 of this Agreement;

(d) "**Disclosing Party**" shall have the meaning prescribed to it in Section 13.1 of this Agreement;

(e) "**Parties**" means Distco and Servco collectively, and "**Party**" means any one of them;

(f) "**Recipient**" shall have the meaning prescribed to it in Section 13.1 of this Agreement;

(g) "**Representatives**" means any employee, agent, or subcontractor, of the Party in question, including without limitation any third party retained to perform any or all of the Shared Services pursuant to Section 4 of this Agreement;

(h) "**Shared Services**" shall have the meaning prescribed to it in Section 4.1 of this Agreement;

(i) "**Term**" shall have the meaning prescribed to it in Section 3.1 of this Agreement; and

(j) "**Transfer Price(s)**" shall have the meaning prescribed to it in Section 5 of this Agreement.

2.2 Unless the context of this Agreement requires otherwise, the singular number shall include the plural and vice versa and any gender includes any other gender.

2.3 The following schedules are attached to, and form, an integral part of this Agreement:

Schedule "1" Services Provided by Distco to Servco
Schedule "2" Services Provided by Servco to Distco

(collectively, the "Schedules")

3. TERM AND TERMINATION

3.1 The Parties agree that, notwithstanding any provision contained herein, the Agreement made between them is terminated five years from the effective date thereof ("Term").

3.2 This Agreement will, subject to section 3.1, remain in effect until terminated by either Party, in whole or in part, upon no less than sixty (60) days' prior written notice to the other Party. Upon termination for convenience, the Parties shall make any adjustments required to ensure that the Transfer Prices remain consistent with the Affiliate Relationships Code. Any partial termination of the Agreement shall be evidenced by a written agreement as between the Parties specifying the specific Shared Services to be terminated, and the adjustment in Transfer Price pursuant to such partial termination.

3.3 Either Party may terminate this agreement in the event of default in performance of any material covenant in this Agreement caused by the other Party that cannot be corrected, and on no less than fourteen (14) days written notice to the defaulting Party of the occurrence of the event of default, where such event of default is correctable but is not corrected by the defaulting Party within such fourteen (14) day period, the non-defaulting Party shall be entitled to terminate the Agreement.

4. SHARED SERVICES

4.1 Subject to Section 4.5 of this Agreement, Distco shall provide Servco with the services listed in Schedule "1" attached hereto and any additional services required by Servco from time to time. Servco shall provide Distco with the services listed in Schedule "2" hereto and any additional services required by Distco from time to time. The services contemplated in Section 4.1 shall collectively be referred to as the "Shared Services". With respect to any additional services required with mutually agreed upon terms, conditions and Transfer Prices, such terms, conditions and Transfer Prices shall be in compliance with the requirements contained and/or contemplated in the Affiliate Relationships Code.

4.2 Distco shall provide the Shared Services listed in Schedule "1" to this Agreement to Servco and Servco shall provide the Shared Services listed in Schedule "2" to this Agreement to Distco at quality levels which are mutually acceptable. These levels shall be reviewed from time to time.

4.3 Subject to Sections 4.4 and 4.5 hereof, each of Distco and Servco shall have the right, in its sole discretion, to contract with a third party to deliver all or part of the Shared Services, provided however that such third party shall be capable of providing such Shared Services to the same or better quality levels than those set forth in Section 4.2. The Parties agree that Distco shall be acting as the agent of Servco in procuring the delivery of such Shared Services of Servco contemplated in Schedule "1" and Servco shall be acting as the agent of Distco in procuring the delivery of such Shared Services of Distco contemplated in Schedule "2".

4.4 Where Distco or Servco has contracted with a third party to provide part or all of the Shared Services pursuant to Section 4.3 above, Servco (or Distco, as the case may be) shall pay the amount charged by such third party for the portion of the Shared Services delivered.

4.5 This Agreement shall be deemed to be an exclusive service agreement as between Distco and Servco, and Servco shall not have the right to provide itself, or retain a third party to provide itself, any of the Shared Services unless agreed to by Distco.

4.6 No employee shall be shared between Distco and Servco; provided that an employee may be transferred or seconded from Distco to Servco or from Servco to Distco with the prior written approval of the senior executive manager of Distco and Servco. Such approval shall set forth the terms and conditions of such transfer including all appropriate measures required to preserve the confidentiality of customer information. When on a secondment or transfer, the employee will not provide any services whatsoever to the original company during the period of secondment or transfer.

4.7 Distco shall bear all costs incurred and all risk involved in delivering the Shared Services to Servco, , including all risks related to over provision of service and Servco shall bear all costs incurred and all risk involved in delivering the Shared Services to Distco, including all risks related to over provision of service. Cost allocation and pricing mechanism of the Shared Services is provided in Schedule "1" and Schedule "2" to this Agreement.

5. TRANSFER PRICING

5.1 All Shared Services provided by a Party or its Representatives to the other Party will be charged at the transfer prices determined in accordance with the Affiliate Relationships Code and set out in the attached Schedules (the "Transfer Price" or "Transfer Prices", collectively). The Transfer Prices do not include HST or any other taxes payable in respect of the Transfer Price, which shall be paid by the recipient to the provider of the Shared Services.

5.2 The Parties hereby agree and acknowledge that they shall renegotiate the Shared Services and Transfer Prices described in Schedules hereto at such times as necessary in order to ensure that the Transfer Prices remain consistent with the requirements of the Affiliate Relationships Code.

5.3 Invoices shall be rendered to the Party receiving the Shared Services on or before the 15^{th} day of each month (or such other time as may be agreed), setting forth the total amount due to the Party providing the Shared Services in respect of each of the Shared Services provided during the previous calendar month and the amount of any taxes which the receiving Party has an obligation to pay.

5.4 Payment for Shared Services shall be paid no later than thirty (30) days after receipt of an invoice. This Section 5.4 shall survive any termination of this Agreement or the expiry of the Term for a period of twelve (12) months from the date on which the last invoice is rendered to the Party receiving the Shared Services pursuant to this Agreement.

6. NOTICES AND CONTACTS

6.1 Any notice or communication required as between the Parties pursuant to this Agreement shall be delivered to the following individuals, or to such other individual as either Party may stipulate by notice to the other:

For Distco: **Troy Hare**
President & Chief Executive Officer
200 Chisholm Drive, Milton, ON L9T 3G9
Telephone: **(905) 876-4611**
Email: **troyhare@miltonhydro.com**

For Servco: **Igor Rusic**
EVP & Chief Financial Officer
200 Chisholm Drive, Milton, ON L9T 3G9
Telephone: **(905) 876-4611**
Email: **rusici@miltonhydro.com**

7. AMENDMENTS

7.1 If at any time during the term of this Agreement the Parties deem it necessary or expedient to make any alteration or addition to this Agreement, they may do so by means of a written agreement between them which shall be supplemental and form part of this Agreement.

8. FURTHER ASSURANCES

8.1 The Parties agree that each of them shall, upon reasonable request of the other, do or cause to be done all further lawful acts, deeds and assurances whatever for the better performance of the terms and conditions of this Agreement.

9. SUCCESSORS AND ASSIGNS

9.1 This Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties, provided however that neither Party may assign this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld.

10. SEVERABILITY

10.1 If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision and everything else in this Agreement shall continue in full force and effect.

11. COUNTERPARTS

11.1 This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all counterparts shall together constitute one and the same instrument.

12. DISPUTE RESOLUTION

12.1 The Parties will use their best efforts to resolve, at an operational level, any disputes which may arise concerning this Agreement. Any issues which remain unresolved for more than fifteen (15) days will be referred to the most senior executives of each of the Parties. The parties agree to use their best efforts to resolve all disputes in a timely and professional manner utilizing a process appropriate to the issues involved.

13. CONFIDENTIALITY

13.1 "Confidential Information" means all information, whether disclosed orally, in writing, or otherwise, designated as being confidential, which is disclosed by one party (the "Disclosing Party") to the other party (the "Recipient") relating to the business of the Disclosing Party or in connection with the subject matter of this Agreement and includes, but is not limited to, business, financial, and marketing information, plans and strategies, contractual, customer and supplier information, technical information related to hardware, software and firmware, and know-how, trade secrets and any other intellectual property rights, and the terms of this Agreement.

13.2 Notwithstanding the foregoing, Confidential Information shall not include information which (i) now is, or hereafter properly becomes, generally available to the public other than as a result of disclosure in breach of this Agreement; (ii) is required to be disclosed in compliance with any applicable law, under order of a court of competent jurisdiction or other similar requirement of a governmental agency, so long as the Recipient provides the Disclosing Party with prior written notice of any required disclosure pursuant to such law, order or requirement and cooperates, to the extent permitted by law with the Disclosing Party in seeking an order eliminating or restricting the disclosure or a protective order or otherwise ensuring the confidential treatment of the Confidential Information; (iii) is disclosed with the prior written approval of an authorized officer of the Disclosing Party; (iv) is previously known to the Recipient at the time of disclosure; (v) is discovered by the Recipient without reference to the Confidential Information of the Disclosing Party; or (vi) is lawfully obtained from a third party which was not bound by a confidentiality agreement respecting the disclosure.

13.3 Each agrees not to disclose any Confidential Information to any person except those of its Representatives who have a need to know such Confidential Information in connection with this Agreement and who are informed of the confidential nature of the Confidential Information and who agree to be bound by the terms of this Section 13.

13.4 The Recipient will not use any Confidential Information relating to the Disclosing Party for any purpose other than in connection with the performance of its obligations, or exercise of its rights, under this Agreement, and will exercise the same security measures normally exercised with respect to its own

Confidential Information, and at a minimum a reasonable degree of care, to safeguard the Confidential Information from disclosure to anyone other than as permitted hereby.

13.5 Upon expiry or termination of this Agreement, or upon written notice from the Disclosing Party requesting return of any or all Confidential Information, the Recipient shall forthwith return all such Confidential Information to the Disclosing Party and shall keep no copies. Where deletion of information is necessary to fulfill this requirement, it shall be performed within the confines afforded by existing technology limitations, and shall exclude archival or long term back up storage. Upon request, the Recipient shall provide to the Disclosing Party an officer's certificate confirming that such actions have been completed and that there are no tangible and/or electronic versions of the Confidential Information in the Recipient's possession or control, except for archival purposes, long term back up storage of such versions or copies required to be maintained to comply with applicable laws or the terms of this Agreement, and for which the obligations of confidentiality herein shall continue.

13.6 The provisions of this Section 13 shall survive termination of this Agreement. In the event of any breach of this Section 13, the Disclosing Party shall be entitled to seek interim and permanent injunctive relief, which remedy shall be in addition to any other rights or remedies to which such Party may be entitled under this Agreement or otherwise under applicable laws.

13.7 Servco shall comply at all time with the data management and data access protocols implemented by Distco to protect access to Confidential Information.

13.8 Subject to Section 2.2.2 of the Affiliate Relationships Code, Distco employees shall not disclose Sensitive Information to Servco where Distco shares information services (as defined in the Affiliate Relationships Code) with Servco. "Sensitive Information" means information Distco has obtained relating to a specific smart sub-metering provider, wholesaler, consumer, retailer or generator in the process of providing current or prospective utility service.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this agreement effective as of the date first above written as attested by the hands of their respective officers duly authorized in that behalf:

MILTON HYDRO DISTRIBUTION INC.

Troy Hare
President & Chief Executive Officer
I have authority to bind the corporation

MILTON ENERGY & GENERATION SOLUTIONS

Igor Rusic

Igor Rusic
EVP & Chief Financial Officer
I have authority to bind the corporation

SCHEDULE "1"

Services provided by Distco to Servco

With respect to each service provided by Distco to Servco, Servco shall pay to Distco an amount as determined by the Pricing Methodology for each Service Offered in the table below, as may be amended or updated from time to time.

Service Offered	Pricing Methodology	Documentation to Evidence Billing	Shared Corporate Services[1]?	Affiliate Relationships Code Requirement	Detailed Description
Accounting and Finance Services	Fully-Allocated Cost	Fully allocated costs based on corporate cost allocation study	Yes	2.3.5.1	(a) Accounting: financial controls and compliance, financial reporting and analysis, annual budgets, financial operations, capitalization and depreciation, inventory, labour charging, allocations and burdens, managing external audit and managing insurance programs (liability, D&O, facilities). (b) Finance services: financing including, banking, operating line of credit, cash flow management and investment of funds, financial guarantees, payroll services, taxation (PIL's), and HST remittances.

[1] As defined in the Affiliate Relationships Code, "shared corporate services" means business functions that provide shared strategic management and policy support to the corporate group of which the utility is a member, relating to legal, regulatory, procurement services, building or real estate support services, information management services, information technology services, corporate administration, finance, tax, treasury, pensions, risk management, audit services, corporate planning, human resources, health and safety, communications, investor relations, trustee, or public affairs.

Service Offered	Pricing Methodology	Documentation to Evidence Billing	Shared Corporate Services[1]?	Affiliate Relationships Code Requirement	Detailed Description
Billing & Collecting	Greater of Market Price or Fully Allocated Cost	Fully allocated costs based on corporate cost allocation study	No	2.3.3.6	(a) Billing & Collecting Services for Water and Waste Water for the Halton Region on behalf of Servco.
Corporate Support Services	Fully-Allocated Cost	Fully allocated costs based on corporate cost allocation study	Yes	2.3.5.1	(a) Call centre services: call answering services and switchboard services. (b) IT services: personal computer systems support and communications support. (c) Safety services: safety program development, monitoring, reporting, implementation and support. (d) Risk and contract management, supply chain, and human resources.
Procurement Services	Fully-Allocated Cost	Fully allocated costs based on corporate cost allocation study	Yes	2.3.5.1	(a) Procurement services, secure vendor contracts to ensure installation of capital, and that adequate repairs and maintenance services are available for applicable Servco facilities.

Service Offered	Pricing Methodology	Documentation to Evidence Billing	Shared Corporate Services[1]?	Affiliate Relationships Code Requirement	Detailed Description
Rooftop Rental	Greater of Market Price or Fully Allocated Cost	Fully allocated costs based on corporate cost allocation study	No	2.3.3.6	(a) Access to the roof of 200 Chisholm Drive, Milton Ontario for the purposes of erecting, constructing, reconstructing, installing, maintaining and operating an electricity grid-connected photovoltaic solar power plant and all related equipment, apparatus accessories, works and appurtenances thereto.
Land Rental	Greater of Market Price or Fully Allocated Cost	Fully allocated costs based on corporate cost allocation study	No	2.3.3.6	(a) Access to the Distco site at Highway 401 and Tremaine Road, Milton Ontario for the purposes of erecting, constructing, reconstructing, installing, maintaining and operating a Communications Tower and all related equipment, apparatus accessories, works and appurtenances thereto. (b) Servco to rent office, control room, warehouse and garage space from the Distco.
Duct Shared Use	Fully-Allocated Cost	Fully allocated costs based on corporate cost allocation study	No	2.3.4	Servco to rent space in Distco joint use ducts for communication infrastructure.

SCHEDULE "2"

Services provided by Servco to Distco:

With respect to each service provided by Servco to Distco, Distco shall pay to Servco an amount as determined by the Pricing Methodology for each Service Offered in the table below, as may be amended or updated from time to time.

Service Offered	Pricing Methodology	Documentation to Evidence Billing	Shared Corporate Services[2]?	Affiliate Relationships Code Requirement	Detailed Description
Utility Locates	Greater of Market Price or Fully Allocated Cost	Fully allocated costs based on corporate cost allocation study	No	2.3.3.6	Distco provides line locating services to Servco.

[2] As defined in the Affiliate Relationships Code, "shared corporate services" means business functions that provide shared strategic management and policy support to the corporate group of which the utility is a member, relating to legal, regulatory, procurement services, building or real estate support services, information management services, information technology services, corporate administration, finance, tax, treasury, pensions, risk management, audit services, corporate planning, human resources, health and safety, communications, investor relations, trustee, or public affairs.