



## **MILTON HYDRO DISTRIBUTION INC.**

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May 26, 2022

### **RESS & EMAIL**

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

Attention: Nancy Marconi, Registrar

Dear Ms. Marconi:

**Re: Milton Hydro Distribution Inc. (Milton Hydro)  
EB-2022-0049: Cost of Service Rate Application for 2023 Electricity Distribution  
Rates (Application) – Responses to OEB Staff Clarification Questions**

Enclosed are Milton Hydro's responses to OEB staff clarification questions sent to Milton Hydro on May 20, 2022. Milton Hydro also provides live excel spreadsheets, and additional attachments to update its evidence on the record.

Any questions are to be addressed to the undersigned.

Yours truly,

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

cc: Igor Rusic, Chief Financial Officer and Vice President, Finance, Milton Hydro Distribution Inc.  
Troy Hare, Chief Executive Officer and President, Milton Hydro Distribution Inc.  
Tim Pavlov, Torys LLP

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**Responses to OEB Staff Clarification Questions  
Milton Hydro Distribution Inc.  
2023 Cost of Service Application  
EB-2022-0049  
May 20, 2022**

Please ensure that all confidential information filed in response to the clarification questions or supporting documents are removed or treated in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

**Question-1**

Please reconcile the 2016 OEB-approved OM&A expenses by cost component (e.g., Operations, Maintenance, Billing and Collecting, etc.) between Appendix 2-JA filed in the current application and Appendix 2-JA filed as part of the draft rate order process in the 2016 cost of service proceeding (EB-2015-0089, Chapter 2 Appendices, dated August 12, 2016).

**Response:**

The following table reconciles the 2016 OEB-approved OM&A expenses by cost category.

Reconciliation of Appendix 2-JA filed in 2023 vs Filed in 2016 Draft Rate Order							
	A	B	C = A - B	D	E = C - D	F	G = E - F
OM&A Expense Cost Category	2016 Test Year OM&A before OEB Decision <sup>1</sup>	Reductions due to OEB Decision by Category	2016 Test Year Per OEB Appendix 2-JA <sup>2</sup>	Reallocation Adjustments	Adjusted 2016 OEB Approved	Reclassification Between Accounts	2016 OEB Approved per 2023 Appendix 2-JA <sup>3</sup>
Operations	\$ 2,456,704	\$ 20,580	\$ 2,477,284	- 114,580	2,362,704	- 369,418	1,993,286
Maintenance	\$ 1,355,707	-\$ 220,580	\$ 1,135,127	78,580	1,213,707	369,418	1,583,125
Billing & Collecting	\$ 2,329,699	-\$ 100,000	\$ 2,229,699	32,000	2,261,699	- 337,290	1,924,409
Community Relations	\$ 20,071		\$ 20,071		20,071		20,071
Administration	\$ 3,960,266	-\$ 250,000	\$ 3,710,266	4,000	3,714,266	337,290	4,051,557
Grand Total	\$ 10,122,448	-\$ 550,000	\$ 9,572,448	\$ -	\$ 9,572,448	\$ 0	\$ 9,572,448

1 - The 2016 Test Year OM&A amounts by expense cost category before OEB Decision (EB-2015-0089, Chapter 2 Appendices, dated August 12, 2016).

2 - The 2016 Test Year amounts by OM&A expense cost category filed in Appendix 2-JA as part of the draft rate order process in the 2016 cost of service proceeding (EB-2015-0089, Chapter 2 Appendices, dated August 12, 2016)

3 - The 2016 OEB Approved amounts by OM&A expense cost category in Appendix 2-JA filed as part of the current application.

Milton Hydro's original OM&A expense that was subject to the oral hearing in its 2016 Cost of Service Rate Application was \$10,122,448, as per column A in the table above. The OEB approved a reduction to Milton Hydro's OM&A costs of \$550,000, per column B in the table above. When Milton Hydro completed Appendix 2-JA for the 2016 Test Year as part of the draft rate order, it made preliminary allocations of the \$550,000 reduction across the various OM&A cost categories; however, the allocations to the OM&A expense cost categories were only approximations. Subsequently, when Milton Hydro reviewed its business plans and Milton Hydro was able to determine the reductions across the OM&A expense cost categories with more precision, it made a reallocation adjustment of the reductions, as per column D in the table above. Column E

in the table above provides the 2016 OEB approved OM&A expense by cost category approved after making more precise allocations of the OEB reduction totaling \$550,000.

As part of Milton Hydro's 2022 & 2023 business planning process the Company determined that certain costs needed to be reclassified retrospectively as the nature of the costs related to other OM&A expense cost categories. As per column F of the table above, costs totaling \$369,418 predominantly relating to Pole Maintenance and Meter Maintenance costs were previously being categorized as part of the Operations cost category, these costs were reclassified to the Maintenance cost category retrospectively for the 2016 OEB approved year through to the 2023 test year in Appendix 2-JA for comparative purposes. In addition, costs totaling \$337,290 predominantly relating to Software Maintenance costs were previously being categorized as part of the Billing and Collecting cost category, these costs were reclassified to the Administration cost category retrospectively for the 2016 OEB approved year through to the 2023 test year in Appendix 2-JA for comparative purposes.

## Question-2

Please explain the differences on bill impacts (in percentage) between Table 1-7 and the Bill Impact model (e.g., the bill impact for a typical residential customer is shown as 4.18% in Table 1-7 while shown as 17.45% in the Bill Impact model).

### Response:

The bill impact Milton Hydro provides in Table 1-7 is the % bill impact for the Total Bill (on TOU rates) that results only from distribution rate changes (per sub-total A of Bill Impacts spreadsheet model). The Sub-Total A increase of \$5.32 (excluding pass through amounts) divided by Total Bill on TOU (before taxes) at current OEB-Approved rates on TOU (before taxes) of \$127.23 = 4.18%. The Bill Impact model does not calculate a total bill impact resulting from distribution rate changes only. Milton Hydro provides this % increase to demonstrate what the increase will be on a customer's total bill resulting only from changes in the distribution rates (per sub-total A) that Milton Hydro is responsible for. Otherwise stated, if all bill components other than the Sub-total A components (excluding pass through) were held constant for both Current OEB Approved rates and Proposed rates, customers would expect to see their total bill increase by 4.18%.

### Question-3

Please reconcile other revenue for 2023 between Exhibit 1 (pdf page 127, shown as \$2,376,260) and Exhibit 3, Table 3-34 (pdf page 38, shown as \$2,201,364).

#### Response:

The other revenue presented on pdf page 127, of \$2,376,260 is based on financial reporting for external reporting purposes. For Modified IFRS purposes, other revenue is \$2,201,364.

Below is a reconciliation of other revenue for external financial reporting purposes vs. other revenue for Modified IFRS (MIFRS) purposes in the rate application.

Other Revenue For External Financial Reporting purposes	\$2,376,260
Add back Micro-Fit Monthly Service Charges	\$ 18,837
Add back Fit Monthly Service Charges	\$ 19,434
Add back Standard Supply Service Charge Revenue	\$ 125,833
Add back Interest Income not recognized as other revenue	\$ 11,000
Deduct Loss from Retirement of Utility and Other Property	<u>\$ (350,000)</u>
Other Revenue for MIFRS Purposes	<u>\$2,201,364</u>

For External Financial Reporting Purposes, Milton Hydro does not include Micro-Fit Service Charges, Fit Service Charges, and Standard Supply Service Charges as part of other revenue; Milton Hydro includes the revenues for these items as part of Distribution Revenues on its externally reported Income Statement. For Regulatory MIFRS and rate making purposes, Milton Hydro classifies the revenues for these items as part of other revenue.

In addition, for External Financial Reporting Purposes, Milton Hydro does not include Interest Income as part of other revenues; Milton Hydro includes the revenues for this item as part of Financing Income on its externally reported Income Statement. For Regulatory MIFRS and rate making purposes, Milton Hydro classifies Interest Income as part of other revenue.

Also, for External Financial Reporting Purposes, Milton Hydro does not include Losses from Retirement of Utility and Other Property as an offset to other revenues; Milton Hydro includes the revenues for this item as an Operating Expense under Loss on Disposal of Property, Plant and Equipment on its externally reported Income Statement. For Regulatory MIFRS and rate making purposes, Milton Hydro classifies Losses from Retirement of Utility and Other Property as an offset to other revenue.

#### Question-4

Please reconcile the average gross fixed assets and the average accumulated depreciation between RRWF tab 4, Rate Base, and Table 2-1 Summary of Rate Base in Exhibit 2, page 8 of 86.

Response:

The average gross fixed assets and average accumulated depreciation as originally provided in the RRWF tab 4, Rate Base were as follows:

Gross Fixed Assets (average)	\$187,041,882
Accumulated Depreciation (average)	<u>\$ (82,017,555)</u>
Net Fixed Assets (average)	<u>\$105,024,328</u>

Milton Hydro has corrected the balances to be included in the RRWF for the average gross fixed assets and average accumulated depreciation as provided below as follows:

Gross Fixed Assets (average)	\$187,064,756
Accumulated Depreciation (average)	<u>\$ (82,040,429)</u>
Net Fixed Assets (average)	<u>\$105,024,328</u>

Milton Hydro has filed an updated version of the Revenue Requirement Workform reflecting this change and files the accompanying Milton Hydro 2023 Rev Req Workform 20220526.xlsx spreadsheet. There is no impact to the Net Fixed Assets (average) or the rate base because of this correction.

#### Question-5

Please reconcile the total cost budgeted for the Meter Replacement Program for the 2023 test year between Appendix 2-AA (\$839,892) and the Capital Project Summary Sheet (\$1,065,547).

Response:

On the Capital Project Sheet SR-4 Meter Replacement Program the 2023 Costs are \$1,065,547 and the narrative indicates:

***This is an annual program that covers the replacement of Milton Hydro owned metering assets. Meter replacements include meter room communication upgrades, proactive replacement of metering equipment and the reactive replacement of meter equipment failures.***

In Appendix 2-AA for 2023 there are three items that need to be aggregated to reconcile to the Capital Project Sheet SR-4 2023 amount of \$1,065,547, as follows:

Meter Replacements, defective	\$ 100,000
Meter Replacement Program	\$ 839,892
Meter Room Upgrades - Cell Modems	<u>\$ 125,656</u>
Total Meter Replacements & Meter Room Upgrades	<u>\$1,065,548</u>

Milton Hydro has updated Capital Project Sheet SR-4 and renamed the Project Name to Meter Replacements & Meter Room Upgrades to clarify this project isn't only for the Meter Replacement Program. See Appendix A for the Updated Capital Project Sheet for Meter Replacements & Meter Room Upgrades, SR-4 from Exhibit 2 Attachment 2-2 Distribution System Plan Appendix A Capital Investment Sheets and Business Cases.

Milton Hydro has also updated Table 49 DSP Planned Capital Expenditures 2023-2027 and footnoted Meter Replacements to indicate that this includes both the replacement of defective meters and the proactive meter replacement program. See Appendix B for the Updated Table 49 DSP Planned Capital Expenditures 2023-2027 from Exhibit 2 Attachment 2-2 Distribution System Plan.

### Question-6

Milton Hydro proposes to dispose of the Group 2 deferral and variance (DVA) accounts over a 12-month period. OEB staff has revised the DVA continuity schedule model (tab 7, cells F152:F159) to reflect the proposal. Please review the revised model prepared by OEB staff and provide comments. Please also file a revised DVA continuity schedule on the record.

### Response:

Milton Hydro agrees with the revisions made to the DVA continuity schedule model by OEB staff. Milton Hydro intended to dispose of the Group 2 DVA accounts over a 12-month period, however it did not update the DVA model which calculated the rate rider based on a 24-month disposal period. Milton Hydro agrees with the updated rate riders as calculated by the DVA continuity schedule and files a copy of the model on the record.

### Question-7

In Exhibit 5, Milton Hydro states that it attaches the debenture and promissory note agreements with Infrastructure Ontario as Appendix A and the term loan agreements with TD Bank as Appendix B. Appendix A and B are missing in Exhibit 5. Please file those Appendices.

#### Response:

In the Application, in Exhibit 5 sub-section 5.2.5.1 Infrastructure Ontario, Milton Hydro stated that it attaches the debenture and promissory note agreements as Appendix A. In addition, in Exhibit 5 sub-section 5.2.5.2 TD Bank ("TD"), Milton Hydro stated that it attaches the long-term loan agreements Appendix B.

Consistent with Milton Hydro's understanding of the filing requirements, that copies of any current promissory or demand notes or other debt arrangements or other debt arrangements are only required to be filed associated with affiliates, Milton Hydro did not intend to file the debenture and promissory note agreements and inadvertently indicated that it attaches the debenture and promissory note agreements as Appendix A, and that it attaches the long-term loan agreements as Appendix B.

Milton Hydro updates its evidence to remove the reference to the provision of the debenture and promissory note agreements as Appendix A, and to remove the reference to the provision of the long-term loan agreements as Appendix B, as Milton Hydro no longer holds any debt with affiliated parties. See Appendix C, Updated Exhibit 5 sub-section 5.2.5.1 Infrastructure Ontario, and sub-section 5.2.5.2 TD Bank ("TD").

### Question-8

Please reconcile Load forecast (consumption kWh) and customers/connections in the excel load forecast model, Chapter 2 Appendix 2IB and the RRWF, for each year over the 2021-2023 period.

#### Response:

Milton Hydro confirms that the Revenue Requirement Workform is consistent with the load forecast and customers/connections in the excel load forecast model.

Milton Hydro confirms that Chapter 2 Appendix 2-IB is not consistent with the load forecast and customer/connections in the excel load forecast model. Milton Hydro updates Chapter 2 Appendix 2-IB, and provides the updated excel spreadsheet "Milton Hydro 2023 Filing Requirements Chapter2 Appendices 20220526.xlsx" and Milton Hydro has provided an updated PDF file "Milton Hydro 2023 Filing Requirements

Chapter2 Appendices 20220526.pdf” to reflect its load forecast and customers/connections in the excel load forecast model.

#### **Question-9**

The Network charge appears to be reversed for the Streetlight and Sentinel rate classes in Section 8.3, Table 8-8 of the evidence as compared to the RTSR model.

**Response:**

Milton Hydro confirms that the Network charge is reversed for the Streetlight and Sentinel rate classes in Exhibit 8, Section 8.3, Table 8-8 of the evidence. Milton Hydro has updated Table 8-8 to correct the reversal of the rates. See attached updated page 9 of 17 in Exhibit 8. See Appendix D, Updated Exhibit 8 Section 8.3, Retail Transmission Service Rates Table 8-8 Proposed Retail Transmission Rates.

#### **Question-10**

Please reconcile the low voltage charge in Section 8.8 and in Appendix 2-ZB.

**Response:**

Milton Hydro confirms that the Low Voltage Service Rates (LVSR) established in Exhibit 8 Section 8.8 were not used to calculate the cost of power in Appendix 2-ZB, as the LVSRs were adjusted after the service revenue requirement was determined. Also similarly, as indicated in Exhibit 8 Section 8.3 Retail Transmission Service Rates (RTSR) page 9 of 17, the RTSRs were adjusted after the service revenue requirement was determined such that the adjusted RTSRs were not used to calculate the cost of power in Appendix 2-ZB. Milton Hydro has updated Appendix 2-ZB to reflect the proposed LVSRs and RTSRs, and submits an updated version of the Chapter 2 Appendices spreadsheet file reflecting these updates. The Cost of Power as originally filed in the Application was \$98,955,674, the updated Cost of Power as provided in the updated Appendix 2-ZB is \$101,083,623, there is a resulting increase of \$2,127,949 to the Cost of Power, which causes an increase to the working capital allowance of \$159,596.

Milton Hydro updates Chapter 2 Appendix 2-ZB, and provides the updated excel spreadsheet “Milton Hydro 2023 Filing Requirements Chapter2 Appendices 20220526.xlsx” and Milton Hydro has provided an updated PDF file “Milton Hydro 2023 Filing Requirements Chapter2 Appendices 20220526.pdf” to reflect the updates to the cost of power related to LVSRs and RTSRs.



Milton Hydro proposes to update the Service Revenue Requirement for the change to the working capital allowance related to the change in the Cost of Power during the Draft Rate Order stage of the proceeding.

## Appendix A

Updated Capital Project Sheet for Meter Replacements & Meter Room Upgrades, SR-4 from Exhibit 2 Attachment 2-2 Distribution System Plan Appendix A Capital Investment Sheets and Business Cases

**A. General Project Information**

<b>Project Name</b>	Meter Replacements & Meter Room Upgrades	<b>Project Number</b>	SR-4
<b>Investment Category</b>	System Renewal	<b>Project Year</b>	2023 - 2027
<b>Project Description</b>	This is an annual program that covers the replacement of Milton Hydro owned metering assets. Meter replacements include meter room communication (cell modem) upgrades, proactive replacement of metering equipment and the reactive replacement of meter equipment failures.		
<b>Costs</b>	Gross Capital	\$5,551,722	
	O&M Costs		
	Total Estimated Cost	\$5,551,722	
	Recoverable/Customer Contribution		
	MHDI Estimated Cost	\$5,551,722	

Year	Total cost
2023	\$1,065,547
2024	\$1,087,487
2025	\$1,109,880
2026	\$1,132,738
2027	\$1,156,069

<b>Customer Attachments/Load:</b>	Various				
<b>Start Date</b>	Jan.1, 2023	<b>Expected In-Service Date</b>	Dec. 31, 2027		
<b>Estimated Expenditure Timing</b>		Q1	Q2	Q3	Q4
	2023	\$266,387	\$266,387	\$266,387	\$266,387
	2024	\$271,872	\$271,872	\$271,872	\$271,872
	2025	\$277,470	\$277,470	\$277,470	\$277,470
	2026	\$283,185	\$283,185	\$283,185	\$283,185
	2027	\$289,017	\$289,017	\$289,017	\$289,017
<b>Risks to Completion and Mitigation</b>	MHDI resources available. Meter equipment inventories are reviewed to ensure availability.				

<b>Comparative Projects</b>	Portion of the related spending is similar to previous years. Proactive meter and meter equipment replacement program is new going forward due to the age/condition of assets.
<b>Capital and OM&amp;A Costs for REG portion of project</b>	Not applicable
<b>Leave to Construct</b>	Not applicable
<b>Images, Drawings, Maps, &amp; Other Reference Material</b>	
Not applicable	

## B. Evaluation Criteria and Information Requirements

### Efficiency, Customer Value, Reliability

<b>Main Driver</b>	Meter replacements are driven by regulatory obligations to ensure meters in service meet Measurement Canada standards.
<b>Good Utility Practice</b>	Ensuring meters are in good working order mitigates billing errors and associated customer billing complaints. Ensures MHDI meets regulatory obligations with respect to metering customer electricity consumption.
<b>Investment Priority</b>	Program is annual mandatory investment.
<b>Analysis of Project and Project Alternatives</b>	All replaced meters to meet current Measurement Canada and industry standards.
<b>Safety</b>	New assets are installed according to current safety standards in compliance with Ontario Regulation 22/04. Smart meters meet Health Canada Safety Code 6 standards.
<b>Cyber security, Privacy</b>	Meters and wireless communication network designed (through standards, codes, etc.) to protect data and personal information from attack, damage or unauthorized access.
<b>Co-ordination, Interoperability</b>	
<b>Utility, regional planning, and/or 3rd parties coordination</b>	Not applicable
<b>Future technology enablement /addresses</b>	All residential smart meters have “last gasp” technology (“last gasp” technology allows the meter to communicate to utility operations when power has been lost) incorporated into them.

future operational requirements	
<b>Environmental Benefits</b>	Not applicable
<b>Conservation and Demand Management</b>	Not applicable

### C. Category-Specific Requirements

#### *System Renewal*

<b>Asset characteristics and consequences of performance deterioration or failure</b>	Program is mandatory and driven by regulatory obligation. Meter performance deterioration would result in increased billing errors, increased customer complaints and failure to maintain Measurement Canada standards for metering installations.
<b>Timing factors</b>	MHDI has the resources and materials in order to ensure project completion on time
<b>O&amp;M consequences</b>	Not applicable – failed or failing equipment must be replaced.
<b>Impact on reliability and safety factors</b>	Assets will be installed per CSA and 22/04 standards.
<b>Project benefits/costs/ timing analysis</b>	Not applicable – mandatory program to replace defective or failed meters
<b>Significant benefits and costs to meet additional planning objectives</b>	Not applicable.

## Appendix B

Updated Table 49 DSP Planned Capital Expenditures 2023-2027  
from Exhibit 2 Attachment 2-2 Distribution System Plan



# Distribution System Plan

**Table 49. DSP Planned Capital Expenditures 2023-2027**

Category	Total Expenditure 2023 - 2027	Project Name	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	Capital Project Sheet Ref.
System Access	\$27.4M	Customer Connections - General Services & Others	\$ 947	\$ 966	\$ 985	\$ 1,005	\$ 1,025	
		New Installs - Condos, Commercial & Industrial	\$ 306	\$ 313	\$ 319	\$ 325	\$ 332	SA-1
		New Residential Subdivisions	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	
		Fifth Line - Derry to Britannia	\$ 950	\$ -	\$ -	\$ -	\$ -	SA-2
		Steeles Avenue - Regional Road 25 to Trafalgar Road	\$ 292	\$ -	\$ -	\$ -	\$ -	
		Appleby Line - Derry north	\$ 146	\$ -	\$ -	\$ -	\$ -	
		Tremaine Road - Widening from 4 to 6 lanes from Highway 401 to Derry Road	\$ -	\$ 100	\$ -	\$ -	\$ -	
		Tremaine Road - Widening from 2 to 4 lanes from Lower Base Line to Britannia Road	\$ -	\$ 1,000	\$ -	\$ -	\$ -	
		Regional Road 25 - Widening from 4 to 6 lanes from Highway 407 to Britannia Road	\$ -	\$ -	\$ 100	\$ -	\$ -	SA-3
		Trafalgar Road - Widening from 4 to 6 lanes from Highway 407 to Britannia Road	\$ -	\$ -	\$ -	\$ 1,350	\$ -	
		Regional Road 25 - Widening from 4 to 6 lanes from Britannia Road to Derry Road	\$ -	\$ -	\$ -	\$ 100	\$ -	
		Sixth Line (Hwy 401 to Derry Road)	\$ -	\$ -	\$ -	\$ 850	\$ -	
		James Snow Parkway - Widening from 4 to 6 lanes from Highway 401 to Tremaine Road	\$ -	\$ -	\$ -	\$ -	\$ 100	
		Sixth Line - Derry Road to Britannia Rd	\$ -	\$ -	\$ -	\$ -	\$ 1,100	
Meter Reverification Program	\$ 441	\$ 400	\$ 408	\$ 416	\$ 424	SA-4		
		<b>Total System Access</b>	<b>\$ 5,612</b>	<b>\$ 5,309</b>	<b>\$ 4,342</b>	<b>\$ 6,577</b>	<b>\$ 5,511</b>	
System Renewal	\$13.1M	Wood Pole Replacement Program	\$ 720	\$ 734	\$ 749	\$ 764	\$ 780	SR-1
		Reactive OH Replacement of defective/damaged equipment	\$ 331	\$ 338	\$ 344	\$ 351	\$ 358	SR-2
		Reactive UG Replacement of defective/damaged equipment	\$ 280	\$ 286	\$ 291	\$ 297	\$ 303	SR-3
		Meter Replacements *	\$ 840	\$ 959	\$ 978	\$ 997	\$ 1,017	SR-4
		Meter Room Upgrades - Cell Modems	\$ 126	\$ 129	\$ 132	\$ 135	\$ 139	
		Replace Regulator at MS7	\$ 200	\$ -	\$ -	\$ -	\$ -	SR-5
		Porcelain to Poly replacement program	\$ 73	\$ 75	\$ 80	\$ 85	\$ 90	N/A
		<b>Total System Renewal</b>	<b>\$ 2,570</b>	<b>\$ 2,520</b>	<b>\$ 2,574</b>	<b>\$ 2,629</b>	<b>\$ 2,687</b>	
System Service	\$9.0M	Overhead switch automation	\$ 526	\$ 913	\$ 967	\$ 1,010	\$ 1,027	SS-1
		Pad Mounted switch automation	\$ 655	\$ 806	\$ 685	\$ 693	\$ 696	SS-2
		Adding SCADA/OMS functionality and upkeep	\$ 180	\$ 160	\$ 132	\$ 104	\$ 106	SS-3
		TS Capacity Relief - new 2 circuit pole line	\$ 350	\$ -	\$ -	\$ -	\$ -	SS-4
		<b>Total System Service</b>	<b>\$ 1,711</b>	<b>\$ 1,879</b>	<b>\$ 1,784</b>	<b>\$ 1,807</b>	<b>\$ 1,829</b>	
General Plant	\$8.6M	Fleet	\$ 451	\$ 706	\$ 654	\$ 135	\$ 749	GP-1
		Building Renovations	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400	GP-2
		Miscellaneous Building Capital	\$ 119	\$ 60	\$ 60	\$ 60	\$ 61	
		Computer Software Misc	\$ 231	\$ 86	\$ 86	\$ 86	\$ 86	
		Computer Software - Data, Analytics, & Other Initiatives	\$ -	\$ -	\$ 250	\$ 250	\$ 314	
		Computer Software - ERP	\$ 722	\$ 339	\$ -	\$ -	\$ -	GP-3
		Robotic Process Automation Phase 1 - Discovery	\$ 120	\$ -	\$ -	\$ -	\$ -	
		Robotic Process Automation Phase 2 - Implementation	\$ 200	\$ -	\$ -	\$ -	\$ -	
		Computer Hardware	\$ 95	\$ 95	\$ 95	\$ 95	\$ 95	N/A
		Stores Equipment	\$ 30	\$ 20	\$ 20	\$ 20	\$ 21	N/A
Major Tools	\$ 45	\$ 30	\$ 30	\$ 30	\$ 31	N/A		
		<b>Total General Plant</b>	<b>\$ 2,413</b>	<b>\$ 1,735</b>	<b>\$ 1,595</b>	<b>\$ 1,076</b>	<b>\$ 1,757</b>	
<b>Total</b>	<b>\$58.0M</b>		<b>\$ 12,306</b>	<b>\$ 11,443</b>	<b>\$ 10,295</b>	<b>\$ 12,089</b>	<b>\$ 11,784</b>	

\* Meter Replacements includes both the replacement of defective meters and the proactive meter replacement program.

## Appendix C

Updated Exhibit 5 sub-section 5.2.5.1 Infrastructure Ontario, and  
sub-section 5.2.5.2 TD Bank (“TD”)





1 term debt facility in 2022. Milton Hydro has used the OEB's current long-term debt rate of  
2 3.49% as an estimate of the interest rate.

### 3 4 **5.2.5.1 Infrastructure Ontario**

5  
6 In 2009, Milton Hydro entered into financing agreements with Ontario Infrastructure and Lands  
7 Corporation, formerly Ontario Infrastructure Projects Corporation, ("Infrastructure Ontario") for  
8 the purposes of funding capital projects. Infrastructure Ontario's lending rates are posted online  
9 and are updated frequently in line with Infrastructure Ontario's cost of borrowing in the capital  
10 markets. Rates on long-term debentures/promissory notes are fixed for the entire life of the loan  
11 with terms from 5 to 30 years. Construction Loans are for shorter terms with the monthly rates  
12 floating throughout the term of the loan until they are replaced on completion of the project by a  
13 debenture/promissory note.

14  
15 Table 5-6 to Table 5-13 provides the details for the existing fixed term obligations with  
16 Infrastructure Ontario for Milton Hydro up to and including the 2023 Test Year.

### 17 18 19 20 **5.2.5.2 TD Bank ("TD")**

21 In October 2015, Milton Hydro financed its capital projects through long-term debt issued by TD.

22  
23 Milton Hydro is proposing the following new financing arrangements with TD:

- 24 • issuance of \$8,000,000 in fixed committed reducing term loan in 2022 for financing  
25 incremental balance sheet growth and debt maturities in two tranches; and
- 26 • issuance of \$14,934,210 in interest only bearing loans in 2022 to refinance promissory note  
27 with the Town of Milton.  
28

29  
30 Milton Hydro has set the interest rate for the two long-term debt instruments from TD at the OEB  
31 approved long-term debt rate. At the time of filing this Application, the lending rates from TD  
32 were not available.

33  
34 Table 5-6 to Table 5-13 provides the details for the existing and projected fixed term obligations  
35 with TD Bank for Milton Hydro up to and including the 2023 Test Year.



### 5.2.5.3 Long-Term Debt Variance Analysis

Milton Hydro's forecasted deemed interest expense (long-term and short-term) in the 2023 Test Year is \$2,303,653, or \$260,354 higher relative to the 2016 OEB Approved of \$2,043,299. The increase is principally attributable to: the increase in the Average Net Book Value of Capital Assets; offset by the decrease in working capital allowance, and the decrease in the weighted average cost of long-term debt of 0.46%.

The changes to rate base are outlined in Exhibit 2, Table 2-1.

The following table provides the key variances in the cost of capital and debt structures between the 2023 Test Year and the 2016 OEB Approved Year.

**Table 5-4 Cost of Capital and Debt Structures - 2023 Test Year vs. 2016 OEB Approved**

Description	Deemed Rate (%)	Deemed Long-term Debt/ Equity (\$)	Deemed Cost Rate (%)	Deemed Interest Expense/ Return on Equity
<b>Debt</b>				
Long-term Debt	—%	\$14,007,043	(0.46%)	\$265,653
Short-term Debt	—%	\$1,000,503	—%	(\$5,299)
<b>Total debt</b>	<b>—%</b>	<b>\$15,007,546</b>	<b>(0.46%)</b>	<b>\$260,354</b>
<b>Equity</b>				
Common Equity	—%	\$10,005,031	(0.53%)	\$678,671
Preferred Shares	—%	—	—%	—
<b>Total equity</b>	<b>—%</b>	<b>\$10,005,031</b>	<b>(0.53%)</b>	<b>\$678,671</b>
<b>Regulated rate of return</b>	<b>—%</b>	<b>\$25,012,577</b>	<b>(0.49%)</b>	<b>\$939,025</b>

### 5.2.5.4 Return on Equity Variance Analysis

Milton Hydro's forecasted deemed return on equity in the 2023 Test Year is \$3,934,446, or \$678,671 higher relative to the 2016 OEB Approved of \$3,255,776. The increase is principally attributable to: the increase in the Average Net Book Value of Capital Assets; offset by the decrease in working capital allowance, and the decrease in the deemed return on equity rate of 0.53%.

## Appendix D

Updated Exhibit 8 Section 8.3, Retail Transmission Service Rates  
Table 8-8 Proposed Retail Transmission Rates



1 **Table 8-8 Proposed Retail Transmission Rates**  
 2  
 3

Customer Class	Proposed RTSR - Network Charge		Proposed RTSR - Connection Charge	
	Per kWh	Per kW	Per kWh	Per kW
Residential	\$0.0103		\$0.0075	
GS<50 kW	\$0.0093		\$0.0067	
GS 50 to 999 kW		\$4.1947		\$3.0416
GS 1,000 to 4,999 kW		\$4.1255		\$2.9922
Large Use		\$4.4675		\$3.3462
Streetlight		\$2.8408		\$2.0460
Sentinel		\$2.8557		\$2.0891
Unmetered & Scattered	\$0.0093		\$0.0067	

4  
 5 Proposed RTSR charges were adjusted after the service revenue requirement was finalized. As  
 6 a result, RTSR data presented above is not fully consistent with data used in the working capital  
 7 calculation in Exhibit 2, Section 2.8.5. Milton Hydro confirms it will update the cost of power  
 8 calculations during the interrogatory phase of this proceeding.

9  
 10 **8.4. RETAIL SERVICE CHARGES**

11  
 12 Milton Hydro has applied inflationary increases to the retail service charges included in its  
 13 Proposed Tariff of Rates and Charges. The proposed retail service charges are equal to the  
 14 retail service charges in Milton Hydro's current Tariff of Rates and Chagres escalated by 3.3%.

15  
 16 **8.5. WHOLESALE MARKET SERVICE RATES**

17  
 18 On December 16, 2021, the Board issued a Decision and Rate Order (EB-2021-0300)  
 19 establishing that the Wholesale Market Service ("WMS") rate used by rate regulated distributors  
 20 to bill their customers shall be \$0.0034 per kWh effective January 1, 2022. This amount includes  
 21 the Capacity Based Recovery ("CBR") component of \$0.0004 per kWh. Furthermore, the same  
 22 decision approved rate for rural and remote rate protection ("RRRP") shall be \$0.0005 per kWh,  
 23 effective January 1, 2021. Milton Hydro has reflected a total charge of \$0.0039 per kWh in this  
 24 application.

25  
 26 **8.6. SMART METER CHARGE**

27  
 28 On March 1, 2018, the OEB issued a Decision and Order (EB-2017-0290) approving a Smart  
 29 Metering Entity (SME" charge of \$0.57 per month for Residential and General Service < 50 kW