



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 – School Energy Coalition**

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 SCHOOL ENERGY COALITION INTERROGATORIES

2011 ELECTRICITY DISTRIBUTION RATE APPLICATION

Filed: November 23, 2010

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Interrogatory #1

Please confirm that there are 15 publicly-funded schools in the Applicant's franchise area. Please provide a table showing the number of schools in each of the GS<50 and GS>50 classes.

Response:

Milton Hydro confirms that there are 15 publicly-funded schools in our franchise area.

Publicly-funded Schools		
General Service > 50 kW		
14		
General Service < 50 kW		
1		

Interrogatory #2

[Ex. 1 p. 31] In regards to the Service Quality Indicators, please explain the drop of 6% from 2008 to 2009 in the Connections of New Services-Low voltage indicator.

Response:

Milton Hydro's Service Quality Indicator for Connections of New Services – Low Voltage, while above the OEB minimum standard, dropped 6% from 2008 to 2009. The Town of Milton's rapid growth continued throughout 2008 and 2009. Municipal/regional and developer capital projects along with continued maintenance work occupied Milton Hydro's workforce which had not increased to keep pace with the growth being realized. One additional lineman was hired in 2010 and an additional apprentice lineman is planned for 2011 to assist in this regard. As at September 2010, the Connections of New Services-Low voltage indicator has improved to 95%.

Interrogatory #3

[Ex. 1 p. 36] Please explain why the growth in total plant investment is increasing at a higher rate than both population and customer growth?

Response:

Milton Hydro's total plant investment is driven by third parties, representing 60% of capital expenditures and Milton Hydro's own investment and re-investment in its distribution system to replace and upgrade older plant equates to 30% of capital expenditures. Other plant such as vehicles, computer hardware/software and communications equipment comprise approximately 10% of Milton Hydro's capital expenditure. The Town of Milton is growing very quickly with the average ratio of population to customer count being three to one. Milton Hydro's growth, in particular, subdivision growth, is taking place in what once was rural area and in order to meet this growth Milton Hydro must construct new feeders or feeder extensions to reach the developments. In addition, the growth in the Town of Milton is requiring both the Town and the Region to undertake major road, water and sewer construction which requires Milton Hydro to relocate existing pole lines. In addition, Milton Hydro assesses its own distribution plant under its Asset Management Plan and plans its own work accordingly.

Interrogatory #4

[Ex. 2 p. 47] Please provide the methodology for the estimation of new connections for the 2010 bridge year.

Response:

Milton Hydro estimated the number of additional residential connections in the 2010 bridge year by reviewing the number of subdivisions already energized or about to be energized in 2010, by reviewing the number of lots proposed for those subdivisions and the number already connected, the physical progress and sales of units on a per subdivision basis, discussions with the builder and/or developer, on-going consultation with Town officials and Milton Hydro's interpretation of the information. The information provided by the development community is not typically provided as a formal corporate estimate but rather as an informal 'best guess'. Current connection totals for new customer connections indicates Milton Hydro will be close to the 1,500 new customers estimated for 2010.

As at October 31, 2010, there were 1,406 residential connections in 2010.

Interrogatory #5

[Ex. 2 p. 50] Please provide evidence to support the valuation of \$700,000 of the proposed property for purchase.

Response

Milton Hydro undertook to have a preliminary assessment of the property located at 7472 Fifth Line conducted by JOHNSTON DONALD ASSOCIATES INC. in mid-November 2010. In the absence of an inspection of the subject property, their preliminary investigation of the available information confirmed the value of the subject property to be in the range of \$600,000 to \$700,000.

Interrogatory #6

[Ex. 2 p. 59] Please provide the business case and/or other documents that outline the rationale for the construction of a new office/service centre building.

Response:

There is no documentation defining the rationale or business case for the construction of a new office/service centre building. The building at 8069 Lawson Rd had been a manufacturing plant with a building of over 120,000 square feet on a property of over 16 acres. The current owner is utilizing 67% of the building as a storage facility. The current Milton Hydro lease at 8069 Lawson Rd. will expire in 2014 and the landlord has provided notice that it is their intent to expand the storage space to include a showroom thereby requiring 100% of space availability.

Milton Hydro will therefore be required to find alternate accommodations and due to specific requirements of office, inside warehousing, vehicle parking and outside storage, there is a very limited offering within the Town of Milton. Since Milton Hydro was fortunate to purchase the parcel of unserviced land from Hydro One, the construction of a new facility was the chosen option.

Interrogatory #7

[Ex 2/1 p.22] What are the corresponding capital investment priority levels (referenced on p.22 of the Asset Management Plan) to each of the planned capital investments contained in the Plan?

Response:

Milton Hydro has provided the capital investment priority levels for each of the planned capital investments contained in the Asset Management Plan in the table below.

Finish Budget Year	Job #	Projects Description	Priority
2010	09-001	3 Sideroad Tremaine Road to Kelso Gate Carryover	MED-HIGH
2010	09-003	Timberlea SC-13 to SC-12 Install ducts, cable and trans - Planned carryover	HIGH
2010	09-006	Dorset Park Wilson and Frobisher Carryover	HIGH
2010	09-009	Bronte St MS-4 to Derry Carryover	MED-HIGH
2010	09-010	Install reclosers at MS-6 Carryover	MED-HIGH
2010	09-027	Derry Road and Walkers Line for ROH	HIGH
2010	10A	Pole Replacement Program* 2010	HIGH
2010	10B	Derry Road Twiss to McNiven rebuild to 27.6 kV	HIGH
2010	10C	FIT Projects 2010	HIGH
2010	10E	Pitfield townhome rebuild to 27.6 kV 950 m and 8 transformers	HIGH
2010	10F	Install three phase switches for future automation	MED-HIGH
2010	10G	Timberlea area underground re-hab on 13.8 kV	HIGH
2010	10K	551 Commercial rebuild to 27.6 kV 700 m and 12 transformers	HIGH
2010	10S	Upgrade grounding at substations using copperweld	HIGH
2010	10T	Eliminate heatshrink from transformers	HIGH
2010	10U	Rebuild Line, 2nd Line from 20th to 25 S.R.	MED-HIGH
2010	10H	James Snow Pkwy, Louis St Laurent to Britannia - Developer Built	HIGH
2010	10J	Main St. west of Savoline Blvd to Tremaine Road 27.6 kV extension 1 km	HIGH
2010	09-026	Extend Pole Line from Derry to new fire hall (JSP)	HIGH
2010	10L	Louis St. Laurent to Regional Rd 25 27.6 kV line .5 km and creek crossing	HIGH
2010	10M	Lower Base Line at 16 Mile Creek for TOM	HIGH
2010	10N	Reg Rd 25 Derry to Britannia Rd 27.6 kV pole relocation	HIGH
2010	09-029	Regional Road 25 401 to 5 Sideroad	HIGH
2010	10Q	Tremaine Rd Derry to Main	HIGH
2010	10R	Main St Bronte to Tremaine	HIGH
2010	09-032	Britannia Rd and 5th Line - Road realignment (traffic lights)	HIGH
2010	10X	Derry Rd Install sidewalk struts (Thompson to JSP)	HIGH
2010	10-016	20 Sideroad east of Townline Relocate 8.32 kV for ROH	HIGH

Finish Budget Year	Job #	Projects Description	Priority
2011	10GA	Timberlea area underground re-hab on 13.8 V	HIGH
2011	11A	Bronte Meadows underground re-hab on 13.8 kV	HIGH
2011	11B	Campbell Ave. west of Walkers Line Relocate 8.32 to ROW 0.8 km 0.5 of u/g	MED-HIGH
2011	11D	Walkers Line/3 Sideroad rebuild to 27.6 kV and u/g rehab 4 km o/h & 1.4 km u/g	MED-HIGH
2011	11E	Pole Replacement Program* 2011	HIGH
2011	11F	20 Sideroad east of 2nd Line Relocate 8.32 kV to ROW	MED-HIGH
2011	11G	Amos-Blacklock Brookville 8.32 kV u/g re-hab and conversion 1.7 km & 9 transformers	HIGH
2011	11H	Derry Road east of Guelph Line 13.8 kV to 27.6 kV conversion 1.6 km to Walkers Line	HIGH
2011	11J	Derry Road west of Guelph Line 27.6 kV conversion	HIGH
2011	11K	First Line south of Britannia Road 27.6 kV rebuild	HIGH
2011	11L	FIT Projects 2011	HIGH
2011	11M	Glenda Jane and Jessie Ave. u/g rehab. 1.25 km and 7 transformers	MED-HIGH
2011	11N	Highside u/g rehab .75 km and 6 transformers	HIGH
2011	11P	Install three phase switches for future automation	MED-HIGH
2011	11Q	Louis St. Laurent 1st Line east to mid block 27.6 kV line 0.75 km	HIGH
2011	11R	Louis St. Laurent mid block to Regional Road 25 27.6 kV line 0.75 km	HIGH
2011	11U	Developer projects - Forecast	HIGH
2011	11S	Reg Rd 25 407 to Britannia Rd 27.6 kV pole relocation	HIGH
2011	11T	Main St. Grade separation	HIGH
2011	12E	Steeles Ave west of Twiss Install 27.6 kV pole line	HIGH

Finish Budget Year	Job #	Projects Description	Priority
2012	11AA	Bronte Meadows underground re-hab on 13.8 V COMPLETION	HIGH
2012	12A	Bronte Meadows underground re-hab on 13.8 kV	HIGH
2012	12B	Derry Road east of Guelph Line 13.8 kV to 27.6 kV conversion 1.6 km to Appleby Line	HIGH
2012	12C	FIT Projects 2012	HIGH
2012	12D	Install three phase switches for future automation	MED-HIGH
2012	12F	Tremaine Rd south to Britannia Rd Phase 3 27.6 kV extension 1.2 km	HIGH
2012	12G	Pole Replacement Program* 2012	HIGH
2012	12H	TmTS Tremaine Road south of Lower Baseline to Burnhamthorpe	HIGH
2012	12J	MHDI share of capital contribution for the construction of Tremaine TS	HIGH
2012	12K	Britannia Rd west of Regional Road 25 to 1st Line 27.6 kV extension 1.4 km	HIGH
2012	12L	Britannia Rd east of Tremaine Rd to 1st Line 27.6 kV extension 1.4 km	HIGH
2012	12M	Municipal Projects - Forecast	HIGH
2012	14A	Convert 13.8 to 27.6 kV Mill to Pine to Ontario St	HIGH
2012	14B	Recover 13.8 kV stations	HIGH
2012	13D	Derry Road east of Guelph Line 13.8 kV to 27.6 kV conversion 2.8 km to Tremaine Road	HIGH
2012	11C	Twiss Road north of Derry Rebuild to 27.6 kV	HIGH

Interrogatory #8

[Ex. 4 p. 16] Please explain the increase in the cost of maintenance of overhead conductors in the 2011 test year.

Response:

Milton Hydro has included one half of a full year wages for the Protection & Control Journeyman and Apprentice as explained in USoA Account 5125 – Maintenance of Overhead Conductors for the 2011 Test Year. Exhibit 4, Pages 22 and 50.

Interrogatory 9

[Ex. 4 p. 46] Please provide a detailed breakdown of annual management fee expenses.

Response:

Milton Hydro has provided the following table which sets out the annual management fee details.

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Bridge 2010	Test 2011
	90%	90%	90%	90%	90%	98%	98%	98%
- Management Fee								
- Milton Hydro Distribution Inc.	88,896	72,267	73,340	99,983	172,722	111,364	149,272	152,258
- Milton Hydro Telecom Inc.	9,877	8,030	8,149	11,109	19,191	2,273	3,046	3,107
- Milton Hydro Services Inc. (ina	0	0	0	0	0			
	98,773	80,296	81,488	111,092	191,913	113,637	152,318	155,365
EXPENDITURES								
- Director Stipend	37,500	37,500	37,500	35,000	32,500	37,839	39,158	39,941
- Meeting Expenses	32,239	23,750	23,083	32,379	71,721	47,054	55,545	56,656
- Insurance	7,689	6,853	7,257	8,013	10,081	9,257	10,183	10,387
- Stationary Supplies	0	0	0	0	482	171	500	510
- Consultants	7,127	550		20,000	61,029		25,000	25,500
- Contract Staff (Service Agreeme	8,932	9,744	12,360	14,400	14,400	16,116	16,932	17,271
- Legal & Audit Fees	5,286	1,900	1,288	1,300	1,700	3,200	5,000	5,100
TOTAL EXPENDITURES	98,773	80,296	81,487	111,092	191,913	113,637	152,318	155,365

Interrogatory #10

[Ex. 4 p.45] Please provide data on collections from 2004 to 2010.

Response:

Milton Hydro has provided the following table which sets out collection data from 2003 to 2010.

	2003	2004	2005	2006	2007	2008	2009	2010	Variance from 2004 to 2010
Number of Customers	15,805	17,804	19,858	20,978	22,642	25,181	27,324	28,890	62%
% increase in customer count		12.6%	11.5%	5.6%	7.9%	11.2%	8.5%	5.7%	
No. of HD Collection notices	2,595	3,328	4,924	4,749	4,697	6,565	7,243	8,702	161%
- % change from prior year		28.2%	48.0%	-3.6%	-1.1%	39.8%	10.3%	20.1%	
- No. of Disconnections	116	84	163	157	202	210	203	203	142%
- % change from prior year		-27.6%	94.0%	-3.7%	28.7%	4.0%	-3.3%	0.0%	
Write-offs	\$ 39,700	\$ 24,931	\$ 36,456	\$ 19,790	\$ 20,339	\$ 141,598	\$ 79,375	\$ 50,000	101%
- % change from prior year		-37%	46%	-46%	3%	596%	-44%	-37%	
# of Reminder Calls	**	**	**	**	12,593	20,200	24,203	26,723	
- % change from prior year						60%	20%	10.4%	
Actual to October 2010 and projected for November & December									

From 2004 to 2010, the number of customers is projected to have increased by 62%. During this same period, the following occurred:

- Hand Deliver Notices increased by 161%
- Number of Disconnects for Non-Payment increased by 142%
- Write-Offs increased by 101%
- Reminder Calls to those customers who did not pay by 7 days past the due date has increased 112% since 2007 when Milton Hydro began tracking the number of calls

Interrogatory #11

[Ex. 4 p. 47] With respect to Rent as an OM&A cost driver:

- a. Please provide the cost of per square footage at the end of the lease at 55 Thompson Rd. and the cost of the square footage currently at the 8069 Lawson Rd. facility?
- b. Please provide the total industrial and office area square footage leased at the 8069 Lawson Rd. facility?
- c. Please provide the rationale for selecting the 8069 Lawson Rd. facility to lease specifically?

Response:

a) & b) Milton Hydro has provided both the cost per square foot and office and industrial square footage for the Thompson Road property. The Lawson Road lease does not include a cost per square foot. During negotiations, Milton Hydro took the position that the lease payment could not significantly increase from the lease agreement at 55 Thompson Road; accordingly, the agreement focused on the total annual dollar amount as opposed to the cost per square foot. The office and stores area of the Lawson Road property is approximately 40,500 square feet and the lease payment is \$269,341 which equates to a cost per square foot of \$6.65.

Thompson Road	Area (Sq Ft)	2009 Cost/Sq Ft	Total
Office Area	9,731	\$ 13.00	\$ 126,503
Industrial Area	14,800	\$ 8.50	\$ 125,800
	24,531		\$ 252,303

c) In 2009, Milton Hydro was advised by the owner of the property, Town of Milton that the building located at 55 Thompson Rd. needed to be vacated November 1, 2009. The Corporation of the Town of Milton had applied for Infrastructure funding for a Library and Performing Arts Centre which was to be located at 55 Thompson Road. Milton Hydro attempted to locate suitable accommodation however it was limited. On October

8, 2009, Milton Hydro signed a five year lease effective November 22, 2009 with a non-affiliated company for new premises at 8069 Lawson Road in Milton. The owner of the 8069 Lawson Road had purchased the site for warehousing with the intention of moving his showroom to the site. It was agreed that Milton Hydro would use the front office and a portion of the warehouse for operations (40,500 sq feet) for a five year term.

Interrogatory #12

[Ex. 4 p. 51] Please provide a detailed breakdown of the expected Training Costs associated with the upgrading version of Harris Billing in 2011.

Response:

The following table sets out the details of the training costs associated with the upgrading of the Harris Billing system.

Description	Days	Training Cost
System Installation and Database Configuration	5	
On Site Overview, Navigation and Data Environments Review	5	5,000
Integrated Cycle/Volume Testing Simulation and Review of Major outputs	5	7,500
On Site Go Live Support	5	7,500
Remote Consulting and Implementation Support 10 \$15,000	10	15,000
Remote Project Management Services	10	
NorthStar Upgrade Total	40	35,000

Interrogatory #13

[Ex. 4 p. 58] Please provide detailed criteria for the 'Personal Performance' area of the Incentive Plan. What would be some examples for each level?

Response:

The detailed criteria for Personal Performance are currently being finalized as part of a formal Personnel appraisal document. Criteria that is being proposed will create a baseline for the satisfactory performance of their regular duties, the incentive components will evaluate personnel on their integrity, knowledge and ability to improve the key performance indicators of the efficiency and effectiveness of the utility (safety, customer service, service reliability etc) ; the leadership qualities and acceptance of change management; commitment and accountability to other employees and improved operations of the utility The Board's Compensation Committee is in the process of approving the Personnel appraisal document.

Interrogatory #14

[Ex. 4 p. 58] At the current time have any employees been evaluated on the new Incentive Plan? If so, how many? If so, please provide a breakdown of their performance measures? Please ensure that the information is aggregated sufficiently not to reveal individual evaluations.

Response:

At the current time no employees been evaluated on the new Incentive Plan as the personal appraisal documents have not been finalized. It is Milton Hydro's intent that all management employees will be evaluated on their individual performance in January 2011.