MILTON HYDRO DISTRIBUTION INC.
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August 26, 2022

RESS

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, Application for rates and other charges for electricity distribution to be effective January 1, 2023 (the Application)

Please find enclosed an electronic copy of Milton Hydro's responses to OEB Staff and Vulnerable Energy Consumers Coalition (VECC) Pre-Settlement Clarification Questions (Clarification Questions). Milton Hydro updates elements of its evidence on the record in response to some of the Clarification Questions.

Please contact the undersigned if any questions.

Yours truly,

Dan Gapic

Digitally signed by Dan Gapic
DN: cn=Dan Gapic, o=Milton Hydro, ou=Regulatory Affairs, email=dangapic@miltonhydro.com, c=CA
Date: 2022.08.26 20:48:57 -04'00'

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

cc: Tim Pavlov, Torys LLP
All Parties

1.1.1 OEB Staff's Pre-Settlement Clarification Questions

2023 Electricity Distribution Rates Application
Milton Hydro Distribution Inc. (Milton Hydro)
EB-2022-0049
July 29, 2022

(Numbering follows from OEB Staff Interrogatory dated July 4, 2022)

1-Staff-94
Ref: 1-Staff-10, Implementing the Green Button Initiative

Question(s):

a) The OEB established via an Accounting Order, a generic deferral account for rate regulated distributors to record the incremental costs directly attributable to the implementation of the Green Button. Milton Hydro now proposes a new deferral account to capture the revenue requirement amounts associated with one-time or ongoing capital or OM&A costs associated with the Green Button initiative. Milton Hydro stated that the generic account is not adequate for Milton Hydro given that no Green Button costs have been included in the revenue requirement and the generic account cannot be used to record ongoing costs associated with the Green Button initiative. In a letter dated November 1, 2021, the OEB has confirmed that the generic account "is to record the incremental costs directly attributable to the implementation of the Green Button initiative but is not intended to record ongoing costs related to Green Button beyond the initial implementation of the program." Please explain why Milton Hydro proposes a new deferral account given the guidance provided in the November 1, 2021 letter.
b) Please explain the nature of the one-time, and/or ongoing capital or OM&A costs associated with the Green Button initiative that Milton Hydro intends to record in the requested deferral account. Please also provide a breakdown of the estimated one-time, and/or ongoing capital or OM&A costs.

Response

a) Given the commencement of the Green Button initiative corresponds with Milton Hydro's 2023 Cost of Service Rate application, costs related to all 2023 OM&A programs and all Capital Costs would normally be incorporated into OM&A and rate base for the determination of Milton Hydro's 2023 revenue requirement.

Milton Hydro clarifies it is not asking for a new deferral account at this time, it will come forward with a proposal for a new deferral account in the future.

In Milton Hydro's case it does not have information to determine the amount of the capital or operating costs associated with either the one time or ongoing costs associated with the Green Button implementation at this time. It is too early for Milton Hydro to determine the amount of the Green Button costs as its prospective Green Button solution vendors are still working on full end-to-end solutions and are unable to provide any early estimates of what the costs will be. Once the prospective vendors provide Milton Hydro with quotes for their software solutions, Milton Hydro will be able to evaluate the prospective vendors solutions and will be able to decide on the best offering for Milton Hydro, in terms of price and value propositions. Given that Green Button costs would normally be recoverable through Revenue Requirement for distributors filing a forward looking test year in a cost of service rate application, if such costs were known; Milton Hydro clarifies that it will utilize the OEB generic deferral account for incremental one-time costs directly attributable to the implementation of the Green Button initiative, and proposes to bring forward a request for a new deferral account in future only for the incremental ongoing costs, once it has adequate information to demonstrate it meets the eligibility criteria since it does not know the quantum of costs nor does it have an implementation schedule associated with the Green Button initiative.

Milton Hydro indicates that without the ability to utilize a deferral account to record the incremental ongoing costs, it would make for an uneven playing field between those distributors who are able to include such costs in their cost of service rebasing rate applications vs those distributors that are unable to include such costs in their rebasing applications since it is well over a year before the Green Button program goes live.

Milton Hydro proposes to request the new deferral account at such time that it can demonstrate meeting the three criteria of Causation, Materiality, and Prudence once it has received proposals from prospective vendors for Green Button initiative solutions.

b) Milton Hydro currently has no information regarding the nature of the costs associated with the Green Button initiative. Currently, given the Green Button initiative is in its early stages for Milton Hydro it is unable to provide a breakdown of the estimated one-time, and/or ongoing capital or OM&A costs.

As clarified in part a) of the question, Milton Hydro will utilize the generic Green Button Implementation for the one-time implementation costs, and in the future Milton Hydro will come forward to request a new deferral account for ongoing Green Button initiative costs.

1-Staff-95
Ref: 2-Staff-27, Capital Contribution Refund from Hydro One

Question(s):

a) Please clarify if the $359,680 capital contribution Milton Hydro received from Hydro One was included in Appendix 2-BA, the asset continuity schedule. If so, please explain where it was captured (i.e., cell, account). If not, please explain why not.

Response:

a) The credit of $359,680 received from Hydro One was a partial refund of a $2,000,000 Capital Contribution Milton Hydro paid to Hydro One in 2018 and 2019 for 2 breakers installed at the Tremaine Transformer Station. The breakers went into service in 2019. The credit of $359,680 was captured in Column E, "Additions" in Appendix 2-BA Fixed Asset Cont 2021, in the following accounts:

- 1830 – ($ 7,193.60)
- 1840 – ($ 75,532.80)
- 1845 – ($ 75,532.80)
- 1860 – ($ 7,193.60)
- 1609 – ($194,227.20)

The full credit amount of $359,680 should have been recorded in USoA 1609 Capital Contributions Paid. The impact, due to the allocation of the Hydro One capital contribution refund amount, to depreciation expense is immaterial, $279.75 in 2023. The impact to the average net book value of fixed assets would be correspondingly immaterial as well.

Impact of Allocation of Capital Contribution Refund from Hydro One

				2021			2022			2023		
Asset	Fixed Asset Lives	Original Capitalization	Correct Capitalization	Original Depr	Revised Depr	Variance	Original Depr	Revised Depr	Variance	Original Depr	Revised Depr	Variance
1830	45	- 7,193.60	-	- 79.93	-	79.93	- 159.86	-	159.86	- 159.86	-	159.86
1840	40	- 75,532.80	-	- 944.16	-	944.16	-1,888.32	-	1,888.32	-1,888.32	-	1,888.32
1845	40	- 75,532.80	-	- 944.16	-	944.16	-1,888.32	-	1,888.32	-1,888.32	-	1,888.32
1860	15	- 7,193.60	-	- 239.79	-	239.79	- 479.57	-	479.57	- 479.57	-	479.57
1609	40	- 194,227.20	- 359,680.00	-2,427.84	-4,496.00	-2,068.16	-4,855.68	-8,992.00	-4,136.32	-4,855.68	-8,992.00	-4,136.32
		- 359,680.00	- 359,680.00	**-4,635.88**	**-4,496.00**	**139.88**	**-9,271.75**	**-8,992.00**	**279.75**	**-9,271.75**	**-8,992.00**	**279.75**

1-Staff-96
Ref: 2-Staff-37, Measuring Units and Unit Costs

Question(s):

a) Milton Hydro stated that it plans to commence measuring actual units and unit costs against the estimated units and unit costs for a list of projects. Please provide the current baseline of the annual units and unit costs for each of these projects based on latest actual data.

Response:

a) Although Milton Hydro plans to commence measuring actual units and unit costs for a list of projects, it has currently not yet determined a baseline of annual units and unit costs. Each project has variations, which needs to be assessed to determine the appropriate baseline. For example, customer connection costs can vary significantly as connection requirements vary from customer to customer.

Similarly, the size and type of poles and transformers vary considerably for reactive replacement of defective/damaged equipment projects. Additionally, SS-3 Auto Reclose Switches project was added erroneously. SS-3 represents adding SCADA/OMS functionality and upkeep. Measuring actual units and unit costs against the estimated units and unit costs for this project is not suitable and meaningful. Auto Reclose switches are represented in SS-1 and SS-2, overhead and pad mounted switch automation.

Once Milton Hydro has completed its assessment of projects to determine appropriate baselines, it will commence measuring actual units and unit costs against the baselines. Milton Hydro's plan is to commence its comparison of actual results against the baselines for trending and improvement purposes in 2023.

1-Staff-97
Ref: 8-Staff-86, Minimum Distribution Charge

Preamble:

Milton Hydro stated that no revenue is forecasted from the Minimum Distribution Charge for 2022 and 2023.

Question(s):

a) Please explain the reason for the expected loss in revenues associated with this charge.
b) When was the charge initially implemented?
c) Please provide the reason for the initial creation of this charge.
d) Please explain why it continues to be relevant considering that no revenues are expected in 2022 and 2023.

Response:

a) Revenue from the Minimum Distribution Charge is only collected if there is a material drop in load for a customer in one of the demand-billed General Service classes. Milton Hydro does not forecast any revenues from this rate because it doesn't forecast any customer to materially reduce their load. If a revenue forecast was included, a corresponding reduction to forecast demand billing determinants would be appropriate. The Minimum Distribution Charge helps to offset some of the lost distribution revenue when a customer's demand drops significantly.

b) This is a legacy rate that Milton Hydro understands has been in place prior to the commencement of the regulation of electricity distributors by the Ontario Energy Board. The revenue from this rate has not previously been incorporated into revenue requirement in past rebasing rate applications. The revenue collected from this rate in the past has been immaterial. The rate only comes into play when customer's demands drop materially, and revenue is lost.

c) This charge is typically billed to those customers that reduce demand due to specific conditions that the customer operates in such as seasonality. For example, those businesses such as a ski resort or curling club are not in operation during the summer months, however, the infrastructure to support their operations remains in place when they are not operating.

d) When a customer's demand materially reduces, and the expected revenue does not materialize, the Minimum Demand Charge would provide some revenue to recover fixed costs from the customer for distribution system capacity required to be made available for the customer.

MILTON HYDRO DISTRIBUTION INC. (MHDI)
2023 RATE APPLICATION (EB-2022-0049)
PRE-SETTLEMENT FOLLOW-UP AND CLARIFICATION QUESTIONS

(Numbering follows from VECC IR numbering)

VECC-68

REFERENCE: 3-VECC 22 c)

a) In what GS customer class is the former Street Light load now included?

Response

a) Former Street Light load is now included in General Service < 50 kW.

VECC-69

REFERENCE: 3-VECC 31
Exhibit 8, Attachment 8-2, page 9 & Attachment 8-3, page 9

PREAMBLE: The response to VECC 31 states:
"The increases in revenue in USOA# 4219 (Rent from Electric Property) corresponds to the pole attachment rates approved in the 2016 Board approved application. The joint use rate dropped from $44.50 to $33.76 between 2022 and 2023."

In its EB-2021-0302 Decision the OEB approved a pole attachment rate of $34.76 for 2022.

Attachment 8-2 shows a pole attachment rate of $44.50 for 2022 and Attachment 8-3 shows a pole attachment rate of $44.50 for 2023.

a) What is the pole attachment rate that MHDI is using to bill customers in 2022?

b) What is the pole attachment rate used to forecast the 2023 revenue for Account #4210?

c) If Bell, Cogeco and Rogers are all being charged the same "rate" in 2022 and will be paying the same charge in 2023, please explain why the 2023 over 2022 percentage increase in revenues vary significantly across the three.

Response:

Milton Hydro's response to 3-VECC-31 a. referenced USoA # 4219, this was a typographical error, the reference should have been to USoA #4210.

a) The pole attachment rate being used to bill customers in 2022 is $34.76 per pole/per year. Milton Hydro notes that although the rate of $44.50 appears on Milton Hydro's 2022 OEB approved Tariff of Rates and Charges, issued on December 9, 2021 (Corrected: December 16, 2021), Milton Hydro is using the rate of $34.76 consistent with the OEB's decision on December 16, 2021 and has updated the wireline pole attachment charge appropriately for 2022[1].

   In responding to this clarifying question, Milton Hydro has identified an oversight on page 9 of its 2023 Proposed Tariff of Rates and Charges – effective January 1, 2023[2] which indicates that the specific charge for access to the power poles – per pole/year is $44.50; Milton Hydro updates its evidence to correct this rate to $34.76.

   Milton Hydro also notes that the IRR version of the Tariff Schedule and Bill Impact excel spreadsheet model reflects a specific charge for access to power poles – per pole/year of $44.50 on Tab 5. Final Tariff Schedule. Milton Hydro updates its evidence to correct the rate in this spreadsheet model to be $34.76.

b) Milton Hydro used the pole attachment rate/year of $34.76 to forecast the revenue for 2023 for USoA Account 4210.

c) In response to this clarifying question, Milton Hydro has identified that some of the values used in the calculations were incorrect. Milton Hydro provides the updated analysis below to present the details of the 2022 and 2023 revenue for USoA 4210[3]. Milton Hydro notes the aggregate differences between the original amounts and updated amounts in both 2022 and 2023 are not material. This update results in a consistent percentage increase 2023 revenues from Bell, Cogeco and Rogers. As Milton Hydro is using Account 1508 Sub-account Pole Attachment Revenue Variance to the end of 2022, its revenue recognition is based on the unit revenue of $22.35 in 2022[4]. Since Milton Hydro is rebasing in 2023, its Pole Attachment Revenue included in USoA 4210 for 2023 is based on the current rate of $34.76 per pole/year. Milton Hydro updates its evidence to correct the balances of USoA 4210 for 2022 and 2023 as per the amounts presented in the table below.

[1] EB-2021-0302

[2] Exhibit 8 Attachment 8-3 Proposed Tariff of Rate and Charges – Effective January 1, 2023

[3] Milton Hydro originally included rent from electric property of $199,784 for the 2022 Bridge Year and $279,444 for the 2023 Test Year.

[4] See Milton Hydro's response to 9-staff-91 a.

USoA 4210 - 2022 Bridge Year & 2023 Test Year Forecast for Rent from Electric Property									
	A	B	C	D	E	F = A X C	G = A X (C - D)	H = F + G	I = B X E
Customer	# Poles - 2022 Forecast[1]	# Poles - 2023 Forecast[1]	Pole Attachment Rate Per Pole/Year 2022[2]	Revenue Recognized Rate Per Pole/Year 2022	Pole Attachment Rate Per Pole/Year 2023[3]	USoA 4210 2022 Pole Attachment Total Billed Forecast	USoA 4210 2022 Pole Attachment Recorded in 1508	USoA 4210 2022 Pole Attachment Revenue Forecast	USoA 4210 2023 Pole Attachment Revenue Forecast
Cogeco	1,921	1,921	$ 34.76	$ 22.35	$ 34.76	$ 66,774	-$ 23,840	$ 42,934	$ 66,774
Rogers	2,516	2,516	$ 34.76	$ 22.35	$ 34.76	$ 87,456	-$ 31,224	$ 56,233	$ 87,456
Bell	3,371	3,371	$ 34.76	$ 22.35	$ 34.76	$ 117,176	-$ 41,834	$ 75,342	$ 117,176
Mage	9	9	$ 34.76	$ 22.35	$ 34.76	$ 313	-$ 112	$ 201	$ 313
Sentinel Light Rental						$ 3,828		$ 3,828	$ 3,828
Chisholm roof rental						$ 3,820		$ 3,820	$ 3,897
Rogers conduit fee						$ 8,688		$ 8,688	$ 8,688
	7,817	7,817				**$ 288,055**	**-$ 97,009**	**$ 191,046**	**$ 288,132**
1 - 2021 year-end number of poles									
2 - 2022 Budget originally based on $44.50 budget. Now updated using $34.76.									
3 - As per EB-2021-0302, OEB Decision dated Dec 16, 2021									

VECC-70

REFERENCE: 7-VECC 58 d)

a) With respect to Table 7-3, which expense category includes the costs for printing the bills and what are the forecast printing costs for 2023?

Response:

a) Printing costs are embedded within the 'Billing Department' expense category and the 2023 forecast amount is $29,642.

VECC-71

REFERENCE: 8-VECC 63

a) Please provide a version of the RTSR Workform where the values used in Tab 3 (RRR Data) are for 2021, the same year as the data in Tab 5.

Response

a) Milton Hydro updates its evidence and provides an updated RTSR Workform to reflect the 2021 volumes in Tab 3 (RRR Data).