



Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

November 17, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission on the Draft Rate Order
Milton Hydro Distribution Inc.
Cost of Service
OEB File Number: EB-2022-0049**

Please find attached OEB staff's submission on the draft rate order in the above referenced proceeding, pursuant to the OEB's Decision and Order dated October 13, 2022.

Yours truly,

Original Signed By

Shuo Zhang
Senior Advisor – Distribution Policy & Compliance

Encl.

cc: All parties in EB-2022-0049



ONTARIO ENERGY BOARD

OEB Staff Submission on the Draft Rate Order

Milton Hydro Distribution Inc.

Cost of Service Application

EB-2022-0049

November 17, 2022

Introduction

Milton Hydro Distribution Inc. (Milton Hydro) filed a Cost of Service application with the Ontario Energy Board (OEB) on April 18, 2022, under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for the rates that Milton Hydro charges for electricity distribution, effective January 1, 2023.

A settlement proposal representing a complete agreement on all issues agreed by Milton Hydro and the intervenors in this proceeding was submitted to the OEB for approval on August 26, 2022.

The OEB approved the settlement proposal as filed in its Decision and Order dated October 13, 2022.

Milton Hydro filed its draft rate order (DRO) on November 10, 2022.

OEB staff has no concerns with the DRO. OEB staff submits that Milton Hydro has accurately updated its revenue requirement resulting from the changes in its rate base and other revenue and has reflected these updates in its cost allocation and rate design.

The following are OEB staff's detailed comments on the DRO.

Comments on the DRO

Revenue Requirement

As part of the OEB approved settlement proposal, Milton Hydro agreed to make the following updates prior to finalizing its rate order:

- Cost of Power when the OEB issues its Regulated Price Plan Price Report for November 1, 2022 to October 31, 2023
- Retail Service Charges and Pole Attachment Charge when the OEB issues its decisions on these charges. Milton Hydro will also update its other revenue accordingly

Using the commodity costs¹ for the period of November 1, 2022 to October 31, 2023, Milton Hydro has updated its cost of power. Milton Hydro has also incorporated the updated Smart Metering Charge² of \$0.42 per smart meter per month, and the updated Ontario Electricity Rebate credit of 11.7% in the calculations of cost of power. The updated cost of power results in an increase of \$305,827 in the working capital allowance component of the rate base.

With no changes to the cost of capital as agreed-upon by parties in the settlement proposal, the increase in rate base leads to an increase of \$17,109 in the return on rate base, and an increase of \$3,828 in payment in lieu of taxes.

Milton Hydro has adopted the OEB-approved Retail Service Charges³ and the Pole Attachment Charge⁴ in its proposed Tariff of Rates and Charges. Milton Hydro has also updated its other revenue accordingly, which is an increase of \$10,402.

The total change in revenue requirement is an increase of \$10,535 in base revenue requirement. OEB staff has no concerns with the updated revenue requirement.

Cost Allocation and Rate Design

There are no changes to the proposed approach for cost allocation and rate design in the DRO. The cost allocation has been updated for changes to cost of power and other pass-through expenses as well as the resulting changes to rate base and revenue

¹ Regulated Price Plan Price Report, November 1, 2022 to October 31, 2023, October 21, 2022.

² EB-2022-0137, Decision and Order, IESO, in its Capacity as the Smart Metering Entity, September 8, 2022.

³ EB-2022-0220, Decision and Order in the matter of Inflationary Adjustment Effective January 1, 2023 for Energy Retailer Service Charges for Electricity Distributors, November 3, 2022.

⁴ EB-2022-0221, Decision and Order, Distribution Pole Attachment Charge for 2023, November 3, 2022.

requirement noted above. The allocated revenue requirement to rate classes changed slightly.

The proposed rates reflect the additional revenue requirement, and results in increases to all demand based volumetric charges as well as fixed charges for Residential, General Service (GS) < 50 kW, and USL (\$0.01 per month each). The fixed charges for GS 50 – 999 kW, GS 1,000 – 4,999 kW, Large Use, and Street Light have not changed as these were fixed per the settlement proposal. Due to rounding, there were no changes in the remaining rates.

OEB staff has no concerns with the updated cost allocation and rate design.

Deferral and Variance Accounts

There are no changes to the disposition of Group 1 Deferral and Variance Account (DVA), and the Lost Revenue Adjustment Mechanism Variance Account in the DRO.

With respect to Group 2 DVAs, OEB staff notes that although there are no changes to the balances of all Group 2 accounts, the allocated amounts to customer classes for one Group 2 account, the Pole Attachment Revenue Variance account, changed slightly due to the updated forecast distribution revenue by customer class. OEB staff submits that the allocator used for this account is consistent with the OEB's guidance⁵.

OEB staff has no concerns with the DVA rate riders submitted in the DRO.

~All of which is respectfully submitted~

⁵ Accounting Guidance on Wireline Pole Attachment Charges, July 20, 2018.