

**Board staff Interrogatories
2011 Electricity Distribution Rates
Milton Hydro Distribution Inc. ("Milton Hydro")
EB-2010-0137**

Administration

1) Ref: Notice of Application and Hearing and Letters of Comment

- a) Following publication of the Notice of Application and Hearing, has Milton Hydro received any letters of comment?
- b) If so, please confirm whether a reply was sent from the Applicant to the customer. Also, please file any reply or replies with the Board.
- c) If Milton Hydro did not send a reply to any letter of comment received, please explain why a response was not sent and confirm if and when Milton Hydro intends on responding. Please file any subsequent responses with the Board.

2) Ref: International Financial Reporting Standards (IFRS)

- a) The Applicant has stated that its current filing is based on CGAAP. Please identify the fiscal year which the applicant will begin reporting its (audited) actual results on an IFRS basis.
- b) Please state whether or not the applicant has included an amount for IFRS transition costs in its Test Year revenue requirement. If yes, please identify the amount and provide a breakdown with a detailed explanation of each cost item. If no, is the applicant recording IFRS transition costs in the deferral account established by the Board in October 2009?

Rate Base

3) Ref: Exhibit 2/ p. 7 of 78 – Capitalization Policy

On page 7 Milton Hydro states that it does not have a formal capitalization policy, but generally follows GAAP, particularly CICA Handbook Section 3060 – Capital Assets. It further states that it “does not currently capitalize interest on funds used during construction as capital projects are budgeted for and completed in the fiscal year, and does not capitalize, through internal cost allocations, any indirect administrative support costs such as Finance or Facilities.”

- a) Please explain why Milton Hydro, given its relative size, does not have a formal capitalization policy.

4) Ref: Exhibit 2/ p.41, 51 and 55 of 78 – Land Purchase

In table 21 – 2011 Test Year Fixed Asset Continuity Schedule, Milton Hydro has included \$2,918,530 of land (account 1905) purchased in 2009 and 2010 in rate base. On pages 41 and 51 the Applicant states that it is Milton Hydro's intention to construct an office and service centre on the land within the next 3 to 5 years aligning with the expiration of its current lease agreement.

Please explain why an asset that is not used and useful at the time of this application has been included in the calculation of rate base.

Capital Expenditures

5) Ref: Exhibit 2/ p. 16 – 78 and Asset Management Plan (Appendix A) - Capital Programs and Projects

In Exhibit 2, Milton Hydro lays out its actual and planned capital spending and a five year Asset Management Plan for capital investments until 2015. The table below, derived from Milton Hydro's evidence as referenced above, provides yearly variances for actual and planned capital expenditures.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Capital Expenditure	\$3,831,460	\$5,034,541	\$6,530,180	\$8,553,713	\$13,468,681	\$9,348,641	\$5,820,991	\$3,142,723	\$9,051,805	\$2,530,412
Variance year/year		31%	30%	31%	57%	-31%	-38%	-46%	188%	-72%

- a) Please confirm that the above table is a correct representation of Milton Hydro's historic and projected capital spending, or make any necessary corrections. Please provide an explanation of any corrections made.
- b) The Table shows a considerable level of annual variability in Milton Hydro's capital program. For instance the increase in 2010 is 57% followed by a 31% decrease in 2011. This is followed by similar decreases in the 2012 to 2013 period with a big increase in 2014 followed by a bid decrease in 2015.
 - i) Please provide breakdowns for 2006 through 2011 showing the total of capital expenditures that are "one-time programs" vs. "ongoing programs".
 - ii) Please provide an explanation of this variability and state whether or not Milton Hydro could smooth its capital expenditures over this period.
 - iii) Please explain the decrease of capital projects going forward beyond the Test year given that Milton Hydro states in Exhibit 2/p. 4 that Milton is one of the fastest growing communities in the country.
- c) Please provide an explanation of the measures that Milton Hydro has taken or will undertake, to execute capital program projects in the most cost-effective way. Please file any evidence that demonstrates Milton Hydro's effort in undertaking and implementing measures that would achieve cost savings for Milton Hydro's capital programs.

6) Ref: Exhibit 2/p. 56 and 47 of 78 and Exhibit 3 – Customer Driven Projects – New Connections

Milton Hydro stated that it estimates a total cost of \$1,088,200 for new connections in the 2011 test year. This represents an increase of \$741,005 or 213% over 2009 actual. Based on the information provided in Exhibit 3 – Operating Revenue, Milton Hydro experienced a 10.7% increase in customer numbers over that time period. Please provide an explanation reconciling these two increases.

7) Ref: Exhibit 2/p. 57 and p. 16/Table 6 – Conversion Upgrades/Rebuild to 27.6kV

In Table 6 Milton Hydro shows an increase of \$1,214,668 or 62.3% over the 2010 test year and \$2,953,385 over 2009 actual.

- a) Please describe the impact on the system if the projects listed on page 57 were spread over 3 years.
- b) Please explain why Milton Hydro has engaged in limited conversion projects in 2007, 2008 and 2009.
- c) Please describe what conversion upgrade/rebuild projects are projected for the 2012-2014 period.

8) Ref: Exhibit 2/Tab2/Schedule 1 – Capital Contribution

Milton Hydro has forecast capital contributions of \$3,794,938 for the 2011 test year. This is a decrease of \$1,915,952 over the 2006 actual. Please provide an explanation for this decrease.

9) Ref: Exhibit 2/p.59 of 78 -Project 2011: FIT Project 2011 and Filing Requirements: Distribution System Plans – Filing under Deemed Conditions of Licence (EB-2009-0397), March 25, 2010/Section V. Manner of Filing of GEA Plan – GEA Plan Content/pages 9-12

On page 59 Milton Hydro shows a capital expenditure of \$150,127 related to FIT Projects in the 2011 year. Milton Hydro stated that “the Green Energy Act has resulted in an obligation for Milton to bear part of the costs, up to \$90,000 per MW, of distribution system expansions associated with the connection of renewable energy generation in relation for Feed-In Tariff – FIT and microFIT projects”. Milton Hydro further stated that “Milton Hydro’s service is 85% rural and the distribution plant servicing the rural area may result in customers interested in microFIT solar projects not having an overhead line or transformer in proximity to the location of a proposed microFIT project. The cost of extending a line to reach a microFIT project far exceeds the \$90 per kW that Milton Hydro

is responsible to contribute thereby creating a disincentive to construct a microFIT installation”.

- a) Please provide the number of FIT and MicroFIT generators that are assumed/forecasted for this undertaking, and the average size per generator for each of the two categories in kW, by completing the following table:

Number of FIT Projects	Average Capacity in kW of a single FIT Project	Total Capacity in KW Of All FIT Projects		Number of microFIT Projects	Average Capacity in kW of a single microFIT Project	Total Capacity in KW Of All microFIT Projects

- b) Is the amount of investment of \$150,127 over and above the amount to be invested by Milton Hydro for Distribution System Expansion i.e., the \$90 per kW?
- c) If the response to (b) above is yes, please state the total amount to be invested for Distribution System Expansion, and the approach for recovery i.e., is that amount included in another capital project?
- d) Please provide a current assessment of Milton Hydro’s distribution system indicating for each feeder the voltage level, the amount of load served in MW, and where applicable the number of generation sites and capacity on each site in MW or kW. Please also provide system maps for Milton Hydro showing all feeders with their designations and the transformer stations (TSs) to which the feeders are connected.
- e) Please provide any plans for development of Milton Hydro’s system to accommodate renewable generation connection including all feeders for which the OPA has received one or more applications from renewable generators within Milton Hydro’s service territory.
- f) Please provide the criteria and rationale which have been applied to prioritize expenditures related to the planned development of the distribution system.

|

Customer and Load Forecast

10)Ref: Exhibit 3/p. 6-7 – System Load Regression Model

Milton Hydro stated that the class specific regression analysis produced a negative coefficient and a *t Stat* less than the absolute value of two for the Ontario Real GDP. This indicates that the Ontario Real GDP variable would have a non-intuitive coefficient or would not be statistically significant. As a result, Milton Hydro eliminated this variable in the forecasting equation for the weather sensitive rate classes. Milton Hydro has accounted for economic trends or impacts by using actual monthly customer class consumption data for the weather sensitive customer classes in the weather normalized load forecast.

- a) Please state if Milton Hydro has considered any other economic or income variables in the class specific regression models for each of the weather sensitive classes.

If not, please explain why not.

- b) Please provide alternative models for each of the weather sensitive classes that include an economic or income variable. Please provide sufficient documentation of the proposed variables so that their derivation is clear.

11)Ref: Exhibit 3/p.12 – System Load Regression Model

Table 4 – Weather Normalized Load Forecast Statistical Analysis Results provides an overview of the results of the various regression models for the weather sensitive classes. Staff notes that none of the variables used accounts for the impact of historic CDM initiatives by Milton Hydro.

- a) Please state whether or not the models account for the impact of CDM initiatives over the past 10 years.
- b) If they do not, please explain why a CDM variable has not been considered when developing class specific multi-variant regression models.
- c) Please provide alternative models for each of the weather sensitive classes that include CDM variables. Please include sufficient documentation of the proposed CDM variables so that their derivation is clear.
- d) Please provide alternative models that include both economic or income variables and CDM variables.

12)Ref: Exhibit 3/p. 14 – Residential Customer/Connection Forecast

Milton Hydro estimated that new subdivisions started in 2009 currently under construction will account for an additional 1,500 residential homes in each of the 2010 Bridge Year and the 2011 Test Year. In this context, Milton Hydro has shown an average growth of 9.88% from 2006 to 2009 for the residential class. For the 2011 test year Milton Hydro is showing a growth of 5.7% for the same customer class.

- a) Please explain the drop in growth for the residential class in 2011 given that Milton Hydro's application states that Milton is one of the fastest growing communities in the country.
- b) Please provide actual customer connections for the 2010 test year to date.

13)Ref: Exhibit 3/p. 17 – Non-weather Sensitive Load Forecast Methodology/ Sentinel Light

Milton Hydro stated that the growth rate calculated in the geomean analysis for the Sentinel Light customer class was changed to a growth rate of 1.0 as Milton Hydro Telecom Inc. no longer installs sentinel lights.

. Please include an explanation as to how Milton Hydro plans to treat sentinel lighting in the future if any changes are anticipated.

14)Ref: Exhibit 3/p.15 - 19 – Non-weather sensitive Load Forecast

Milton Hydro stated that the geomean analysis used actual average customer kWh consumption by customer class.

- a) Please explain why a geometric mean analysis has been based on average customer consumption rather than actual kWh consumption by customer class.
- b) Please provide a geomean analysis based on actual kWh consumption by customer class and provide a load forecast based on this analysis.

15)Ref: Exhibit 3/p. 17 - Load Forecast

Milton Hydro stated that "Milton Hydro has also changed the growth rate for the Large User customer class from that calculated in the geomean analysis. The Large User customer class experienced a significant decrease in consumption due to the nature of their business and the economic downturn in 2009". Staff noted that the geomean analysis to calculate the load forecast for the GS 1,000 – 4,999 class has not been adjusted to account for the economic downturn and subsequent recovery. However, for the LU customer class the geomean analysis

has been adjusted to represent actual consumption patterns for the first five months of 2010.

- a) Please explain if a similar approach has been used for the GS 1,000 – 4,999 customer class?

If not, please explain why not.

- b) Please provide actual consumption data for 2010 to date for the GS 1,000 – 4,999 kW customer class and provide a comparison to the load forecast for this customer class covering the corresponding time period.

16)Ref: Exhibit 3/p. 12, 18 – 19 and Table 16 and 7 – Load Forecast

In Table 16 Milton Hydro presents a load forecast per customer class. Milton Hydro states that the actual and forecasted kWh consumption for each class has been adjusted by one quarter of Milton Hydro's CDM 4 year target allocated to each of the classes.

Please provide further explanation for this approach. Please provide a load forecast excluding the manual adjustments noted above.

Operating Revenues

17)Ref: Specific Service Charges and Conditions of Service

Milton Hydro has its Conditions of Services posted on its website at <http://www.miltonhydro.com/main.php?section=residential>

- a) Please confirm that Milton Hydro is not proposing changes to its existing Board-approved Specific Service Charges. In the alternative, please identify the Specific Service Charges that Milton Hydro is proposing (either new or changed), and provide support for the proposal.
- b) Please confirm that the Conditions and Services in the above link is Milton Hydro's current version of its Conditions of Service. If not, please provide a copy of the current version.
- c) Please confirm that there are no rates and charges documented in Milton Hydro's current Conditions of Service that are not documented on Milton Hydro's proposed Board-approved Tariff of Rates and Charges. If there are charges, please identify and explain these. If necessary, please provide an updated proposed Tariff of Rates and Charges as documented in Exhibit 8.

Operating Expenses

18)Ref: Assumptions for Increases to OM&A

Please identify the inflation rate used for the 2011 OM&A forecast and the source document for the inflation assumptions.

19)Ref: Exhibit 4/p. 3 - 4 - Harmonized Sales Tax (HST)

The PST and GST were harmonized effective July 1, 2010. Historically, unlike the GST, the PST was included as an OM&A expense and was also included in capital expenditures. Due to the harmonization of the PST and GST, regulated utilities may benefit from a reduction in OM&A expenses and capital expenditures on an actual basis.

- a) Please state whether or not the applicant has adjusted its Test Year revenue requirement to account for reductions to OM&A expense and capital expenditures due to the implementation of the HST effective July 1, 2010. If yes, please identify separately the amounts of commodity tax savings for OM&A and capital and provide an explanation of how each of those amounts was derived. If no, please identify the amounts in OM&A expense and capital expenditures for the Test Year that were previously subject to PST and are now subject to HST.
- b) The Board's decision on the applicant's 2010 IRM application established a deferral account and directed the applicant to record the incremental input tax credits it receives on distribution revenue requirement items that were previously subject to PST and which become subject to HST. Tracking of these amounts would continue in the deferral account until the effective date of the applicant's next cost of service rate order. Has the Applicant recorded any HST Input Tax Credits or other HST related items in PILs account 1592? If yes, please describe what has been recorded and provide supporting evidence showing how the tracking was done. If not, please explain why not.

20)Ref: Exhibit 4/p. 12, 13 and 27 and Table 8, 9 – Meter Reading Expense

On page 12 of this exhibit, Milton Hydro states that "Milton Hydro's meter reading, recording, transmission and management of metering data [is] contracted out to a non-affiliate third party under a service contract agreement signed August 21, 2007, effective until December 15, 2012". Table 8 shows an increase in Meter Reading Expense of \$86,829 or 37.7% in the 2011 test year over the 2010 bridge year.

- a) Please provide a breakdown of the costs in account 5310.
- b) Please provide further explanation whether these costs are all ongoing in nature or whether a portion of these costs is considered one time.
- c) Please file the service agreement with Trilliant Energy Services Inc.
- d) Please describe the selection process for this supplier, in detail (i.e. tendering processes, single source supplier).-
- e) Please state whether any cost savings or productivity gains have been realized since the switch to the new automated meter reading regime as a result of full implementation of Milton Hydro's smart meter program.
- f) Please explain why Milton Hydro decided to outsource this service rather than conduct meter reading in house given that the process is now fully automated.

21)Ref; Exhibit 4/p. 42 – Underground Locates

Milton Hydro's average cost per locate has grown by \$4.56 or 9.5% per locate over 2009 and \$12.84 or 32.38% over 2006.

- a) Please provide an explanation for this increase.
- b) Please describe the selection process for this service?

Employee Compensation

22)Ref: Exhibit 4/p. 65, Table 21

Milton Hydro is proposing to capitalize approximately 32.94% of its compensation costs for 2011. This is about 3.61% higher than the 2009 level.

- a) Please explain the change in the capitalization rate from 2009 to 2011.
- b) Please state whether Milton Hydro has made changes to its accounting policies in respect to capitalization of operation expenses and/or has made any significant changes to accounting estimates used in allocation of costs between operations and capital expenses post fiscal year end 2004. If any accounting policy changes or significant changes in accounting estimates have been made post 2004 fiscal year end, please provide all supporting documentation and a discussion highlighting the impact of the changes.

23)Ref: Exhibit 4/p. 63 – FTE employees

Milton Hydro stated that FTE employees increased from 44.27 in the 2010 bridge year to 51.00 in the 2011 Test Year. This represents an increase of 15.2%. Milton Hydro stated that this increase is the result of recognizing a full year of staff time for each of the five new staff hires in the 2010 Bridge Year. Milton Hydro stated that it will hire a new customer service representative in the 2011

Test Year and one apprentice line person and has a requirement for an additional Accounting Clerk.

- a) Please state how was it determined that the position of VP of Engineering & Operations would be split into two positions.
- b) Please state whether or not productivity gains are expected with the full implementation of the smart meter initiatives and the impact of automated meter reading on staffing needs.
- c) Please provide a list of actual 2010 hires to date.
- d) Please clarify if Milton Hydro is planning to hire an Accounting Clerk and state whether this position is included in the 51 FTE employees for 2011. Please also discuss whether or not Milton Hydro considered continuing to fill the position with co-op students and if not, why not.

24)Ref: Exhibit 4/p. 68 - Ontario Municipal Employees Retirement System Pension Costs

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013. Please state whether or not the applicant's proposed pension costs include this increase. If so, please provide the forecasted increase by years and the documentation to support the increases. If not, please state how the applicant proposes to deal with this increase.

Regulatory Costs

25)Ref: Exhibit 4/p.36 – Consulting Costs

On page 36 Milton Hydro stated that in the \$224,500 of total regulatory costs it has included \$66,000 for consulting fees. Please provide further detail as to the nature of these costs and the serviced received. Please provide a breakdown of these costs.

26)Ref: Exhibit 4/p. 37 - Low Income Energy Assistance Program (LEAP)

Milton Hydro stated that it has not included any costs associated with LEAP programs in its cost of service application.

- a) Please provide the following calculation: 0.12% of the total distribution revenue proposed by the applicant for the 2011 Test Year.
- b) Please state whether or not the applicant has included an amount in its 2011 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

27)Ref: Donations

Please identify whether or not the applicant has included any charitable or political donations as part of its forecast OM&A expense for the Test Year. If yes, please identify the amounts and the account in which the donations are recorded, and whether the amounts are compliant with Section 2.5.2 of the Filing Requirements.

Corporate Cost Allocation**28)Ref: Exhibit 4/p. 69 and Table 30– Affiliate Services**

On page 69 Milton Hydro states that “Milton Hydro also provides water and sewer billing and collection service to the Regional Municipality of Halton on a full cost recovery basis which includes labour, benefits, overheads, contractors, materials, equipment, information services, mailing and postage and all other identifiable costs”.

- a) Please confirm that these services are included in table 30 – 2011 Test Year Shared services/corporate cost allocation.
- b) If not, please provide updated evidence that includes annual revenues for services provided to the Municipality of Halton.

29)Ref: Exhibit 4/p.69, Table 31 – Affiliate Services

- a) Has Milton Hydro conducted a corporate cost allocation study? If so, please provide a copy of the study to the Board.
- b) If not, please provide an explanation why such a study has not been conducted.
- c) Has Milton Hydro or MHHI had an independent 3rd party review of the costing of affiliate services charged to Milton Hydro?

30)Ref: Exhibit 4/p.79, Table 31 – Non-Affiliate Purchased Services

On page 79 Milton Hydro provided a table to document purchases of non-affiliate services for the historical years 2005 until 2009.

- a) Please provide forecasted OM&A expenses for services purchased from non-affiliate third parties for the 2010 test year and the 2011 bridge year.
- b) Please provide a table showing the percentage of services that are capitalized and the percentage of outsourced services that are included in OM&A.

PILs

31)Ref: Exhibit 1/Appendix B - Audited Financial Statements 2009; Exhibit 4/Appendix E/Tax Return for 2009

- a) Please provide the federal and Ontario Notice of Assessments, Notice of Re-assessments (if applicable), Statements of Adjustments, and any other correspondence with the CRA and Ministry of Finance regarding any tax items, or tax filing positions that may be in dispute, or under consideration or review, for tax years 2007 to 2009.
- b) Were the 2009 audited financial statements filed in Exhibit 1, Appendix B, the source of the numbers used in the 2009 GIFI (included in the 2009 tax return)? If no, please provide the audited financial statements that were used as the source of the numbers used in the GIFI included in the 2009 tax return. (Please provide unaudited financial statements if audited financial statements were not generated.)

32)Ref: PILs or Income Taxes Work Form; Exhibit 4/Page 90

As per the filed "PILs or Income Taxes Work Form", included in the reserves (for historical, bridge and test years) is an "Other" amount of \$209,410. This "Other" amount is included in the total reserves amount for each year of \$364,892, as also shown on Exhibit 4, Page 90. As shown on "Schedule 13 Tax Reserves Historical", as per the filed "PILs or Income Taxes Work Form", this "Other" amount is due to the inclusion of Regulatory Assets in the reserves.

Please explain why Milton Hydro has included regulatory assets in its calculation of reserves, in light of the fact that the Board's policy is to exclude the movement of regulatory assets from the calculation of the PILs proxy.

Cost of Capital

33)Ref: Exhibit 5/ p. 1, 3/ Table 1 and Appendix B – New Long-term Debt

Milton Hydro states that "on January 6, 2010 OIPC provided \$3.50 million to Milton Hydro in short term financing of which \$3.157 million was issued as debentures (long term) on April 1, 2010. Appendix B shows a debt instrument in the amount of \$2,880,057 while table 1 shows debt issues of \$2,741,906 at 4.49% and \$235,000 at 3.02%. Please reconcile Appendix B, Table 1 and the above statement and provide updated evidence if necessary.

34)Ref: Exhibit 5/ p. 1 – New Long-term Debt

In a financial agreement dated as of November 12, 2009 with Ontario Infrastructure Projects Corporation (“OIPC”), OIPC agreed to make financing available to Milton Hydro up to \$15,752,257 to fund capital projects.

For the new debt in 2010 and 2011 please indicate the projects and assets for which the debt financing is to be incurred. Please also provide the expected economic lives of the assets being financed.

Cost Allocation

35)Ref: Exhibit 7/p. 4/ Table 3

Milton Hydro proposes to adjust the Street Light and Sentinel Light revenue cost ratios to 70% in its 2012 Distribution Rate Application. The General Service >1,000 – 4,999 kW, the Large User and the Unmetered Scattered Load customer classes revenue to cost ratios are being adjusted down to 110.0% in the 2011 test year to maintain Milton Hydro’s objective of having all customer class revenue to cost ratios within +/- 10% of unity.

- a) Please state whether Milton Hydro intends to adjust the rates to classes other than Streetlighting and Sentinel Lighting in the years following 2011 to balance the revenue to cost ratios?
- b) If yes, please provide a table of proposed revenue to cost ratios for the next 4 years. If not, please state why not.

Loss Adjustment Factors

36)Ref: Exhibit 8, pp. 11 and 12

With respect to Milton Hydro’s points of supply, please state whether Milton Hydro is:

- 100% directly connected to Hydro One Inc.’s (HONI) transmission system, i.e. the IESO controlled grid, or
- partially embedded within the HONI distribution system

In reference to the above question:

- If the response is the former, please rationalize Milton Hydro’s proposal of 1.0048 for the Supply Facilities Loss Factor (SFLF) given that the industry norm for SFLF for a 100% directly connected distributor is 1.0045.
- If the response is the latter, please provide the calculation methodology to demonstrate that the proposed SFLF of 1.0048 is the weighted average of the directly connected SFLF component of 1.0045 and the embedded SFLF component of 1.0340, the latter being the industry norm to account

for supply losses at the HONI transmission/distribution interface and within HONI's distribution system.

Rate Design

37)Ref: Exhibit 8/ Appendix B/Sheet Forecast Data for 2011 and Exhibit 3/ p.26/ Table 28 – Rate Design Model – Billing Determinants

The first reference discusses forecast data for the 2011 Test Year as per Milton Hydro's Rate Model. The second reference is a summary table of actual and forecast data by customer class. The customer count data on Sheet 3 (Forecast data for 2011) in the rate design model differs from the customer data provided in Exhibit 3/Table 28 for most customer classes.

Please provide a reconciliation and explanation of any differences between Exhibit 3/ p.26/Table 28 and the data used in the rate design model.

Deferral and Variance Accounts

38)Ref: Exhibit 9, page 15 – Global Adjustment (GA) Variance Account

Milton Hydro is proposing that a separate rate rider be established to dispose of GA amongst non-RPP customers, excluding the MUSH sector. Milton Hydro submitted that MUSH sector is being excluded because the GA variance account relates to the 2009 year and the MUSH customers only became non-RPP customers effective November 1, 2009.

- a) Please provide an estimate of what the MUSH sector would have contributed towards the GA account over the 2 months from November 1, 2009 to December 31, 2009.
- b) If the number calculated in a) is material, please state whether or not Milton Hydro would be able to apply a separate rate rider to the MUSH sector.

39)Account 1592, PILs and Tax Variances for 2006 and Subsequent Years

Please identify whether the Applicant has posted any amounts to account 1592 since April 2006. If yes, please respond to the following questions. If not, please explain why the applicant has not posted any amounts to account for the changes in tax legislation that have occurred since 2006 as required by the Board's methodology and prior decisions.

- a. Please revise the deferral and variance account continuity schedule to include account 1592 as a group 2 account and enter all the required information for transactions, adjustments, interest carrying charges, etc. for all the relevant years.
- b. Please describe each type of tax item that has been accounted for in account 1592.
- c. Please provide the calculations that show how each item was determined and provide any pertinent supporting evidence.
- d. Please confirm whether or not the Applicant followed the guidance provided in the July 2007 FAQ. If not, please explain why not.
- e. Please identify the account balance as of December 31, 2009 as per the 2009 audited financial statements. Please identify the account balance as of December 31, 2009 as per the April 2010 2.1.7 RRR filing to the Board. Please provide a reconciliation if the balances provided in the above are not identical to each other and to the total amount shown on the continuity schedule.
- f. Should the Board wish to dispose of this account at this time, please identify the following:
 - i. the allocator that in the applicant's view would be most appropriate to use in allocating the balance to the rate classes.
 - ii. the disposition period that the applicant would prefer if different from the period proposed for the remaining deferral and variance accounts and explain why.
 - iii. the billing determinant that in the applicant's view would be most appropriate to use.
- g. Please complete the following table based on the previous answers. Add rows as required to complete the analysis in an informative manner. If the applicant uses Excel to prepare the table, please submit the live Excel workbook.

Tax Item	\$ Principal As of [December 31, 2009]
Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period from May 1, 2006 to April 30, 2007	
Large Corporation Tax from 2005 EDR application	

PILs model for the period from January 1, 2006 to April 30, 2006 (4 /12ths of approved grossed-up proxy) if not recorded in PILs account 1562	
Ontario Capital Tax rate decrease and increase in capital deduction for 2007	
Ontario Capital Tax rate decrease and increase in capital deduction for 2008	
Ontario Capital Tax rate decrease and increase in capital deduction for 2009	
Ontario Capital Tax rate decrease and increase in capital deduction for 2010	
Capital Cost Allowance class changes from 2006 EDR application for 2006	
Capital Cost Allowance class changes from 2006 EDR application for 2007	
Capital Cost Allowance class changes from 2006 EDR application for 2008	
Capital Cost Allowance class changes from 2006 EDR application for 2009	
Capital Cost Allowance class changes from 2006 EDR application for 2010	
Capital Cost Allowance class changes from any prior application not recorded above.	
Insert description of next item(s)	
Insert description of next item(s) and new rows if needed.	
Total	

Smart Meters

40)Ref: Exhibit 9/p.26 – Smart Meters Disposition Rider

Milton Hydro has calculated a rate rider for disposition of the total credit balance in the smart meter variance account in the amount of (\$598,879) over four years for a total rate rider of (\$0.43).

Please provide an equivalent rate rider calculation for periods of one and two years and provide estimated delivery and total bill impacts.

41)Ref: Exhibit 9/p. 18 – Smart Meters

Milton Hydro is requesting to include smart meter capital deployed as of December 31, 2009 and the forecasted amount of \$164,000 to be incurred in the 2010 Bridge Year to complete installation of the remaining smart meters, plus

additional collectors for Milton Hydro's rural distribution area, in the 2011 Test Year rate base.

- a. Please provide Milton Hydro's views as to why the Board should proceed to review on a final basis the 2010 spending, when the Smart Meter Guidelines (G-2008-0002) require that:
 - i. The cost recovery should be based on costs already expensed (i.e. not forecast).
 - ii. All cost information should be audited, including the smart meter related deferral account balances.
 - iii. Information on the penetration rate is filed.

42)Ref; Exhibit 9/p. 21-22 – Stranded Meters

Milton Hydro is proposing recovery of stranded meter costs of \$432,962.60.

- a) Please indicate whether costs provided on table 16 are audited.
- b) Please describe the accounting treatment followed by the applicant on stranded meter costs for ratemaking and financial reporting purposes respectively.
- c) Please provide the amount of the pooled residual net book value of removed meters, less any sale proceeds as of December 31, 2009.
- d) Please provide the estimated amount of the pooled residual net book value of removed meters, less any sale proceeds at the time when smart meters will have been fully deployed. Please provide the actual amount if smart meters have been fully deployed.
- e) Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts

43)Exhibit 9/p. 18- 29 – Smart Meter Cost Allocation

- a) Please explain how the costs for smart meters installed to the end of 2009 proposed for approval are reflected in the 2011 Cost Allocation study.
- b) Please explain how the forecasted costs for smart meters installed in 2010 are reflected in the 2010 Cost Allocation study.