



***PUBLIC INTEREST ADVOCACY CENTRE
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November 2, 2010

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: Vulnerable Energy Consumers Coalition (VECC)
Notice of Intervention: EB-2010-0137
Milton Hydro Distribution Inc. – 2011 Electricity Distribution Rate
Application**

Please find enclosed the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

cc: Milton Hydro Distribution Inc.
Attention: Mr. Cameron McKenzie

MILTON HYDRO DISTRIBUTION INC. (MILTON)
2011 RATE APPLICATION (EB-2010-0137)
VECC'S INTERROGATORIES – ROUND #1

LOAD FORECAST

QUESTION #1

Reference: Exhibit 3, page 2

- a) Please confirm that the revenues by class set out in Table 1 exclude revenues from both the smart meter rate adder and the LV rate adder. If not, please re-do the table with these revenues excluded.

QUESTION #2

Reference: Exhibit 3, pages 5-7 and page 11

- a) With respect to the GS 1000-4999 class results set out in Table 4, please indicate whether or not the coefficients for HDD and CDD were statistically significant. If either were, please explain the conclusion that class is not weather sensitive and should be removed from the weather normalization load forecasting process.
- b) Did Milton test other measures of economic activity such as Monthly Full-Time Employment levels for the relevant economic region as reported by Statistics Canada's Monthly Labour Force Survey? If not, why not? If yes, what were the results?

QUESTION #3

Reference: Exhibit 3, page 9

- a) Please restate the 2010 results as shown in Table 6 using the 10-year average HDD and CDD values for all 12 months of the year.
- b) Please provide a weather-normalized actual use for each customer class for 2008 and 2009. Please perform the weather correction using the relevant coefficients for CDD and HDD for customer class and the monthly differenced between the actual CDD and HDD values versus the weather normal values.

QUESTION #4

Reference: Exhibit 3, page 12

- a) Please provide the source/basis for the 34,000,000 CDM target for Milton.
- b) Please provide any materials or supporting analysis that Milton received from either the OPA or the OEB regarding the determination of the CDM targets for LDCs, particularly any regarding the anticipated CDM savings for the years between 2010 and 2014.
- c) Since the OPA's advice on CDM targets analyzed Residential separately from other customer classes, why didn't Milton do the same when allocating its CDM target to customer classes?

QUESTION #5

Reference: Exhibit 3, pages 13-15

- a) Are the customer count values set out in Table 9 average annual counts or year-end counts?

- b) Please provide the actual customer count for each class for the most recent month available.
- c) Please comment on the customer count growth shown in this section for 2010 and 2011 versus the number of new connections assumed for purposes of forecasting capital spending (Exhibit 2).

QUESTION #6

Reference: Exhibit 3, pages 15-19

- a) How many of the 10 GS 1000-4999 customers that Milton had over the 2001-2004 period are also expected to be customers for 2010 and 2011?
- b) How many of the 11 GS 1000-4999 customers forecast for 2011 were customers of Milton for the 2002-2010 period?
- c) Please recalculate the geometric mean growth rate for the GS 1000-4999 class (Table 14) using only the historical consumption and customer count for those customers forecast to be taking power in 2011.
- d) Given the positive economic growth projected for Ontario for 2010 and 2011, why is it reasonable to assume that the average usage for the GS 1000-4999 class will decline over this period?

QUESTION #7

Reference: Exhibit 3, page 27

- a) Please explain what the sources are in 2008 and 2009 for Revenue from Non-Utility Operations (Account #4375).

- b) Please explain what the sources are in 2010 and 2011 for Revenue from Non-Utility Operations and explain the decrease from 2009 to 2010.
- c) Please the negative value for Interest and Dividend Income for 2010.
- d) Please confirm that Milton is not proposing to introduce any new Miscellaneous Charges or change any of its existing Miscellaneous Charges. If this is not the case, please provide a schedule setting out all new/revised Miscellaneous charges and the rationale for each.

COST ALLOCATION

QUESTION #8

Reference: Exhibit 7, Appendix A

- a) With respect to Sheet I6, please explain:
 - How the number of bills (Row #35) was established for the Street Lighting class.
 - How the number of street light connections compares with the number of street light fixtures.
- b) With respect to Sheet I7.1, what is the basis for the various unit meter capital costs assumed?

QUESTION #9

Reference: Exhibit 7, page 6

- a) Please provide a schedule that sets out the derivation of revenues at approved rates for each customer class and that shows the fixed and variable

revenues separately. Please confirm that the rates used exclude the smart meter and LV rate adders.

RATE DESIGN

QUESTION #10

Reference: Exhibit 8, page 5

- a) Please explain why Milton is proposing to increase the fixed charge for the GS 1000-4999 and Large Use classes when the currently approved charge in both cases is well above the Board's ceiling.

QUESTION #11

Reference: Exhibit 8, page 7

- a) What is the basis the LV loads and rates shown in Table 10?
- b) If not the basis for Table 10, please provide a schedule that sets out the actual 2009 LV billing quantities and the revenues based on Hydro One Networks' approved 2010 LV (ST) rates.

QUESTION #12

Reference: Exhibit 9, Tables 6 and 9

- a) For those RRA accounts that Milton Hydro is seeking to clear please reconcile any differences between the Closing Principal Amounts as of December 31, 2009 shown in Table 6 with the Principal Amounts as of

December 31, 2009 shown in Table 9. In a number of cases the values are different (e.g. LV Variance Account).

QUESTION #13

Reference: Exhibit 9, pages 4, 11 & 14

Report of the Board on Electricity Distributors' Deferral and
Variance Account Review Initiative (EB-2008-0046)

- a) Please confirm that, at the time of the Board's EB-2008-0046 Report, Account #1508 (Other Regulatory Assets) on had two sub-accounts: OEB Cost Assessment and Pension Contributions.
- b) With respect to page 4, how was the original \$300,750 recovery of CDM costs allocated to customer classes? Why shouldn't the same method be use to allocate the over recovery?
- c) Why is it appropriate to allocate the Hydro One Regulatory Asset cost recovery on the basis of Dx Revenue? Given that it is effectively unrecovered LV charges why shouldn't it be allocated in a similar manner to that used to recover the LV Account balance?

SQLs

QUESTION #14

Reference: Exhibit 1, page 31, Table 50

- a) The indices for "Connections of New Services – Low Voltage" and "Telephone Accessibility," while both exceeding their respective standards in 2009, appear to be declining towards the minimum level. What steps

has Milton taken to ensure that it continues to meet the minimum level going forward?

CAPITAL BUDGET

QUESTION #15

Reference: Exhibit 1, page 41

- a) Please provide the capital budgets as approved by the Board of Directors for each of the years 2006-2009 inclusive.
- b) Please provide the contingency amounts included in each of the capital budgets approved by the Board of Directors for each year 2006-2009 inclusive.
- c) Please provide the total actual capital expenditures, including on projects which do not exceed the materiality threshold, for 2006-2009 inclusive.

CAPITAL ADDITIONS

QUESTION #16

Reference: Exhibit 2, page 13, Table 5

- a) Please provide the number of poles included in USoA 1830 for each year 2005-2009 inclusive, indicate whether they are new or replacement poles, and provide the average cost per new and replacement pole in each of those years.
- b) Please indicate how Contributions and Grants amounts were estimated for 2010 and 2011.

- c) Please explain why the 2010 and 2011 estimated Contributions and Grants are lower than those received in 2008, notwithstanding that the 2010 and 2011 capital additions exceed the 2008 level.
- d) Please provide a 2010 year-to-date figure for capital additions.

QUESTION #17

Reference: Exhibit 2, page 44, Table 18

- a) Please confirm that the vehicles shown in the referenced table include all of the vehicles in Milton's rate base. If unable to so confirm, please provide complete details of any and all other vehicles in Milton's rate base.
- b) Please provide the mileage for each vehicle shown in table 18.

OPERATING COSTS

QUESTION #18

Reference: Exhibit 4, page 47

- a) Please provide specific details with respect to the statement that "*Rental expenses provide for a 1.3% inflation increase and reflect current market rental rates for Milton.*"

QUESTION #19

Reference: Exhibit 4, page 65, Table 21

- a) Please comment on the management incentive pay paid in 2006, indicating why it was so high and why it appears to exceed the 5% cap.
- b) Please comment on the fact that Milton has had more than one management position for every three non-management employees for each year 2006-2011.

SMART METER COST RECOVERY

QUESTION #20

References: i) OEB Guideline G-2008-0002:
ii) OEB Filing Requirements for Smart Meter Investment Plans, October 26, 2006
iii) Exhibit 9 Page 16

- a) Please confirm that Guideline G-2008-0002 has not superseded the Filing Requirements for Smart Meter Investment Plans, October 26, 2006.
- b) Please confirm that paragraph 7 of the Filing Requirements specifies that
7. Specifically, and in as much detail as possible, please provide the following information for your planned implementation of the SMIP:
 - *the number of meters installed by class and by year, both in absolute terms and as a percentage of the class;*
 - *the capital expenditures and amortization by class and by year;*
 - *the operating expenses by class and by year;*
 - *the effect of the SMIP on the level of the allowance for PILs.*
- c) Did Milton File its SMIP for the EB- 2007-0063. proceeding in accordance with the Filing Guidelines? Please elaborate.
- d) Has Milton kept records by class as required by the Filing Guidelines and are accounts 1556 and 1555 segregated by rate class? Please elaborate.

QUESTION #21

Reference: Exhibit 11 Tab 1 Schedule 1.0 Page 13

Preamble: This request is to provide a breakdown the costs of Residential and Commercial meter installations in 2006,2007, 2008, 2009 and forecast 2010 (and if applicable 2011).

- a) Please provide by year Support/details of the 2006-2009 and forecast 2010 (and if applicable 2011) *Residential Class* SM Unit costs (procurement and installation separately).
- b) Please provide by year support/details of the 2006-2009 actual and forecast 2010 (and if applicable 2011) *Residential Class* SM AMI, communications and back office costs (procurement and installation).
- c) Please provide by year support/details of the 2006-2009 and forecast 2010 (and if applicable 2011) *Commercial Class* SM Unit costs (procurement and installation separately).
- d) Please provide by year support/details of the 2006-2009 actual and forecast 2010 (and if applicable 2011) *Commercial Class* SM AMI, communications and back office costs (procurement and installation).
- e) Please provide a schedule that gives a breakdown of the 2006 - 2010 Capital Costs between the Residential and GS<50kw classes. Reconcile to Table 14.
- f) Please provide a breakdown of the O&M costs for meters installed in 2006 - 2010 between the Residential and GS<50kw classes. Reconcile to Tables 14 and 15.
- g) Were/are any SM installed or to be installed in other classes? If so, please provide details of costs, if any, to be recovered.
- h) Please provide the details of the balances and the amounts to be disposed of in Accounts 1555 and 1556 **by class**. Include the carrying cost calculation(s).

QUESTION #22

Reference: i) Exhibit 9 page 23
ii) Appendix A

- a) Please provide a Copy of OEB Worksheets that calculate the net fixed assets, revenue requirement for 2007 to 2010 costs by rate class (Residential, GS<50kw). Reconcile with Table 17 and Table 18. Do not segregate stranded meter costs by class.
- b) Please provide a Copy of OEB Worksheets that calculate the revenue requirement and Disposition rate rider by rate class (Residential, GS<50kw). Do not segregate stranded meter costs by class.
- c) Please reconcile with Table 19 and Table 20.

QUESTION #23

Reference: i) Exhibit 9 Tables 20 and 21
ii) Appendix

Preamble: Milton Hydro has calculated the rate rider for disposition of the total credit balance in the smart meter variance accounts in the amount of (\$598,978) over four years based on the number of metered customers forecasted to the end of the 2010 Bridge Year. Milton Hydro is proposing a credit rate rider per metered customer per month of (\$0.43). This calculation is set out in Table 19 below.

- a) Please explain why Milton has over-collected from customers and why the rate adder was not adjusted based on cash flow.
- b) Please explain why Collected revenue from the GS.50kw and large user classes and whether there were meters installed and costs incurred for these classes.
- c) Please confirm that Milton's proposed cost allocation is as follows:
 - Return allocated based on the capital costs of the meters installed for each class;
 - OM&A allocated based on the number of meters installed for each class;

- PILs allocated based on the revenue requirement allocated to each class before PILs.

If unable to so confirm, please provide the basis of cost allocation and reconcile this to the Cost allocation Model.

- d) Please provide a calculation of the allocated revenue requirement per customer for each of the residential and GS<50 kw classes. Include interest and show the assumed interest rates

Reconcile this calculation with the answer to VECC Question 3 part b) and Tables 20 and 21.

- e) Please provide a calculation that shows the disposition over two years instead of 4 years.

QUESTION #24

Reference: i) Exhibit 9, page 26-27 and Table 21,
ii) Exhibit 8 page 23

- a) Based on the responses to VECC questions regarding calculation of costs, revenue requirements and disposition rate riders by rate class, please provide a version of Tables 20 and 21 that shows the changes that would result from these responses; and
- b) Compare these amounts to the original Tables as filed; and
- c) Update as necessary the Bill Impacts in Exhibit 8 Appendix A.