



MILTON HYDRO DISTRIBUTION INC.

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By RESS and Hand Delivery

November 23, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON
M4P 1E4

**Re Milton Hydro Distribution Inc., Distribution Licence ED-2003-0014
2011 Electricity Distribution Cost of Service Rate Application
EB-2010-0137
Responses to Interrogatories – OEB Staff**

Please find attached Milton Hydro Distribution Inc.'s ("Milton Hydro") responses to interrogatories on its 2011 Electricity Distribution Cost of Service Rate Application. Two hard copies are being delivered to your attention.

Should you require further information or clarification please contact me at 905-876-4611 ext. 246 or cameronmckenzie@miltonhydro.com

Yours truly,

Original signed by Cameron McKenzie

Cameron McKenzie, CGA
Director, Regulatory Affairs

IN THE MATTER OF the Ontario Energy Board Act, 1998, being
Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Milton Hydro
Distribution Inc. to the Ontario Energy Board for an Order or
Orders approving or fixing just and reasonable rates and other
service charges for the distribution of electricity as of May 1, 2011.

MILTON HYDRO DISTRIBUTION INC. ("Milton Hydro")

RESPONSE TO OEB STAFF INTERROGATORIES

2011 ELECTRICITY DISTRIBUTION RATE APPLICATION

Filed: November 23, 2010

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Administration

Interrogatory #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.

Response:

- a) Following publication of the Notice of Application and Hearing, Milton Hydro has not received any letters of comment. All letters of comment were directed to the OEB in accordance with the NOA.
- b) Not applicable
- c) Not applicable

Interrogatory #2

Ref: International Financial Reporting Standards (IFRS)

- d) 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.
- e) 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?

Response:

- a) Milton Hydro will begin to report its audited actual results on an IFRS basis commencing in 2012.
- b) Milton Hydro has not included an amount for IFRS transition costs in its Test Year revenue requirement. Milton Hydro is recording IFRS transition costs in the USoA deferral account 1508.

Rate Base

Interrogatory #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.

Response:

Milton Hydro follows the CICA Handbook Section 3060 – Capital Assets. While Milton Hydro does not have a formal capitalization policy, Milton Hydro is consistent in the application of Section 3060. Milton Hydro intends to develop a capitalization policy in preparation for the transition to IFRS.

The CICA Handbook specifically defines property, plant and equipment as identifiable tangible assets which meet all of the following criteria:

- a) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other property, plant and equipment.
- b) have been acquired, constructed or developed with the intention of being used on a continuing basis, and
- c) are not intended for sale in the ordinary course of business.

Interrogatory #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.

Response:

Milton Hydro has included the land as it is being used and is useful. Milton Hydro was previously located at 55 Thompson Rd which was approximately ten acres and provided sufficient outside storage for larger electrical plant such as poles and transformers. Currently Milton Hydro is a tenant within a larger manufacturing building that has limited outside storage that is being shared by Milton Hydro and the landlord. The purchased property will see construction activity once the building plans have been approved in 2011 and the contract awarded in 2012, however in the interim Milton Hydro requires the property to store transformers and poles due to the limited space at Lawson Rd. Milton Hydro intends to erect a fenced compound to facilitate additional storage on the property.

Capital Expenditures

Interrogatory #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 big 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.

Response:

- a) The table presented in part a) above is incorrect and does not accurately represent Milton Hydro's historic and projected capital spending. The table includes capital contributions for some years and not for others; does not include Milton Hydro's other capital spending for 2012 and beyond; and includes the one-time adjustment in 2010 required for the proposed disposition of Milton Hydro's Smart Meter variance accounts 1555 and 1556.

Milton Hydro has revised the above table to provide an "apples to apples" comparison as follows:

OEB staff Table	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Capital Expenditures	3,831,460	5,034,541	6,530,180	8,553,713	13,458,561	9,348,641	5,820,991	3,142,723	9,051,805	2,530,412
Adjustments to OEB Staff Table										
Less WIP	0	0	(1,186,930)	(1,374,901)	(1,200,000)	(1,200,000)	0	0	0	0
Add back Cap Cont	5,710,890	1,445,373	5,810,973	3,674,345	4,070,264	3,794,938	0	0	0	0
Capital Investment	9,542,350	6,479,914	11,154,223	10,853,157	16,328,825	11,943,579	5,820,991	3,142,723	9,051,805	2,530,412
JE for Disposition of 1555					(3,874,240)					
Total Capital Investment	9,542,350	6,479,914	11,154,223	10,853,157	12,454,585	11,943,579	5,820,991	3,142,723	9,051,805	2,530,412
		-32%	72%	-3%	15%	-4%	-51%	-46%	188%	-72%

The variance between the total capital investment 2006 and 2007 and 2007 and 2008 is due to the decline in capital spending on subdivisions and commercial developments. The following summary table taken from Milton Hydro's Application Exhibit 2, Page 16, Table 6 provides the support for the decline in capital expenditures between 2006 and 2007 and the increase in capital expenditures between 2007 and 2008.

Type of Project	2006	2007	2008 Actual	2009	2010 Bridge	2011 Test
Customer Drivers						
Subdivisions	4,869,457	1,526,274	5,841,530	4,094,746	3,276,000	3,780,000
Commercial Development	0	0	1,249,952	217,148	incl in new	incl in new
	4,869,457	1,526,274	7,091,482	4,311,894	3,276,000	3,780,000

The forecasts for the years 2012 to 2015 are capital expenditures known to Milton Hydro as the time of preparing its Asset Management Plan. This forecast does not include Milton Hydro capital expenditures for subdivisions and commercial development, which have averaged \$3,900,000 for 2006 to 2010, or capital expenditures on Other Assets such as vehicles, computers software, etc., the impact of which would significantly change the variances for 2012 to 2015. The forecast for 2014 includes \$3.5 million for the construction on Milton Hydro's Office/Service Centre.

- b) The pre-ambule to this part of the interrogatory addresses the annual variability from the OEB Staff table above, however Milton Hydro has corrected the OEB Staff table to provide an "apples to apples" comparison and explained the annual variability in 2007 and 2008 in part a) above.
- i) The following tables provide the one-time capital expenditures and the on-going capital expenditures for the years 2006 to 2011.

One-time Captial Expenditures	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge Year	2011 Test Year
Third Party Capital Drivers	6,176,670	5,113,717	9,078,002	5,938,572	7,715,296	7,203,920
Land & Building	0	0	0	2,499,347	880,000	150,000
Other Assets-Back-up Generator					70,000	
Other Assets-Communication equip						200,000

On-going Captial Expenditures	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge Year	2011 Test Year
Milton Hydro - Distribution Plant	3,250,241	1,907,627	1,956,150	1,889,530	3,190,234	3,751,159
Milton Hydro - Other Assets	115,439	123,428	120,070	525,709	599,055	638,500

- ii) As discussed in part a) above Milton Hydro has provided a corrected table identifying the actual year over year change in capital expenditures and an explanation for the variance in 2012 to 2015. As discussed above the projections for 2012 to 2015 do

not include Milton Hydro capital expenditures for subdivisions and commercial development, which have averaged \$3,900,000 for 2006 to 2010, or capital expenditures on Other Assets such as vehicles, computers software, etc. Milton Hydro has provided the following table to include the potential subdivision and commercial development expenditures based on the average of 2006 to 2010 and vehicle replacement program as provided in Exhibit 2, Page 44, Table 18. Not included are capital expenditures for computer; software, communications and office equipment etc.

OEB staff Table	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Capital Expenditures	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
Average Development							3,900,000	3,900,000	3,900,000	3,900,000
Vehicles							340,000	285,000	245,000	130,000
Office/Service Centre									(3,500,000)	
Adjustments to OEB Staff Table										
Less WIP	0	0	(1,186,930)	(1,374,901)	(1,200,000)	(1,200,000)	0	0	0	0
Add back Cap Cont	5,710,890	1,445,373	5,810,973	3,674,345	4,070,284	3,794,938	0	0	0	0
Capital Investment	9,542,350	6,479,914	11,154,223	10,853,157	16,338,965	11,943,579	10,060,991	7,327,723	9,696,805	6,560,412
JE for Disposition of 1555					(3,874,240)					
Total Capital Investment	9,542,350	6,479,914	11,154,223	10,853,157	12,464,725	11,943,579	10,060,991	7,327,723	9,696,805	6,560,412
		-32%	72%	-3%	15%	-4%	-16%	-27%	32%	-32%

- iii) Milton Hydro submits that once the table is corrected and updated for future averages of capital expenditures driven by third parties and the vehicle replacement schedule, the year over year variances for 2006 to 2011 are reasonable. Furthermore, the variances for the forecast year 2012 to 2015 are also reasonable in that this provides for the additional capital expenditures which have not been determined. The idea of smoothing capital expenditures over these years is in fact not required.
- c) Milton Hydro makes every effort to execute capital program projects in the most cost-effective way. Milton Hydro tenders out all large capital projects such as relocation of pole lines, new pole line construction and subdivision construction through a competitive bidding process that encourages efficiencies through competitive market forces. Milton Hydro does not staff to meet peak labour/resource demands thereby ensuring current market prices form the basis for large capital project costs.

Interrogatory #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.

Response:

Milton Hydro believes that the reference noted above should be Exhibit 2, Pages 56 and **39** of 78 and has prepared its response on this basis.

Milton Hydro has provided the capital expenditures for Customer Driven Projects – New Connections for 2009, in the amount of \$347,195, which are the capital costs incurred to connect five General Service customers. The increase in the Customer Driven Projects – New Connections for the 2011 Test Year, in the amount of \$741,005 includes the forecasted capital expenditures required to connect an estimated 20 individual Residential and 40 General Service customers in the 2011 Test Year. Customer Driven Projects are specific to individual customers and do not include capital costs associated with the connection of subdivision developments which is where the customer growth in the Town of Milton is taking place. There is no correlation between individual customer driven projects and the 10.7% growth referred to in the interrogatory.

Interrogatory #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.

Response:

- a) All conversions are planned on the basis of the plant condition and expectations regarding service reliability as the distribution plant ages towards end of life. Milton Hydro does not run its plant to failure and makes every effort to manage the prioritization and pace of network investments in a cost effective manner. Two of the projects listed, Timberlea area Phase 3 and Bronte Meadows, are phases of much larger projects that have been spread out over a number of years. The possible impacts of delaying projects include reduced reliability for customers and increased operating costs associated with increased failure rate
- b) Based on Milton Hydro's assessment of its distribution plant and a lack of external drivers requiring the relocation or rebuilding of distribution plant, only those conversions deemed as necessary were undertaken. All conversions were planned on the basis of the plant condition and the resulting service reliability expectations.
- c) Milton Hydro's projected conversion upgrade/rebuilds for the 2012-2014 periods are summarized in the table below. This information may also be found in Exhibit 2, Appendix A – Asset Management Plan, Page 25.

Finish Budget Year	Job #	Projects Description	Budget Total	Capital Contribution
2012	11AA	Bronte Meadows underground re-hab on 13.8 V COMPLETION	\$167,000	
2012	12A	Bronte Meadows underground re-hab on 13.8 kV	\$600,000	
2012	12B	Derry Road east of Guelph Line 13.8 kV to 27.6 kV conversion to Appleby	\$440,250	
2012	14A	Convert 13.8 to 27.6 kV Mill to Pine to Ontario St	\$325,625	
2012	14B	Recover 13.8 kV stations	\$50,000	
2012	13D	Derry Road east of Guelph Line 13.8 kV to 27.6 kV conversion to Tremaine	\$769,500	
2012	11C	Twiss Road north of Derry Rebuild to 27.6 kV	\$215,584	
2013	13A	15 Sideroad Cedar to 1st Line Rebuild and conversion	\$201,541	
2013	13B	Britannia Road Regional Road 25 to Thompson Relocate 27.6 kV	\$321,450	\$75,000
2013	13E	Tremaine Road north of 5 Sideroad rebuild single phase pole line	\$85,000	
2014	14G	Rehabilitation Projects - Forecast	\$750,000	
2014	14T	Lower Base Line Henderson Road 27.6 kV rebuild	\$394,136	
2014	14W	Trafalgar TS Lower Baseline 6th to 5th 27.6 kV pole line	\$391,225	
2014	14X	Trafalgar TS 5th Line Lower Baseline to Britannia install 27.6 kV	\$500,000	
2014	14Y	Trafalgar TS Lower Baseline Trafalgar Road to 6th 27.6 kV pole line	\$259,750	
2014	14Z	Trafalgar TS 6th Line to Britannia Install 27.6 kV 1.5 km plus 2 phases	\$450,000	
2014	14J	Britannia Road Thompson to JSP. Relocate 27.6 kV 1.8 km	\$413,650	\$100,000
2014	14K	Regional 25 Britannia to Palermo TS rebuild for road widening	\$1,035,375	\$250,000

Interrogatory #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.

Response:

Milton Hydro requires all subdivisions be constructed by the developer to Milton Hydro specifications as outlined in Milton Hydro's subdivision agreement and subject to inspection by Milton Hydro. Once completed Milton Hydro receives the appropriate engineering documentation and declaration attesting to the subdivision costs. At this time Milton Hydro records the assets and an offsetting capital contribution. As lots are connected and load is realized over the five year horizon, Milton Hydro contributes back its proportionate share of the assets as determined by an economic evaluation and reduces the capital contribution. The net effect is an asset is realized and the capital contribution reduced accordingly.

In 2006, the capital contributions were high due to the timing of recognizing Milton Hydro's payments to developers for the assets connected and in service. Milton Hydro paid developers \$610,000 in 2006 and the balance of \$700,000 in 2007. Had the 2007 payment been made in 2006 the net capital contribution total would have been lower. In 2007 Milton Hydro paid an additional \$1.5 million for assets completed in that year. Milton Hydro's contribution to subdivisions varies year over year depending on the number of connections and actual kWh (load) usage.

In addition, Milton Hydro is forecasting to contribute \$2.0 million towards its share of the assets connected and put into service in 2011 which reduces that balance of capital contributions remaining.

Interrogatory #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.

Response:

- a – c) Milton Hydro cannot complete the above table as the \$150,127 is an estimate of Milton Hydro's expected capital investments required to connect FIT/MicroFIT projects and is not based on specific projects as the take up was unknown at the time of estimating the capital requirements. However, in October 2010 Milton Hydro entered into preliminary discussions with a potential FIT applicant in regards to the installation of a 250 kW solar rooftop unit. Milton Hydro would be required to convert the existing 27.6 kV line from single phase to three phase. The estimate for this work was \$78,000 of which Milton Hydro's portion would be \$22,500 and the customer responsible for the balance. The customer has not made an application to the OPA for a FIT contract at this time.
- d) The following tables provide a current assessment as at September 2010 of Milton Hydro's distribution system indicating the voltage level and load by feeder as well as the

OPA applications currently being reviewed and the FIT kW size. Milton Hydro has provided system maps in Attachment A.

Feeder and Voltage			
TS	Feeder	Voltage kV	Sept 2010 peak MW
Palermo TS	M1	27.6	3.4
Palermo TS	M3	27.6	16.4
Halton TS	M22	27.6	11.1
Halton TS	M23	27.6	13.3
Halton TS	M24	27.6	16.6
Halton TS	M25	27.6	18.4
Halton TS	M26	27.6	16.3
Halton TS	M27	27.6	10.6
Halton TS	M28	27.6	10.1
Halton TS	M31	27.6	15.1
Halton TS	M32	27.6	19.4
Fergus TS	MS6	44	1.9

OPA applications		
TS	Feeder	FIT Size kW
Halton TS	M22	125
Halton TS	M23	250
Halton TS	M25	50
Halton TS	M25	250
Halton TS	M28	250
Halton TS	M32	250
Palermo TS	M1	75

- e) At the present time Milton Hydro does not have any plans for development of its 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) Not applicable

Customer and Load Forecast

Interrogatory #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.

Response:

- a) Milton Hydro has not considered any other economic or income variables in the class specific regression models for each of the weather sensitive classes. Milton Hydro reviewed regression models for seven 2010 cost of service filers and five 2011 cost of service filers currently before the OEB in order to determine alternative economic variables to consider. Milton Hydro found that in every case the economic variable used was the Ontario GDP.
- b) Milton Hydro has provided the load forecasts from the alternative models for each of the weather sensitive classes using the common Ontario GDP as the economic variable. The results are provided in the following table.

Year	Residential	General Service < 50 kW	General Service > 50 to 999 kW
	kWh		
2001 Actual	134,047,710	59,298,833	145,138,639
2002 Actual	150,212,623	60,711,850	147,962,301
2003 Actual	158,175,327	61,255,640	148,063,380
2004 Actual	169,087,408	61,650,512	155,978,135
2005 Actual	192,683,717	65,492,217	164,259,880
2006 Actual	195,292,370	64,355,939	165,309,885
2007 Actual	211,418,658	68,462,631	172,334,963
2008 Actual	218,391,097	71,310,393	180,947,735
2009 Actual	230,401,041	73,618,223	184,558,255
2010 Bridge Year As Filed	249,747,033	73,958,013	183,863,131
2010 Bridge Year Ontario GDP	246,809,712	75,124,621	188,003,451
2011 Test Year As Filed	258,520,606	75,044,767	187,300,109
2011 Test Year Ontario GDP	256,332,489	75,875,146	190,230,185

Interrogatory #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.

Response:

- a) The model account for the impacts of conservation and demand management ("CDM") for all classes as Milton Hydro used actual customer consumption for each class. By using the actual customer consumption the impacts of the uptake of CDM initiatives will be reflected in the actual customer consumption or change in actual customer consumption. Milton Hydro submits that this approach more accurately accounts for CDM initiatives by customer/customer class than attempting to apply a CDM variable and predict the customer uptake of CDM initiatives.
- b) Not applicable, see a) above.
- c) Not applicable as any other alternatives will not be as accurate as actual customer consumption reflecting the actual take up of CDM initiatives.

- d) Milton Hydro has provided an alternative model in response to the OEB Interrogatory #10 including an economic variable and as explained in part a) to this Interrogatory, Milton Hydro's load forecast model accounts for CDM activity.

Interrogatory #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.

Response:

- a) Milton Hydro has been advised by developers that due to the economic downturn, new subdivision construction will not proceed until the developments are 80% sold. The economic downturn is not specific to the Town of Milton but rather is province wide impacting all communities and therefore distributors. Given this province wide impact, the Town of Milton and therefore Milton Hydro is expected to continue to be one of the fastest growing communities in relation to the rest of the province.
- b) Milton Hydro has 1,406 new Residential connections as at October 31, 2010, on track for 1,500 new Residential customers by year end of 2010.

Interrogatory #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.

Response:

Milton Hydro's sentinel light count has declined from 328 lights in 1999 to 279 lights in 2009 or 15.0%. As noted in the interrogatory and in the Application, Milton Hydro Telecom is no longer installing sentinel lights therefore no changes are anticipated. Should an additional sentinel light come into service it will be added to the sentinel light customer class and offset any reductions.

Interrogatory #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.

Response:

- a) The actual kWh consumption for each year is used to calculate an average customer kWh consumption for that particular year. The year over year change in the per customer actual kWh consumption is calculated for each year. The goemean of this change in kWh consumption is calculated for the years 2001 to 2009 and applied to the last year of actual consumption per customer, being 2009 to determine what the expected per customer consumption would be going forward for the 2010 Bridge Year and the 2011 Test Year. This expected per customer consumption is then multiplied by the number of customers/connections projected for that class.

To base the forecast for the non-weather sensitive customers on actual class kWh consumption does not allow for any changes in customer counts. This methodology assumes customer counts do not change which is not correct in any customer class.

This is not a new methodology but rather this methodology is consistent with the load forecast models used by the same distributors referred to in the response to Interrogatory #10 above.

- b) Milton Hydro has provided a geomean analysis and a load forecast for the non-weather sensitive customer classes in the following tables.

Geomean calculation Based on Customer Class kWh

Year	General Service 1,000-4,999 kW	Large User > 4999 kW	Streetlights	Sentinel Lights	Unmetered Loads
2002 Actual	1.0410	1.2767	1.0549	1.0000	1.2010
2003 Actual	0.9896	1.2269	1.1361	0.9901	1.1451
2004 Actual	0.8159	1.1361	1.0466	0.9962	1.1484
2005 Actual	1.0425	1.0741	1.0852	0.9644	1.0761
2006 Actual	0.9705	1.0085	1.0685	0.9802	1.0236
2007 Actual	1.0593	1.0154	1.0787	0.9862	1.0416
2008 Actual	1.0167	0.9070	1.0863	0.9902	1.0919
2009 Actual	0.9392	0.7237	1.0964	0.9780	1.0706
Geometric Mean	0.9813	1.0318	1.0813	0.9856	1.0983

Forecast kWh Based on Customer Class kWh

Year	General Service > 1000 to 4999 kW	Large User > 4999 kW	Streetlights	Sentinel Lights	Unmetered Loads
2001 Actual	136,434,027	46,895,462	2,910,384	193,936	594,871
2002 Actual	142,026,097	59,872,906	3,070,173	193,936	714,434
2003 Actual	140,546,077	73,457,084	3,488,004	192,008	818,065
2004 Actual	114,675,485	83,457,793	3,650,549	191,280	939,449
2005 Actual	119,553,703	89,641,173	3,961,622	184,461	1,010,917
2006 Actual	116,022,864	90,399,608	4,232,885	180,812	1,034,741
2007 Actual	122,900,958	91,791,513	4,566,123	178,317	1,077,755
2008 Actual	124,956,584	83,253,315	4,960,009	176,576	1,176,774
2009 Actual	117,357,757	60,254,116	5,438,382	172,687	1,259,845
2010 Bridge Year Filed	104,583,289	69,292,234	5,863,007	169,915	1,383,738
2010 Bridge Year OEB Staff	115,168,958	62,171,838	5,880,438	170,200	1,383,814
2011 Test Year Filed	94,342,584	78,821,751	6,320,787	167,188	1,519,815
2011 Test Year OEB Staff	113,020,982	64,150,596	6,358,426	167,749	1,519,981

Interrogatory #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.

Response:

- a) Milton Hydro did not adjust the consumption pattern for the General Service 1,000 – 4,999 kW customer class as this customer class is of a more diverse customer base. The two Large User customers are automotive and suffered reduced production as General Motors and Chrysler Corporation went through restructuring in 2009. This was not the case for the General Service 1,000 – 4,999 kW customer class
- b) Milton Hydro has provided actual consumption data for the 2010 to date, being January to October, for the General Service 1,000-4,999 kW customer class and the corresponding actual consumption data for the same time period January to October 2009. The following table compares the two years of actual consumption and based on the fact that the 2010 consumption for January to October is greater than the 2009 actual consumption for January to October Milton Hydro submits that there is no

justification to make any adjustments to the kWh consumption for this customer class as the economic downturn did not impact this customer class as this Interrogatory indicates. The load forecast, as calculated by Milton Hydro is a reliable forecast for the General Service 1,000-4,999 customer class.

General Service 1,000-4,999 kW Customer Class	
Actual kWh Consumption January - October	
2009 kWh consumption	85,989,188
2010 kWh consumption	87,424,537

Interrogatory #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.

Response:

On June 22, 2010 under the Electricity Conservation and Demand Management Targets, OEB File EB-2010-0216, Milton Hydro was assigned CDM targets which must be achieved over the four year period January 1, 2011 to December 31, 2014 as a condition of licence. This mandatory reduction in kWh and kW demand directly reduces Milton Hydro's expected load and therefore Milton Hydro has provided for this mandatory reduction in its load forecast. On an annual basis this equates to 8.5 million kWh of Milton Hydro's four year CDM target of 34 million kWh. Milton Hydro's CDM target was subsequently reduced to 33.5 kWh on November 12, 2010.

The Minister of Energy & Infrastructure's Directive, Paragraph 3 (b) states that "the distributor must deliver a mix of CDM Programs to all consumer types in the distributor's service area...", therefore, on this basis Milton Hydro has allocated the 8.5 million kWh across the Residential, General Service <50 kW, General Service >50 – 999 kW, General Service 1,000 – 4,999 kW and the Large User customer classes based on the ratio of the 2010 Bridge Year kWh for each customer class to the total kWh of all five customer classes. The allocation of the CDM target reduction is provided in the following table 7 and also in the Application at Exhibit 3, Page 12, Table 7.

Customer Class kWh Forecast Before Adjustment for CDM Target

Year	Residential	General Service < 50 kW	General Service 50-999 kW	General Service 1,000-4,999 kW	Large User > 4999 kW
2001 Actual	134,047,710	59,298,833	145,138,639	136,434,027	46,895,462
2002 Actual	150,212,623	60,711,850	147,962,301	142,026,097	59,872,906
2003 Actual	158,175,327	61,255,640	148,063,380	140,546,077	73,457,084
2004 Actual	169,087,408	61,650,512	155,978,135	114,675,485	83,457,793
2005 Actual	192,683,717	65,492,217	164,259,880	119,553,703	89,641,173
2006 Actual	195,292,370	64,355,939	165,309,885	116,022,864	90,399,608
2007 Actual	211,418,658	68,462,631	172,334,963	122,900,958	91,791,513
2008 Actual	218,391,097	71,310,393	180,947,735	124,956,584	83,253,315
2009 Actual	230,401,041	73,618,223	184,558,255	117,357,757	60,254,116
2010 Bridge Year	249,747,033	73,958,013	183,863,313	104,583,289	69,292,234
2011 Test Year	261,635,829	75,967,283	189,593,531	95,647,105	79,686,069

Operating Revenues

Interrogatory #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.

Response:

- a) Milton Hydro confirms that it is not proposing changes to its existing Board-approved Specific Service Charges.
- b) Milton Hydro confirms that the Conditions and Services in the above link is Milton Hydro's current version of its Conditions of Service.
- c) Milton Hydro confirms 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.

Operating Expenses

Interrogatory #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.

Response:

Milton Hydro did not use an inflation rate to forecast its 2011 OM&A rather the 2011 forecast has been prepared as follows:

Milton Hydro developed its Operations and Maintenance forecasts from the bottom up based on projected requirements of man hours and hourly rates in accordance with the collective agreement, and past experience and knowledge of material requirements and expected contractor costs.

Milton Hydro developed its 2011 Administration forecast based on its staffing compliment and wages in accordance with its collective agreement, management increases, changes in staffing levels, existing maintenance contracts and anticipated changes in pricing based on past experience.

Interrogatory #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.

Response:

- a) Milton Hydro has adjusted its 2011 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. Milton Hydro reviewed its accounts payable transactions for the years 2007, 2008 and 2009 to determine a three year average of PST paid on OM&A and Capital expenditures. Effective July 1, 2010, OM&A was reduced by \$33,000 and Capital by \$111,000. The budgeting process for the 2011 Test Year reflects a full

year reduction of \$65,800 in OM&A and \$222,200 in capital. The following Table is a reproduction of Table 5 provided in Exhibit 4, Page 4 and sets out the actual and forecast PST that is no longer in OM&A and Capital expenditures.

Description	2007 Actual	2008 Actual	2009 Actual	3 Year Average	2010 Bridge Year Reduction	2011 Test Year Reduction
OM&A	72,867	57,202	67,446	65,838	32,919	65,838
Capital	175,702	274,198	216,745	222,215	111,108	222,215
	248,569	331,400	284,191	288,053	144,027	288,053

- b) Milton Hydro is currently tracking the PST component of the HST in an Excel worksheet and will make an entry to the deferral account PILs 1592 for yearend pending direction from the anticipated FAQ on the accounting treatment for PST subsequent to June 30, 2010.

Interrogatory #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.

Response:

- a) The following table provides a breakdown of the costs in account 5310 – Meter Reading

5310 - Meter Reading	2010	2011
Labour	58,813	64,557
Contract Meter Reading*	77,614	153,862
Software Maintenance Contract	30,379	30,671
Interval Meter Reads	63,224	67,769
Total	230,030	316,859
* 2011 includes smart meter reading costs previously charged to 1556 - \$74,000		

- b) The meter reading costs are ongoing.
- c) Milton Hydro filed a copy of the Trilliant Energy Services Inc. Agreement with the OEB in confidence during the Smart Meter proceeding EB-2007-0063.
- d) The selection process was a "single source supplier". In January 2003, Milton Hydro announced that interval meters would be required for all new construction, including both residential and low volume general service customers. At that time, the only Measurement Canada approved AMR metering technology that would permit Milton Hydro to offer optional time of use billing to its low volume customers was NERTEC (now Trilliant Networks) of Granby Quebec. The Ozz/Trilliant AMI Solution did qualify for use by Ontario LDCs under the 2006 Request for Pre-Qualification process and is compliant with the Ministry of Energy standards. Subsequently Hydro One Networks Inc. and Hydro One Brampton Networks Inc. also selected the Ozz/Trilliant AMI Solution. Milton Hydro is guaranteed 'Most Favoured Customer' status (section 38 of the contract) which means it will be provided with pricing and/or terms and conditions that are not less favourable than the prices and /or terms and conditions extended to any direct or indirect customer of Trilliant or any other Supplier's or OZZ's other customers with respect to the same or like goods and/or services and quantities.
- e) Milton Hydro will not realize any cost savings since the switch to new automated meter reading regime. There are productivity gains such as:
- stopped or defective meters are identified much earlier therefore minimizing the time spent by staff in estimating kWh's
 - the ability to obtain final reads, without sending a meter person into the field
 - tamper attempt report is distributed daily, therefore shorten time spent on power theft
 - real time outage notification, this was proven to work with the AMI technology in place at Milton, to be deployed in 2011
- f) Milton Hydro outsourced its Smart Meter functions due to the unknowns involved with the process through the transition period with the MDM/R, the new technology involved and resource requirements.

Interrogatory #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?

Response:

- a) Milton Hydro, in reviewing its average cost per locate has noticed that Exhibit 4, Page 42, Table 15 did not reflect the actual number of locates. Milton Hydro has subsequently reconciled the actual number of locates to the actual invoices from the Locate Service Provider. The following table has been updated to reflect the correct number of locates.

	2005	2006	2007	2008	2009	2010	2011
Total Cost	\$ 118,567	\$ 135,050	\$ 190,902	\$ 273,044	\$ 309,975	\$ 356,458	\$ 356,458
# of Locates	3002	4115	5335	7837	9408	9878	9878
Cost/Locate	\$ 39.50	\$ 32.82	\$ 35.78	\$ 34.84	\$ 32.95	\$ 36.09	\$ 36.09
% variance		-16.9%	9.0%	-2.6%	-5.4%	9.5%	0.0%
\$ variance		\$ (6.68)	\$ 2.96	\$ (0.94)	\$ (1.89)	\$ 3.14	\$ -

The average cost per locate in 2010 has increased by \$3.14 or 9.5% per locate over 2009 however the average cost per locate varies year over year based on the number of emergency locates which are at a higher rate than standard locates.

- b) Milton Hydro works through the Locate Alliance Consortium ("LAC") group who competitively tender and execute locate agreements on behalf of a group of utilities. The Locate Alliance Consortium is a group of facility owners working towards a cost efficient Locate Process with standardized terms and conditions and consistent quality and outcomes. Utilities in the same geographic area hire the same LSP (Locate Service Provider) to provide locates on behalf of all member utilities. Since 2006, Milton Hydro has contracted with PVS (Peninsula Video & Sound) as their LSP. Members to date

include Milton Hydro, Union Gas, Enbridge Distribution, Bell Canada, City of Brampton (street lights), Atria Networks (fibre-optics) and Toronto Hydro.

Employee Compensation

Interrogatory #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.

Response:

- a) The average capitalization rate for Compensation Costs for the years 2004 – 2009 has been 32.94%. Milton Hydro used this rate in its 2011 Test Year to best reflect past business practice.
- b) Milton Hydro has not made any changes to its accounting policies with respect to its capitalization of operating expenses and allocation of costs between operations and capital.

Interrogatory #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.

Response:

- a) The role of VP Engineering and Operations was split into two positions since that role requires experience and knowledge of the field operations and the design and development procedures of Engineering. Milton Hydro recognized that some key projects such as the upgrade of the GIS system, Distribution Automation, FIT/micro FIT, system reliability, improved Health and Safety focus and operational procedures and work execution would require significant senior level involvement.

- b) Milton Hydro would refer to OEB Staff interrogatory #20 e) where Milton Hydro outlines the productivity gains. As these gains are currently being realized Milton Hydro will not incur additional staffing requirements.
- c) The actual hires to October 31, 2010 are as follows - Journeyman Lineman, Director of Operations, Director of Engineering, Engineering Technician, IT Specialist, Metering Supervisor, Handyman /Labourer. In November a Distribution Engineer was hired with a start date of January 1, 2011 and interviews have begun for the Protection and Control Journeyman and Apprentice.
- d) Milton Hydro confirms that it is planning to hire an Accounting Clerk in 2011 and this position has been included in the 51 FTEs for 2011. Milton Hydro cannot continue to fill this position with co-op students as the continual re-training is very unproductive and Milton Hydro loses the continuity and ability to continue training as the turnover of co-op students is every four months.

Interrogatory #24

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

OMERS 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.

Response:

Milton Hydro has not included the OMERS increase in its 2011 Test Year. The annual impact is expected to be approximately \$3,000 over 2011 to 2013.

Regulatory Costs

Interrogatory #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.

Response:

Milton Hydro has included \$16,500 in its Application being one quarter of consulting fees over a four year period. The total consulting fees of \$66,000 are expected to be incurred for the support in the preparation and review of Milton Hydro's Application; assistance in responding to interrogatories; professional support during the technical conference; professional support during the settlement conference; and assistance in the preparation of a settlement proposal. Milton Hydro has allowed 200 hours of a consultant's time over the ten month period, or approximately three days per month, from the commencement of preparation to settlement.

Milton Hydro will have underestimated this time in the event that its Application proceeds beyond settlement.

Interrogatory #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.

Response:

- a) Milton Hydro has calculated its Low Income Assistance Program contribution to be 0.12% of its proposed distribution revenue requirement including miscellaneous revenue to be \$18,075.
- b) Milton Hydro has not included any amount in its 2011 Test Year Revenue Requirement for any legacy programs.

Interrogatory #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.

Response:

As noted in Exhibit 4, Page 38, Table 12 – Charitable Donations, Milton Hydro has not included any charitable donations as part of its forecast OM&A expense for the Test Year. Milton Hydro has not made any political donations.

Corporate Cost Allocation

Interrogatory #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.

Response:

- a) The water billing and related services are not included in Exhibit 4, Table 30 but rather the revenue received from the Region of Halton for the provision of these services is recorded in Exhibit 3, Table 29 in USoA 4390 – Miscellaneous Non-operating Revenue and treated as a revenue offset.
- b) n/a

Interrogatory #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?

Response:

- a) Milton Hydro has not conducted a corporate cost allocation study.
- b) Milton Hydro has three corporate affiliates – Milton Hydro Holdings Inc., Milton Hydro Services Inc. which is inactive and Milton Hydro Telecom Inc. which the fibre assets were sold in August 2008. Milton Hydro Telecom Inc. continues to earn revenue from sentinel light rental and interest on the proceeds of the sale of the fibre assets. As there are only two active affiliates which interact, Milton Hydro cannot justify the cost associated with the preparation of a corporate cost allocation study at this time.
- c) Milton Hydro has not retained an independent 3rd party to review the costing of affiliate services charged to Milton Hydro. However, Milton Hydro's financial statements are audited annually by independent auditors.

Interrogatory #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.

Response:

- a) The following table sets out Milton Hydro's estimated forecast of OM&A purchased from non-affiliated third party suppliers.

OM&A Forecast	2010 Bridge Year	2011 Test Year
Total Non-Affiliate Third Party Services	3,128,449	2,801,666

- b) Milton Hydro does not allocate purchased services between capital and OM&A based on percentages but rather the allocation of a purchased service to capital or OM&A is dependent on the reason for purchasing that service.

PILs

Interrogatory #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.)

Response:

- a) Milton Hydro has attached as Attachment B Notice of Assessments for the years 2007 to 2009 and a Notice of Re-assessment for 2008.
- b) The Milton Hydro Distribution Inc. audited financial statements for 2009 were used in the preparation of Milton Hydro's 2009 corporate tax returns.

Interrogatory #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.

Response:

Milton Hydro recognizes that the tax treatment and the Board's treatment for the movement of regulatory assets differ. The Board does not allow for the adjustment of taxable income for the purposes of the PILs proxy for the movement in the regulatory assets. Accordingly, Milton Hydro confirms that it has included \$209,410 relating to Regulatory Assets in the "Reserves from financial statements- balance at end of year" as shown on Exhibit 4, Page 90, Table 41. Milton Hydro also confirms that it has adjusted for the \$209,410 relating to Regulatory Assets in the "Reserves from financial statements- balance at beginning of year". The net impact on the calculation of the PILs proxy is nil.

Cost of Capital

Interrogatory #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.

Response:

Milton Hydro reduced the Infrastructure Ontario debt by two payments as per the Schedules A provided in Exhibit 5, Appendix B. There is a difference of \$3,634 in the balance used to calculate the Weighted Average Cost of Capital (“WACC”) for the smaller debt amount. Milton Hydro re-calculated the WACC by reducing the debt amount to \$231,366 and the WACC did not change from the 5.19% used in Milton Hydro’s Application.

Date of Debt		Principal Amount	
April 1, 2010	Infrastructure Ontario	285,000	2,880,057
October 1, 2010	Payment	(26,616)	(68,309)
April 1, 2011	Payment	(27,018)	(69,842)
		231,366	2,741,906
Table 1 Balances		235,000	2,741,906

Interrogatory #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.

Response:

Milton Hydro has provided the following table of OIPC financing which provides the funding draws and projects covered. The smart meters are depreciated over 15 years, the double bucket truck over 8 years and the infrastructure projects over 25 years.

Project Name	Total Project Cost (estimated)	Total OIPC Loan Amount approved	Term	Draw - April 1, 2010	Draw - July 15, 2010	Projected Draw - December 1, 2010	Projected Draw - June 1, 2011	Projected Draw Available	TOTAL DRAWS
Smart Meter Implementation	2,880,057	2,880,057	15 years	2,880,057					
Double Bucket Truck	285,000	285,000	5 years	285,000					
Purchase of Land for New Office	2,200,000	2,200,000	25 years		2,200,000				
2008 Infrastructure Projects - completed	4,925,000	2,955,000	25 years		1,800,000	1,155,000			
2009 Infrastructure Projects - completed	3,887,000	2,332,000	25 years			1,845,000	487,000		
2010 Infrastructure Projects - completed	4,250,000	2,550,000	25 years				2,550,000		
2011 Infrastructure Projects - completed	4,250,000	2,550,000	25 years				200	2,549,800	
		15,752,057		3,165,057	4,000,000	3,000,000	3,037,200	2,549,800	15,752,057

Cost Allocation

Interrogatory #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.

Response:

- a) Milton Hydro has proposed to adjust the Streetlight and Sentinel Lights customer class revenue to cost ratios to 70% which will result in adjustments to the other customer classes. Milton Hydro would refer Exhibit 7, page 7, Appendix 2-O d) which is an OEB required table of Proposed Revenue to Cost Ratios. This table may now be redundant given the OEB's initiation of a consultation to review specific elements of its electricity distribution cost allocation policy and revise it as required OEB File No. EB-2010-0219.
- b) Milton Hydro has reproduced the OEB required table from its Application Exhibit 7, page 7, Appendix 2-O d) which provides Milton Hydro's proposed revenue to cost ratios for 2012.

**Appendix 2-O d) -
Proposed Revenue to Cost Ratios**

Classes	2011	2012	2013	Policy Range
	%	%	%	%
Residential	103.6%	101.8%		85-115
GS< 50kW	99.9%	99.9%		80-120
GS > 50 - 999 kW	90.0%	95.0%		80-180
GS > 1000 - 4999 kW	110.0%	105.0%		80-180
Large Users	110.0%	105.0%		85-115
Streetlights	41.4%	70.0%		70-120
Sentinel Lights	44.3%	70.0%		70-120
Unmetered & Scattered	110.0%	105.0%		80-120

Loss Adjustment Factors

Interrogatory #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.

Response:

Milton Hydro is both directly connected to Hydro One's transmission system and embedded within Hydro One's distribution system. Milton Hydro has one embedded generator and also takes supply from its neighbouring distributors as load transfers. Milton Hydro's Application calculated the three year SFLF based on total supply without separating direct and embedded connection points, which resulted in a SFLF of 1.0048.

The following table provides the weighted calculations using the OEB industry norms SFLF by direct connect and embedded supply points. Milton Hydro would note that the Loss Factor for the LTLT is high as a result of almost 50% of the LTLT is supplied by Hydro One with a loss factor applied in excess of 9%.

Transformer Station	kWh	2007	2008	2009	Total	Weighted Average	OEB SFLF	OEB Weighted
Halton TS	Raw	562,768,826	535,929,250	576,012,128	1,674,710,205			
	Uplifted	565,083,962	536,851,854	578,558,638	1,680,494,454			
	Loss (kWh)	2,315,136	922,604	2,546,510	5,784,249			
	Loss Factor	1.004114	1.001722	1.004421	1.003454			
Palermo TS	Raw	107,994,101	144,207,616	93,901,579	346,103,296			
	Uplifted	108,559,733	144,952,575	94,385,514	347,897,822			
	Loss (kWh)	565,632	744,959	483,935	1,794,526			
	Loss Factor	1.0052	1.0052	1.0052	1.0052			
Totals	Raw	670,762,927	680,136,866	669,913,707	2,020,813,500			
	Uplifted	673,643,695	681,804,429	672,944,152	2,028,392,276			
	Loss (kWh)	2,880,768	1,667,563	3,030,445	7,578,776	0.75		
	Loss Factor	1.0043	1.0025	1.0045	1.0038		1.0045	0.7498
Embedded Delivery Point								
Fergus TS	Raw	13,661,209	13,736,169	13,541,793	40,939,171			
	Uplifted	14,125,722	14,203,482	14,002,101	42,331,305			
	Loss (kWh)	464,513	467,313	460,308	1,392,134			
	Loss Factor	1.0340	1.0340	1.0340	1.0340			
Embedded Generation	Raw	6,037,354	9,679,889	6,512,772	22,230,015			
	Uplifted	6,037,354	9,679,889	6,512,772	22,230,015			
	Loss (kWh)	-	-	-	-			
	Loss Factor	1.0000	1.0000	1.0000	1.0000			
LTLT - In	Raw	5,288,983	6,250,456	6,540,712	18,080,151			
	Uplifted	5,645,864	6,652,071	6,963,913	19,261,848			
	Loss (kWh)	356,881	401,615	423,201	1,181,697			
	Loss Factor	1.0675	1.0643	1.0647	1.0654			
Totals	Raw	24,987,546	29,666,514	26,595,277	81,249,337			
	Uplifted	25,808,940	30,535,442	27,478,786	83,823,168			
	Loss (kWh)	821,394	868,928	883,509	2,573,831	25%		
	Loss Factor	1.0329	1.0293	1.0332	1.0317		1.034	0.2621
Totals all Feeders, Embedded Generator & LTLT								
	Raw	695,750,473	709,803,380	696,508,984	2,102,062,837			
	Uplifted	699,452,635	712,339,871	700,422,938	2,112,215,444			
	Loss (kWh)	3,702,162	2,536,491	3,913,954	10,152,607			
	Loss Factor	1.0053	1.0036	1.0056	1.0048			1.0120

Rate Design

Interrogatory #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.

Response:

The customer counts used in the Rate Design Model are the average of the opening and closing 2011 Test Year customer counts from Table 28 in Exhibit 3.

Deferral and Variance Accounts

Interrogatory #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.

Response:

- a) The following table provides the contribution of the MUSH sector towards the Global Adjustment.

Contribution of MUSH to Global Adjustment	
Total amount billed MUSH customers for Nov & Dec 2009	107,088
Total amount paid to the IESO re: MUSH customers Nov & Dec 2009	-104,789
Net amount contributed to the GA Account by MUSH customers Nov & Dec 2009	2,299
Total Global Adjustment	692,269
MUSH customers % of Total Global Adjustment - (immaterial)	0.33%

- b) This amount is not material to the calculation of the Global Adjustment rate rider.

Interrogatory #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	

Response:

- a) Milton Hydro has not posted any amounts to account 1592 since April 2006. In Milton Hydro's 2006 EDR, Milton Hydro claimed the full exemption for Ontario Capital Tax (\$10 million) and for Large Corporation Tax (\$50 million). In the case of Large Corporation Tax, the exemption exceeded Milton Hydro's Taxable Capital thus no Part 1.3 tax applied in 2004 actual or Test year (2006). Milton Hydro confirms that it should have posted amounts to account 1592 for the changes in tax legislation that have occurred since 2006 as required by the Board's methodology and prior decisions.

Milton Hydro has subsequently calculated the adjustment for Ontario Capital Tax as \$7,285 including carrying charges estimated to the end of 2010. Milton Hydro is not requesting disposition of this account until such time as the PILs proceedings have been completed.

Milton Hydro Distribution Inc.
Account 1592, 2006 PILs and Taxes Variance Account

Base assumptions from the 2006 EDR Model

	EDR Model 2006	2006 Actual	2007 Actual	2008 Actual	Per IRM Model and Actual 2009	2010
Ontario Capital Tax	0.300%	0.300%	0.225%	0.225%	0.225%	0.075%
Exemption Amount	10,000,000	10,000,000	12,500,000	15,000,000	15,000,000	15,000,000
Taxable Capital	38,406,768					
Large Corporation Tax	0.125%	N/A	N/A	N/A	N/A	N/A
Exemption Amount	50,000,000	N/A	N/A	N/A	N/A	N/A

Note: the LCT was not part of the 2006 EDR for Milton Hydro because the exemption amount was higher than the calculated capital.

Re: Ontario Capital Tax

Actual per Tax Returns	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Est
Taxable Capital Actual	42,278,713	43,491,139	45,522,671	45,355,914	45,355,914
Exemption amount to MHDl	9,743,830	12,243,292	13,822,939	14,080,133	14,080,133
Actual Taxable Capital	32,534,883	31,247,847	31,699,732	31,275,781	31,275,781
Capital Tax Actual	97,605	70,308	71,324	70,371	23,457

Calculation with model constants & changes

Taxable Capital	38,406,768	38,406,768	38,406,768	38,406,768	38,406,768
Exemption Amount	10,000,000	10,000,000	10,000,000	15,000,000	15,000,000
Taxable Capital	28,406,768	28,406,768	28,406,768	23,406,768	23,406,768
Rate	0.300%	0.300%	0.300%	0.225%	0.075%
Calculated Capital Tax	85,220	85,220	85,220	52,665	17,555
Capital Tax Savings (Increase)	(12,384)	14,913	13,896	(17,705)	(5,902)

Account 1592 Calculation

Dr (Cr)

	2006	2007	2008	2009	2010 Est
Balance, beginning of year, ex interest	-	12,384	(2,528)	(16,424)	1,281
Re Large Corporation tax	-	-	-	-	-
Re change in Ontario Capital Tax	12,384	(14,913)	(13,896)	17,705	5,902
Subtotal before interest	12,384	(2,528)	(16,424)	1,281	7,183
Re interest carrying charge	268	255	(328)	(129)	36
Balance, end of year, with interest	12,652	(2,006)	(16,229)	1,348	7,285

- b) Please refer to response in part a)
- c) Please refer to response in part a)
- d) Please refer to response in part a)
- e) Not Audited and not filed with RRRs
- f) Please refer to response in part a)
- g) Please refer to response in part a)

Smart Meters

Interrogatory #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.

Response:

Milton Hydro has requested the disposition of the credit balance in its Smart Meter variance account in the amount of \$598,978.

Milton Hydro has calculated a one year Smart Meter rate rider to be a credit of \$1.73 and the bill impacts are provided in the Table below.

Bill Impact Summary - One Year Smart Meter Rider Credit				
Class	Typical kWh Usage	Typical kW Demand	Delivery Charge Impact %	Total Bill Impact %
Residential	800		3.38%	1.15%
General Service < 50kW	2,000		12.44%	3.25%
General Service > 50 - 999kW	200,000	500	20.36%	2.88%
General Service > 1000 - 4999kW	1,600,000	4,000	16.14%	2.65%
Large Use	3,100,000	7,500	10.86%	1.09%
Streetlighting	526,732	1,484	233.43%	21.45%
Sentinel Lighting	50	1	379.76%	160.76%
Unmetered & Scattered	630		18.86%	5.54%

Milton Hydro has calculated a two year Smart Meter rate rider to be a credit of \$0.86 and the bill impacts are provided in the Table below.

Bill Impact Summary - Two Year Smart Meter Rider Credit				
Class	Typical kWh Usage	Typical kW Demand	Delivery Charge Impact %	Total Bill Impact %
Residential	800		6.10%	2.03%
General Service < 50kW	2,000		13.87%	3.61%
General Service > 50 - 999kW	200,000	500	20.39%	2.88%
General Service > 1000 - 4999kW	1,600,000	4,000	16.14%	2.65%
Large Use	3,100,000	7,500	10.86%	1.09%
Streetlighting	526,732	1,484	233.43%	21.45%
Sentinel Lighting	50	1	379.76%	160.76%
Unmetered & Scattered	630		18.86%	5.54%

Milton Hydro would note that the Smart Meter rate rider was proposed over four years as a means of mitigating future IRM increases. The following table provides the immediate customer impacts on Residential and General Service <50 kW with no Smart Meter Rider in the following year of IRM before any IRM adjustment.

Bill Impact Summary - No Smart Meter Rider Credit Following Year				
Class	Typical kWh Usage	Typical kW Demand	Delivery Charge Impact %	Total Bill Impact %
Residential	800		8.78%	2.89%
General Service < 50kW	2,000		15.28%	3.97%

Interrogatory #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) 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.

Response:

- a) While Milton Hydro has requested disposition of its Smart Meter variance accounts 1555 and 1556, Milton Hydro has also requested the continuation of the Smart Meter variance account 1555 in order to track the disposition of the \$598,978 and incidental capital expenditures.
 - i) The forecast amount included in the total Smart Meter capital of \$3,441,277 is \$164,000 which Milton Hydro did not consider material to the total disposition.
 - ii) Milton Hydro has provided audited financial statements prepared by KPMG at Exhibit 1, Appendix B. All accounts are including deferral and variance accounts are subject to the auditing techniques of KPMG and are the same balances as on the audited financial statements.

- iii) Milton Hydro provided its smart meter activities in Exhibit 9, Page 20, Table14 supporting the completion of its Smart Meter Investment Plan as filed with the OEB June 22, 2007.

Interrogatory #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

Response:

- a) Milton Hydro has provided audited financial statements prepared by KPMG at Exhibit 1, Appendix B. All accounts including the costs provided on Table 16 are subject to the auditing techniques of KPMG.
- b) Milton Hydro tracked the removal of the existing meters by meter type and year of installation and removed the Net Book Value ("NBV") from the meter capital account 1860 and transferred the NBV to the Smart Meter Variance account 1555.
- c) The actual residual net book value of removed meters is \$429,916 as of December 31, 2009. Milton Hydro received a total of \$5,002 for the sale of scrap meters which was credited directly to the Smart Meter variance account 1555.

- d) The actual residual net book value of removed meters in 2010, after full deployment, is \$432,963. There are no proceeds from the sale of the meters in 2010.
- e) Milton Hydro has included the stranded meter costs, in the amount of \$432,963 in the meter capital account 1860 and will begin to depreciate these meter costs at the same rate as the Smart Meters being 15 years. Milton Hydro would refer to Exhibit 9, Page 28, Table 22 for the journal entry to be made at the end of 2010 to record the disposition of the Smart Meter variance Accounts 1555 and 1556. The stranded meters are included in the calculations of the Smart Meter revenue requirement used in the determination of the Smart Meter credit rider of (\$0.43). The Smart Meter credit rider would be (\$0.55) by excluding the stranded meter costs from the calculation of the Smart Meter revenue requirement.

Interrogatory #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.

Response:

- a) Milton Hydro recorded the Journal Entry in Exhibit 9, Page 28 Table 22 of its Application at the end of December 2010. The total Smart Meter capital in the amount of \$3,441,277 and the Stranded Meter costs in the amount of \$432,962 recorded as of December 2010 include both the balance in the Smart Meter variance account 1555 at December 31, 2009 plus the \$164,000 forecasted for the early part of 2010. The closing 2010 balance in account 1860 and the closing 2011 balance in 1860 are averaged and included in the 2011 Test Year Cost Allocation model Sheet I3 Trial Balance Data – Second Run Milton Run 2 (no Bulk). Milton Hydro also completed the all the required input tabs for the Cost Allocation Model. The cost allocation methodology in a cost of service rate application is based on reasonable cost drivers and not class specific tracked costs.
- b) The 2010 forecasted Smart Meter costs are included in the journal entry described in part a) above. Milton Hydro believes that the Cost Allocation study referred to in part b) of the interrogatory should be the 2011 Test Year as Milton Hydro did not prepare a 2010 Cost Allocation study.

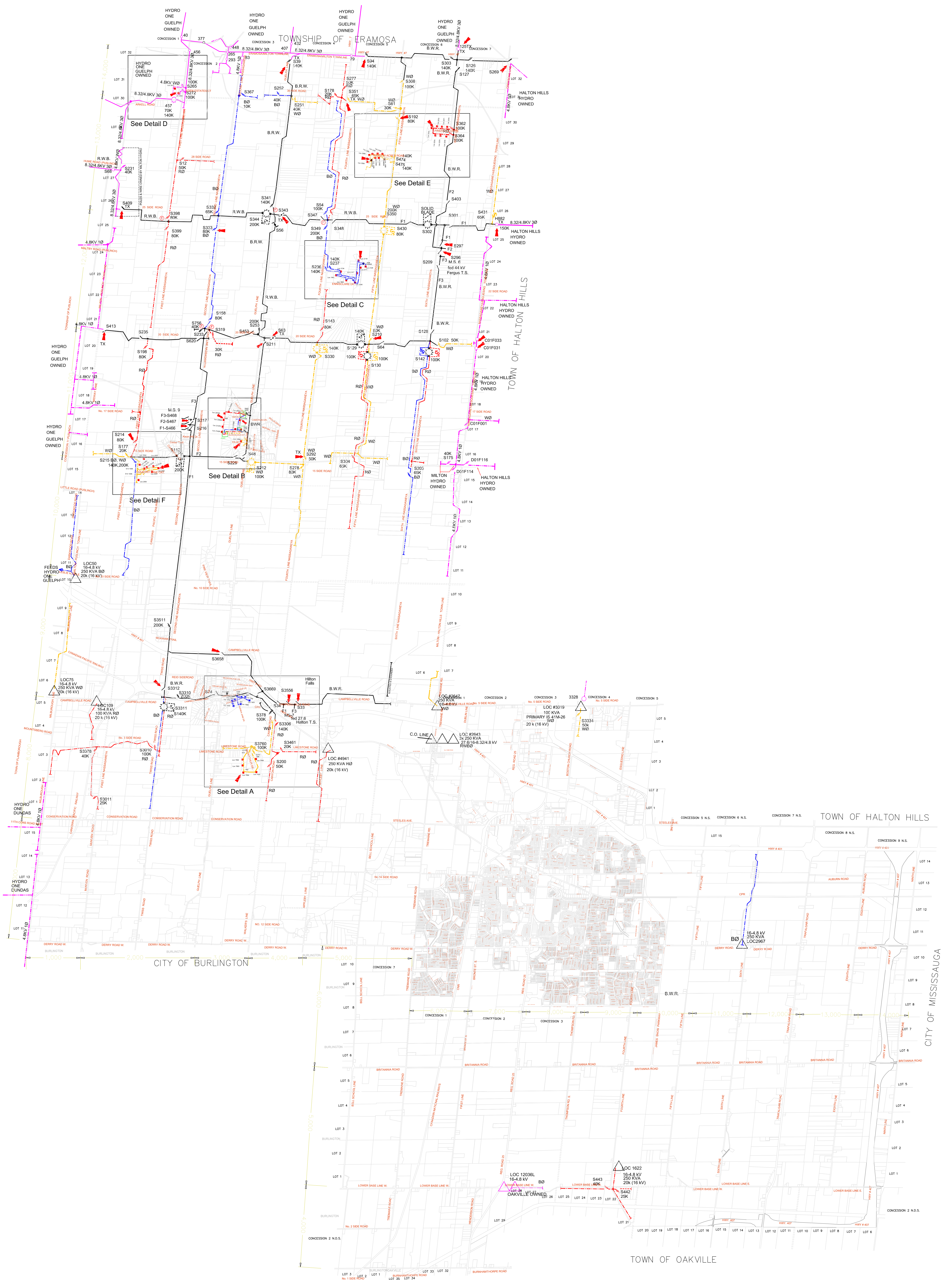
ATTACHMENT A

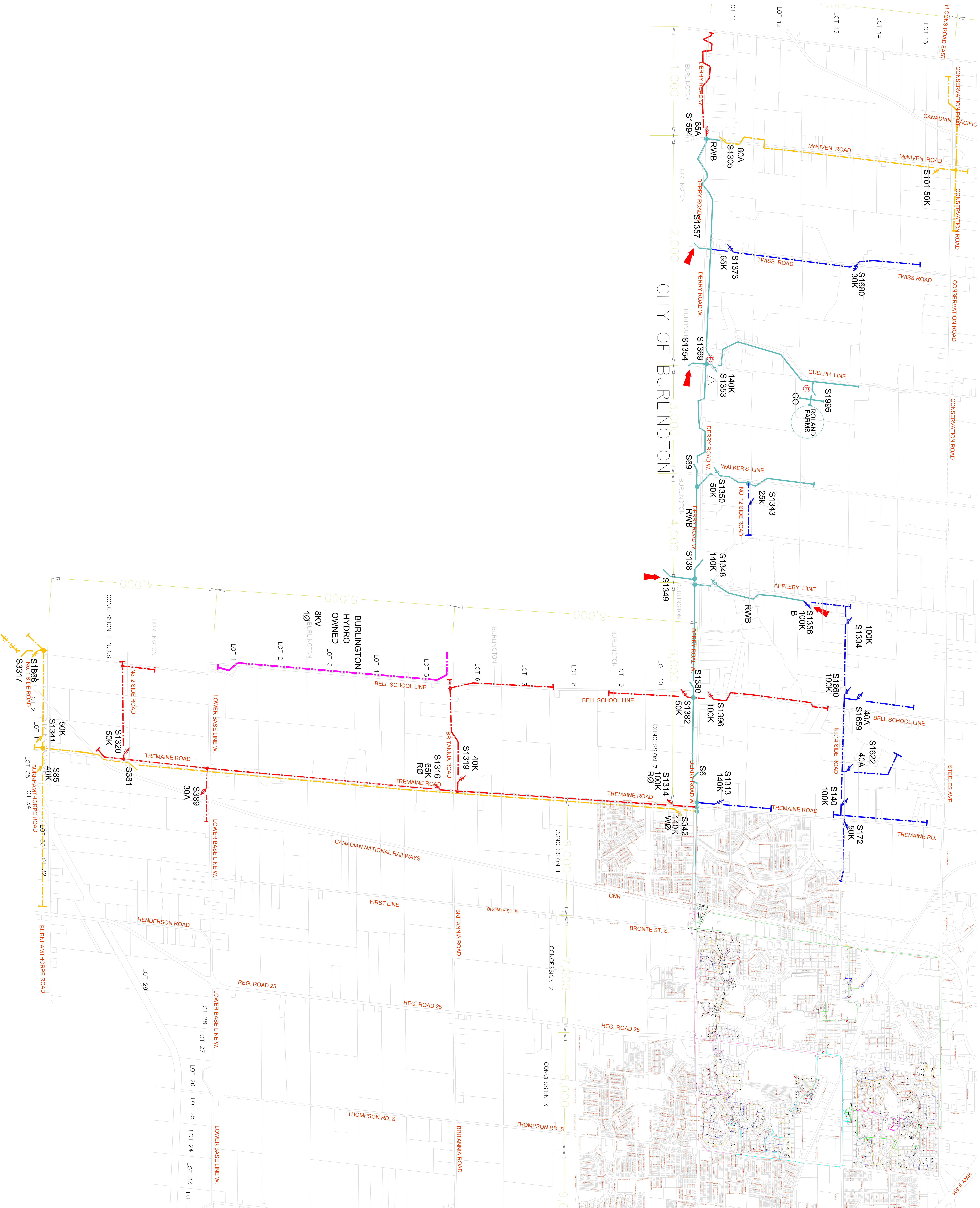
Distribution Maps

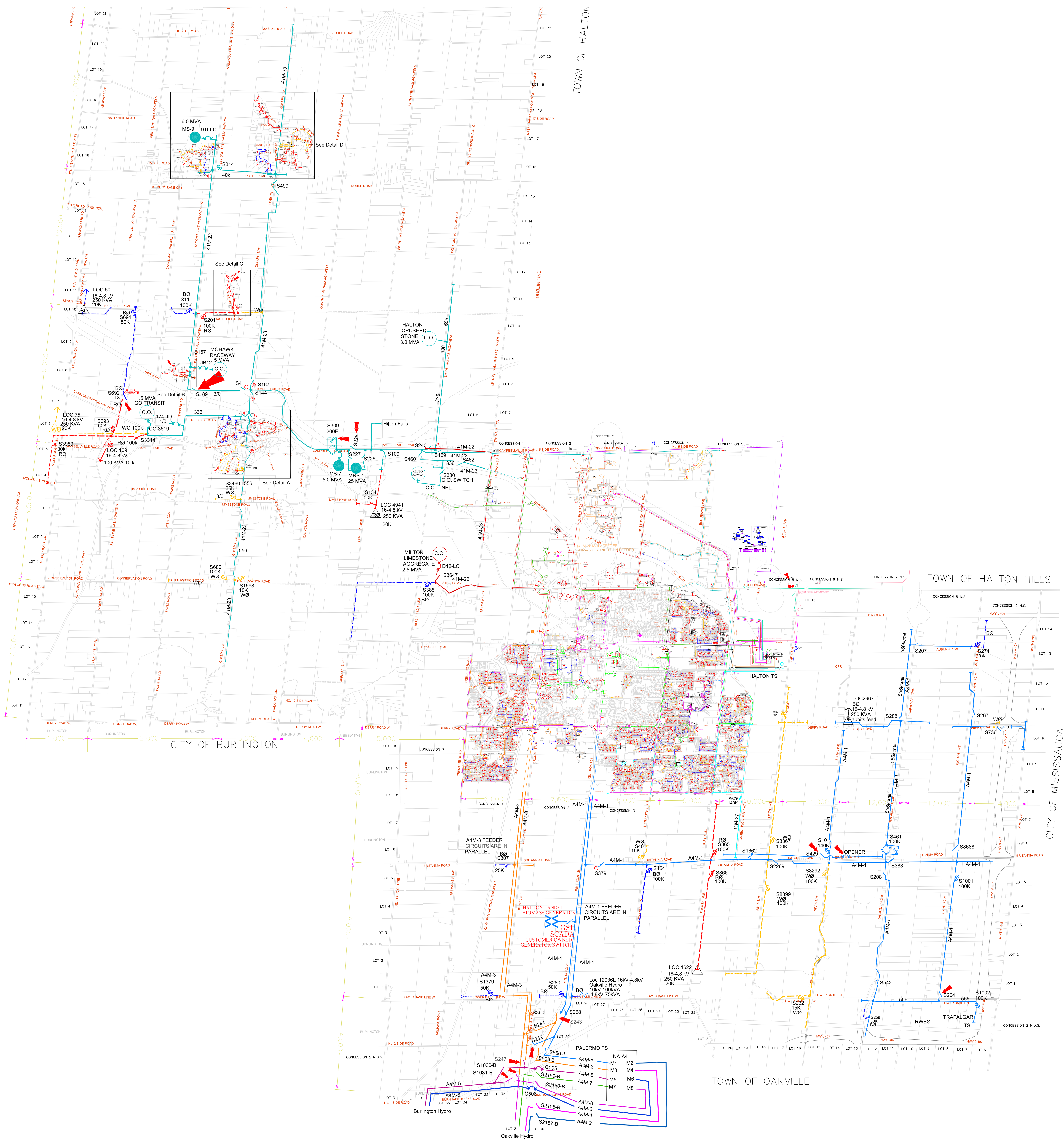
8.32 kV

13.8 kV

27.6 kV







ATTACHMENT B

Notice of Assessments

2007

2008

2009



Ministry of Revenue
Hydro PIL
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Keep this portion for your records.

Notice of Assessment

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
from 2007/01/01 to 2007/12/31

MILTON HYDRO DISTRIBUTION INC.

ASSESSMENT NO. 148

Account No.	Assessment Date (year, month, day)	Page
1800132	2008/06/23	1 of 1

Tax: Federal and Provincial PIL

1,419,354.00

Assessment Interest

969.38CR

Total Assessment Liability

1,418,384.62

SUMMARY OF 2007/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers

1,536,922.00CR

Sub-Total

1,536,922.00CR

CREDIT BALANCE AVAILABLE IN THIS TAXATION YEAR

118,537.38CR

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable by s.95 of the Electricity Act, 1998, notice is hereby given of the amount of tax, penalty and interest for which you are assessed.

Adjustment to the computation of Total Tax payable.

Adjustment to the computation of Capital Tax.

PX5003 003



Ministry of Revenue
Hydro PIL
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Account No.
1800132

35
PX5003

MILTON HYDRO DISTRIBUTION INC.
C/O MARY-JO CORKUM
55 THOMPSON RD S

MILTON
L9T 6P7

ON

Remittance Advice - Payment-in-Lieu (PIL)

Electricity Act, 1998

Corporations Tax Act, R.S.O. 1990

Taxation Year End: (YYYYMMDD)

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Taxation Year End: (YYYYMMDD)

2	0	0	8	1	2	3	1
---	---	---	---	---	---	---	---

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Total Payment Enclosed:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--



Ministry of Revenue
Hydro PIL
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Keep this portion for your records.

Notice of Assessment

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
from 2008/01/01 to 2008/12/31

MILTON HYDRO DISTRIBUTION INC.

ASSESSMENT NO. 175

Account No.

1800132

Assessment Date
(year, month, day)

2009/06/25

Page

1 of 1

Tax: Federal and Provincial PIL
Assessment Interest

Total Assessment Liability

975,057.00

6,596.26CR

968,460.74

SUMMARY OF 2008/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers

1,419,779.41CR

Sub-Total

1,419,779.41CR

CREDIT BALANCE AVAILABLE IN THIS TAXATION YEAR

451,318.67CR

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable by s.95 of the Electricity Act, 1998, notice is hereby given of the amount of tax, penalty and interest for which you are assessed.

Total tax assessed as per company estimate



Ministry of Revenue
Hydro PIL
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Remittance Advice - Payment-in-Lieu (PIL)

Electricity Act, 1998
Corporations Tax Act, R.S.O. 1990

Account No
1800132

35
PX5005

MILTON HYDRO DISTRIBUTION INC.
C/O MARY-JO CORKUM
55 THOMPSON RD S

MILTON
L9T 6P7

ON

10 HPL

Taxation Year End: (YYYYMMDD)

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Taxation Year End: (YYYYMMDD)

2	0	0	8	1	2	3	1												
---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Total Payment
Enclosed: \$

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--



Ministry of Revenue
Hydro PIL
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Keep this portion for your records.

Notice of Reassessment

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
from 2008/01/01 to 2008/12/31

Account No.	Reassessment Date (year, month, day)	Page
1800132	2010/07/30	1 of 1

MILTON HYDRO DISTRIBUTION INC.

REASSESSMENT NO. 196 REPLACING ASSESSMENT DATED: 2009/06/25

Tax: Federal and Provincial PIL
Assessment Interest

965,673.00
6,801.89CR
958,871.11

Total Reassessment Liability

SUMMARY OF 2008/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers
Refunds

1,419,779.41CR
451,380.50

Sub-Total

968,398.91CR
9,527.80CR

CREDIT BALANCE AVAILABLE IN THIS TAXATION YEAR

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable
by s.95 of the Electricity Act, 1998, notice is hereby given of the amount of
tax, penalty and interest for which you are assessed.

As per amended return.

RECEIVED
JUN 04 2010



Ministry of Revenue
Hydro PIL
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Account No.
1800132

35
PX5003

MILTON HYDRO DISTRIBUTION INC.
C/O MARY-JO CORKUM
55 THOMPSON RD S

MILTON
L9T 6P7

ON

10 HPL

Remittance Advice - Payment-in-Lieu (PIL)

Electricity Act, 1998

Corporations Tax Act, R.S.O. 1990

Taxation Year End: (YYYYMMDD)

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Taxation Year End: (YYYYMMDD)

2	0	0	9	1	2	3	1												
---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Total Payment
Enclosed: \$

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--



Ministry of Revenue
Hydro PIL
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Keep this portion for your records.

Notice of Assessment

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
from 2009/01/01 to 2009/12/31

Account No.

Assessment Date
(year, month, day)

Page

1800132

2010/07/28

1 of 1

MILTON HYDRO DISTRIBUTION INC.

ASSESSMENT NO. 193

Tax: Federal and Provincial PIL
Assessment Interest

Total Assessment Liability

1,021,385.00

1,882.44

1,023,267.44

SUMMARY OF 2009/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers

1,021,385.00CR

Sub-Total

1,021,385.00CR

TAXATION YEAR BALANCE DUE **

1,882.44

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable
by s.95 of the Electricity Act, 1998, notice is hereby given of the amount of
tax, penalty and interest for which you are assessed.

Total tax assessed as per company estimate

**Remember to include additional interest due with your payment. Interest on
the balance is compounded daily from the date of this Notice/Statement until
payment is received by the Ontario Electricity Financial Corporation (OEFC)
The current interest rate is 0.0136986%.

RECEIVED
AUG 05 2010