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October 21, 2025

VIA RESS

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

Dear Mr. Murray:

**Re: Milton Hydro Distribution Inc. Request to Establish a New Variance Account
VECC Submissions
EB-2025-0241**

On July 31, 2025, Milton Hydro Distribution Inc. (Milton Hydro) filed an application with the Ontario Energy Board (OEB) under section 78 of the Ontario Energy Board Act, 1998. Milton Hydro seeks the OEB's approval to establish a variance account to record the revenue requirement impacts resulting from changes in shared services and corporate cost allocation. If approved, the requested accounting order will establish a variance account to capture the difference between the amount approved in rates in Milton Hydro's last cost of service rate proceeding (2023 COS Proceeding)¹ related to the allocation of shared services and corporate costs and updated amounts resulting from a third-party review of Milton Hydro's shared services and corporate cost allocation methodology.

Background

As part of Milton Hydro's cost of service application for 2023 rates (EB-2022-0049), the OEB approved a full Settlement Proposal. As part of that Settlement Proposal, Milton Hydro agreed 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.² 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.

¹ EB-2022-0049

² EB-2022-0049 OEB Decision and Order Settlement Proposal p. 22

Milton Hydro retained Atrium Economics and Atrium Economics provided a report which reviewed and evaluated Milton Hydro's Corporate & Shared Cost Allocation Methodology.

The report determined that ratepayers are currently being subsidized by Milton Hydro's affiliates as Atrium Economics found that \$369,851 in costs for the 2023 rebasing year are currently being paid by the affiliates and should be allocated to Milton Hydro.

Request

As a result of the study, Milton Hydro requests approval for the following:

- The establishment of a variance account to capture the revenue requirement impacts due to the change in shared services and corporate cost allocation for the years from 2025 to the year immediately preceding the next cost of service year (expected for 2028 rate year) at an annual debit amount \$369,851.
- Approval to establish the new variance account effective January 1, 2025.
- Approval to record carrying charges on the principal amounts recorded in the variance account, based on the OEB prescribed interest rates for deferral and variance accounts for the years from 2025 up to the year immediately preceding Milton Hydro's next cost of service year.

VECC Submissions

Following a review of the evidence including interrogatory responses, and further discussions and coordination with SEC, VECC's position is consistent with the position of SEC. VECC has reviewed the draft submissions of SEC and for the purposes of regulatory efficiency supports those submissions.

VECC submits the request for the accounting order should be denied. Milton Hydro has not shown a proper regulatory basis for the application or met the OEB's Chapter 2 criteria to establish a new variance account. Further, the referenced OEB Decisions do not assist Milton Hydro.^{3 4}

³ Halton Hills Hydro Inc.'s 2018 IRM application (EB-2017-0045)

⁴ Oakville Hydro's 2017 variance account application (EB-2017-0202)

Best Regards,

A handwritten signature in cursive script that reads "Shelly Grace". The signature is written in a dark ink and is positioned below the "Best Regards," text.

Consultant for VECC