



EB-2007-0555

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by Milton Hydro Distribution Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2007.

BEFORE: Paul Sommerville
Presiding Member

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION AND ORDER

Milton Hydro Distribution Inc. ("Milton Hydro") is a licensed distributor providing electrical service to consumers within its licensed service area. Milton Hydro filed an application with the Ontario Energy Board (the "Board") for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, to be effective May 1, 2007.

Milton Hydro is one of 85 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board issued its *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Report") on December 20, 2006. The Report contained the relevant guidelines for 2007 rate adjustments ("the guidelines") for distributors applying for rates only on the basis of the cost of capital and 2nd generation incentive regulation mechanism policies set out in the Report.

Public notice of Milton Hydro's rate application was given through newspaper publication in Milton Hydro's service area. The evidence filed as part of the rate application was made available to the public. The Board granted intervenor status to the Vulnerable Energy Consumers Coalition ("VECC"). Both Milton Hydro and the intervenor had the opportunity to file written submissions in relation to the rate application. The Board received written submissions from VECC. While the Board has considered the entire record in this rate application, it has made reference only to such evidence and submissions as is necessary to provide context to its findings.

Milton Hydro's rate application was filed on the basis of the guidelines. In fixing new rates and charges for Milton Hydro, the Board has applied the policies described in the Report.

After confirming the accuracy of the 2006 rate tariff and accompanying materials submitted in the rate application, the Board applied its approved price cap index adjustment to distribution rates (fixed and variable) uniformly across all customer classes. The price cap index is calculated as a price escalator less an X-factor of 1.0%, intended to represent input price and productivity trends. Based on the final 2006 data published by Statistics Canada, the Board has established the price escalator to be 1.9%. The resulting price cap index adjustment is therefore 0.9%.

The price cap index adjustment was not applied to the following components of the rates:

- the specific service charges;
- the regulatory asset recovery rate rider; and
- the smart meter rate adder (an amount in the fixed components of the rates associated with smart meter cost recovery).

Milton Hydro requested an amount for smart meter costs. The Board has approved an amount of \$2.16 per month per metered customer. Milton Hydro's variance accounts for smart meter program implementation costs, previously authorized by the Board, are continued. As the notice of this application indicated, the Board will be holding a combined proceeding to consider, among other things, appropriate recovery of smart meter costs.

Notwithstanding Milton Hydro's general compliance with the guidelines, the Board reviewed the issue of Milton Hydro's Conservation and Demand Management ("CDM") expenditures in detail.

CDM Expenditures

Milton Hydro's 2006 electricity distribution rate ("EDR") application requested an amount of incremental CDM cost recovery of \$360,000. The Board found in its 2006 EDR Decision that Milton Hydro had not filed required cost effectiveness screening results for the proposed CDM programs and disallowed the proposed recovery.

On May 2, 2006, Milton Hydro filed a Motion to Review the 2006 EDR decision to permit recovery in distribution rates of \$300,750 relating to an amended CDM program proposal. Milton Hydro had readjusted its 2006 proposed CDM spending of \$360,000 downward to \$300,750, all of which was operating expenses. The motion included a total resource cost (TRC) analysis illustrating net benefits of its proposed programs of approximately \$680,000. In its affidavit supporting the motion, Milton Hydro stated that because 2006 rates had already been implemented, it would seek a deferral account, rather than request that current rates be altered to provide for the recovery of the requested CDM amount.

On July 5, 2006 the Board authorized, in its decision on the motion, the establishment of a deferral account to record the proposed CDM spending. The Board stated that it recognized the significant benefits indicated by the total resource cost test and the public interest objectives related to the implementation of cost effective CDM programs. The Board also stated that its decision did not dispense with the requirement for Milton Hydro to demonstrate the prudence of the expenditures recorded in the deferral account at the time that it sought clearance of the deferral account balances.

In its 2007 electricity rate application received February 9, 2007, Milton Hydro applied to the Board to change its distribution rates and included a request to recover \$300,750 for CDM initiatives. On March 23, 2007, Milton Hydro submitted an update to its application in which it segregated its applied-for CDM amount of \$300,750 into 2 portions:

- disposition of its Board-approved deferral account in the amount of \$95,121
- recovery of the additional amount of \$205,629 for CDM initiatives to be undertaken in 2007.

As well, Milton Hydro submitted supplementary documentation outlining the expenditures recorded in the Board-approved deferral account.

Positions of Parties

In its submission of March 7, 2007, VECC argued that Milton Hydro had not provided any cost benefit analysis, or any other type of information to demonstrate the prudence of the expenditures recorded in the deferral account. Due to Milton Hydro's failure to provide such demonstration, VECC requested the Board not approve Milton Hydro's proposed CDM costs for inclusion in 2007 rates.

On April 3, 2007, VECC made a further submission on Milton Hydro's request, in response to Milton Hydro's March 23, 2007 update. On April 4, 2007, Milton Hydro filed a response to VECC's further submission.

In its April 3, 2007 submission, VECC noted that, in its original submission of March 7, 2007, it had expressed the concern that Milton Hydro had been seeking to clear from its 2006 CDM deferral account, its forecast 2006 CDM spending, as opposed to its actual 2006 CDM spending, and that no information had been provided regarding actual spending to date.

However, VECC stated that, in its update, Milton Hydro had provided details regarding its actual CDM spending in 2006 and confirmed that this was the amount it was seeking recovery for in 2007. VECC noted that virtually all of the spending accumulated in the deferral account is in regard to programs that were originally filed as part of Milton Hydro's 2006 rate application and the cost effectiveness of these programs had been reviewed by the Board at the time it authorized the 2006 CDM deferral account.

VECC did express the concern that for one social housing program, which it stated it supported and encouraged, there had been no evidence provided by Milton Hydro as to its cost effectiveness. VECC encouraged Board staff to work with Milton Hydro to address this deficiency so that the costs related to this program could be recovered in 2007 rates. In its response, Milton Hydro provided backup in support of these expenditures.

Where Milton Hydro's proposed 2007 CDM spending was concerned, VECC noted that there were inconsistencies between the proposed spending on certain programs between different parts of Milton Hydro's revised submission. VECC suggested that Board staff should be directed to clarify the record regarding this matter. In its response, Milton Hydro clarified and explained these inconsistencies.

VECC also noted that Milton Hydro had provided TRC analyses for each of the six proposed programs and that for three of the six programs, the TRC results were negative. VECC acknowledged that not all programs are amenable to TRC analyses and that some have intangible benefits and that the portfolio of programs overall yield positive benefits. In this context, VECC stated that it was prepared to support Milton Hydro's proposed 2007 CDM spending. VECC did express one concern, which was about the capacity of Milton Hydro to spend the proposed amount in 2007, given that as part of its 2006 application, Milton Hydro had ultimately proposed CDM spending for 2006 of \$300,750, but as of February 28, 2007, had only spent \$95,121.

In its response, Milton Hydro stated that it did plan to spend the remaining \$205,629, as proposed in its 2007 CDM plan, but cited a number of factors that had contributed to the delay in actual spending to date. The explanations offered by the applicant are sufficient to give the Board confidence that the programs will be executed according to the application.

VECC also expressed concerns about how Milton Hydro was proposing to recover its 2006 and 2007 CDM spending from its customers. VECC was of the view that the allocation of some of these costs to residential customers was excessive, in particular the proposal to allocate \$10,000 associated with Developing Electricity Response Systems to promote CDM, as well as and the costs of the CDM Newsletter, directly to the Residential class.

In its response, Milton Hydro agreed with VECC that it was appropriate to allocate a portion of the \$10,000 spending related to Developing Electricity Response Systems to the industrial/commercial class. However, Milton Hydro noted that the majority of the program focused on the residential class and therefore proposed that the \$10,000 could be split so that 75% of these costs were allocated to the residential class and 25% to the General Service greater than 50 kW class. Where the costs of the newsletter were concerned, Milton Hydro stated that approximately 88% would be allocated to the residential class and therefore proposed that the allocation remain at 100% to the residential class. Milton Hydro stated that it was filing revised rates, incorporating its proposed change, in the event the Board decided that this change was material.

Board Findings

Milton Hydro has requested that the Board allow the recovery of the amount in its CDM deferral account of \$95,121. The Board notes the concerns expressed by VECC about the justification of the social housing program, but the Board is satisfied that this

program is in the public interest and notes that VECC is generally in support of it. The Board approves Milton Hydro's request to recover the amount in its CDM deferral account through its 2007 rates.

The Board finds that Milton Hydro's application to recover the costs of its 2007 CDM initiatives in the amount of \$205,629, is in compliance with the filing guidelines for incremental CDM funding and that Milton Hydro has provided sufficient information to demonstrate the prudence of these costs. The Board accordingly approves Milton Hydro's request to recover the costs of its 2007 CDM initiatives through its 2007 rates.

The Board is satisfied with Milton Hydro's proposal for the allocation of the recovery of its costs of these programs, as contained in its March 23, 2007 update, and approves that allocation as the basis for the recovery of these costs through rates.

The Board appreciates the timeliness of VECC's submissions and has found them helpful in reaching its decision on this matter.

The Board has made the necessary adjustments to Milton Hydro's filed 2006 Tariff of Rates and Charges to produce a new Tariff of Rates and Charges to be effective May 1, 2007. The Board finds the rates and charges in the Tariff of Rates and Charges attached as Appendix A to this decision to be just and reasonable.

Cost Awards

VECC requested and was granted cost eligibility in this rate application. Parties who were granted cost eligibility shall submit their cost claims by May 3, 2007. A copy of the cost claim must be filed with the Board and one copy is to be served on Milton Hydro. The cost claims must be done in accordance with section 10 of the Board's Practice Direction on Cost Awards.

Milton Hydro will have until May 17, 2007 to object to any aspects of the costs claimed. A copy of the objection must be filed with the Board and one copy must be served on the party against whose claim the objection is being made.

The party whose cost claim was objected to will have until May 24, 2007 to make a reply submission as to why its cost claim should be allowed. Again, a copy of the submission must be filed with the Board and one copy is to be served on Milton Hydro.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix A of this order is approved, effective May 1, 2007, for electricity consumed or estimated to have been consumed on and after May 1, 2007.
2. The Tariff of Rates and Charges set out in Appendix A of this order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Milton Hydro, and is final in all respects.
3. Milton Hydro shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 12, 2007.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Appendix A

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April 12, 2007

ONTARIO ENERGY BOARD

Milton Hydro Distribution Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

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APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES - May 1, 2007 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES - May 1, 2007 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – May 1, 2007 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification refers to the supply of electrical energy to detached, semi-detached and townhouse residential buildings as defined in local zoning bylaws. A residential service is a single-family unit used for domestic or household purposes, including seasonal occupancy. At Milton Hydro's discretion, residential rates may be applied to apartment buildings with 6 or less units by simple application of the residential rate by blocking the residential rate by the number of units.

Where the residential dwelling comprises the entire electrical load of a farm, it is defined as a residential service. Where the residential dwelling does not comprise the entire electrical load of the farm:

The service will be defined as a General Service if the occupant derives his/her principal livelihood from the working of the farm;

The service will be defined as a Residential Service if the occupant does not derive his/her principal livelihood from the working of the farm;

Where the residential farm dwelling is supplied by one separately metered service and the electrical loads in other buildings are supplied by a different separately metered service, then the former is defined as a Residential Service and the latter is defined as a General Service.

General Service Less Than 50 kW

This classification refers to a non-residential customer with an average peak demand below 50 kW over the past twelve months. For a new customer without prior billing history, the peak demand will be based on the customer's proposed capacity.

General Service 50 to 999 kW

This classification refers to a non-residential customer with an average peak demand equal to or greater than 50 kW and less than 1,000 kW over the past twelve months. For a new customer without prior billing history, the peak demand will be based on the customer's proposed capacity.

General Service 1,000 to 4,999 kW

This classification refers to a non-residential customer with an average peak demand equal to or greater than 1,000 kW and less than 5,000 kW, regardless of when the demand occurs, averaged over twelve months. For a new customer without prior billing history, the peak demand will be based on the customer's proposed capacity.

Large Use

This classification refers to a non-residential customer with an average peak demand equal to or greater than 5,000 kW, regardless of when the demand occurs, averaged over twelve months. For a new customer without prior billing history, the peak demand will be based on the customer's proposed capacity.

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Unmetered Scattered Load

This classification refers to the supply of electricity to unmetered loads less than 50 kW including traffic signals and pedestrian X-walks signals/beacons, bus shelters, telephone booths, signs, Cable TV amplifiers and decorative lighting and tree lighting connected to Milton Hydro's distribution system, and similar small unmetered loads.

Sentinel Lights

This classification refers to all services supported to supply sentinel lighting equipment.

Street Lighting

This classification refers to all services supplied to street lighting equipment owned by or operated for a municipality or the Province of Ontario.

MONTHLY RATES AND CHARGES**Residential**

Service Charge	\$	16.13
Distribution Volumetric Rate	\$/kWh	0.0135
Regulatory Asset Recovery	\$/kWh	(0.0002)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0056
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	17.13
Distribution Volumetric Rate	\$/kWh	0.0171
Regulatory Asset Recovery	\$/kWh	(0.0003)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0051
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0040
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

General Service 50 to 999 kW

Service Charge	\$	74.36
Distribution Volumetric Rate	\$/kW	2.8692
Regulatory Asset Recovery	\$/kW	(0.3619)
Retail Transmission Rate – Network Service Rate	\$/kW	2.3099
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8472
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25
Minimum Distribution Charge - per kW of maximum billing demand in the previous 11 months	\$/kW	0.60

Milton Hydro Distribution Inc.

TARIFF OF RATES AND CHARGES

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General Service 1,000 to 4,999 kW

Service Charge	\$	945.48
Distribution Volumetric Rate	\$/kW	3.2907
Regulatory Asset Recovery	\$/kW	(0.4950)
Retail Transmission Rate – Network Service Rate	\$/kW	2.2719
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8169
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25
Minimum Distribution Charge - per kW of maximum billing demand in the previous 11 months	\$/kW	0.60

Large Use

Service Charge	\$	4,204.13
Distribution Volumetric Rate	\$/kW	2.6407
Regulatory Asset Recovery	\$/kW	(0.4650)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.4602
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.0320
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25
Minimum Distribution Charge - per kW of maximum billing demand in the previous 11 months	\$/kW	0.60

Unmetered Scattered Load

Service Charge (per connection)	\$	7.49
Distribution Volumetric Rate	\$/kWh	0.0171
Regulatory Asset Recovery	\$/kWh	(0.0003)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0051
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0040
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

Sentinel Lighting

Service Charge (per connection)	\$	0.41
Distribution Volumetric Rate	\$/kW	3.1560
Regulatory Asset Recovery	\$/kW	2.6585
Retail Transmission Rate – Network Service Rate	\$/kW	1.5724
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2685
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.16
Distribution Volumetric Rate	\$/kW	0.7888
Regulatory Asset Recovery	\$/kW	(0.2969)
Retail Transmission Rate – Network Service Rate	\$/kW	1.5645
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2425
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

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Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Statement of account	\$	15.00
Easement letter	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned Cheque (plus bank charges)	\$	15.00
Special meter reads	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	30.00
Disconnect/Reconnect Charges for non payment of account - At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect Charges for non payment of account - At Meter After Hours	\$	185.00
Optional Interval/TOU Meter charge \$/month	\$	5.50
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Clearance Pole Attachment charge \$/pole/year	\$	5.59
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0351
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0248
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045