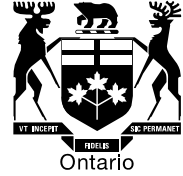


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BY E-MAIL

December 1, 2010

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

Dear Ms. Walli:

**Re: Milton Hydro Distribution Inc.
2011 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0137**

In accordance with Procedural Order No. 2, please find attached Board staff's questions to Milton Hydro Distribution Inc. in the above proceeding. These questions are posed in the usual format of interrogatories. While there is no requirement for formal response to the attached questions, Board staff intends that these questions will aid Milton Hydro Distribution Inc. and other parties in preparing for and participating in the Technical Conference scheduled for December 3, 2010.

Please forward the following to Milton Hydro Distribution Inc. and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Birgit Armstrong
Analyst – Applications & Regulatory Audit

Att.

**Board staff Questions for Technical Conference
2011 Electricity Distribution Rates
Milton Hydro Distribution Inc. ("Milton Hydro")
EB-2010-0137**

1) Ref: Board staff IRR # 4 – Land Purchase

In its response to Board staff interrogatory #4, Milton Hydro states that: "Milton Hydro has included the land as it is being used and is useful...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."

- a) Please state whether or not there is presently a building on this property in which the assets are being stored, or, if not please elaborate on the storage arrangements for these assets.
- b) Please provide the value of the assets currently stored on the property.

2) Ref: Board staff IRR # 7 – Conversion Upgrades/Rebuild to 27.6kV

In part a) Board staff asked Milton Hydro to "describe the impact on the system if the projects listed on page 57 were spread over 3 years." In its response Milton Hydro noted that "the possible impacts of delaying projects include reduced reliability for customers and increased operating costs associated with increased failure rate."

Please comment on whether Milton Hydro is suggesting in its response that in the event the specific projects listed on page 57 were spread over three years, the possible impacts noted in the response would be applicable to these projects and, if so, why.

3) Ref: Board staff IRR #8 – Capital Contribution

In paragraph one of its response Milton Hydro states that:

"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.”

Please discuss the accounting treatment of capital contributions in further detail (e.g. is a cash or accrual basis used).

4) Ref: Board staff IRR # 9 – FIT/microFIT project

In response a-c) Milton Hydro stated that “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...” subsequently Milton Hydro stated “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.”

- a) Please reconcile Milton Hydro’s portion of \$22,500 for this projects with Milton Hydro’s proposed capital expenditures of \$150,127.
- b) Milton Hydro stated that “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...” On what basis did Milton Hydro estimate this capital investment; please provide a list of criteria.

5) Ref: Board Staff IRR #10 and E 3/ p. 6 – System Load Regression Model

Milton Hydro stated that it has not considered any other economic variable or income variable. In response to Board staff IR #10 b) Milton Hydro provided a load forecast based on a regression model including Ontario GDP as an economic variable.

- a) Please provide the regression model for the load forecast provided in interrogatory response #10 b).
- b) Please confirm that a step-wise regression methodology was used.
 - i) If not, please explain why not.
- c) Please provide an alternative model using an economic or income variable other than GDP.
- d) Please provide an alternative model including the GDP, excluding number of customers.

6) Ref: Board Staff IRR # 16 - Load Forecast

The table provided in the interrogatory response is entitled "Customer Class kWh Forecast Before Adjustment for CDM Target". The statement in the paragraph preceding the table notes that "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."

Please provide an explanation as to how the table provides the allocation of the CDM target reduction.

7) Ref: Board Staff IRR #20 e, f) and 23 b) – Meter Reading Expense

In response to Board staff's interrogatory concerning whether or not any cost saving or productivity gains have been realized since the switch to the new automated meter reading regime Milton Hydro stated that "Milton Hydro will not realize any cost savings since the switch to [the] new automated meter reading regime", but listed the productivity gains achieved.

- a) Please provide the cost-benefit analysis conducted prior to entering into the service contract agreement signed August 21, 2007. If no cost-benefit analysis was used to determine the value of this service, state why not. Please also discuss why the referenced productivity gains would not result in cost savings.
- b) In part f) Milton Hydro stated that it "outsourced its Smart Meter function due to the unknowns involved with the process through the transition period with the MDM/R, the new technology involved and resource requirements. " Please clarify if cost savings were a factor in the decision to outsource. If yes, what were the savings?

8) Ref: Board Staff IRR #16 and EP IRR #2

In the first reference Milton Hydro replied that "Milton Hydro was assigned CDM targets which must be achieved over the four year period...[and] 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." In the second reference Milton Hydro stated that "the significance of "at the time" is to leave the door open for Milton Hydro to file an LRAM/SSM application in the future.

- a) Please confirm that any LRAM/SSM application in the future would only account for CDM savings above and beyond the mandatory CDM targets.
 - i) If no, please explain why not.

- ii) If yes, please provide an estimate of possible further savings.

9) Ref: Board Staff IRR #40, EP IRR #49 and Exhibit 8/Appendix A

In the first and second reference Milton Hydro provided bill impacts for different smart meter disposition scenarios. Staff noted that in E8/Appendix A of the application, Milton does not show a separate smart meter disposition rate rider in its bill impact calculation. Please explain and provide a bill impact calculation as shown in E8/Appendix A for each of the classes (typical usage) and scenarios listed in Board Staff IRR #40 and EP IRR #49.

10) Ref: Board Staff IRR #41

In the application Milton Hydro requested to dispose of its Smart Meter variance accounts 1555 and 1556. In its response Milton Hydro reaffirmed its request to continue the Smart Meter variance account 1555 in order to track the disposition of the \$598,879 balance and incidental capital expenditures.

- a) Please provide a more detailed explanation as to how Milton Hydro intends to use account 1555 to track the disposition of the \$598,879 balance.
- b) Please provide further explanation as to the nature and quantum of incidental capital expenditures expected by Milton Hydro.

11)Ref: VECC 23 c)

Milton Hydro stated that "The Cost Allocation Model is based on Milton Hydro's 2011 trial balance as set out at Tab I3 TB Data, which includes Milton Hydro's meter capital, USoA 1860 and the meter maintenance forecast for the 2011 Test Year." Milton Hydro further stated that "Milton Hydro also completed all the required input tabs for the Cost Allocation Model" and that "the cost allocation methodology in a cost of service rate application is based on reasonable cost drivers and not class specific tracked costs."

- a) Please identify the costs allocated to each class associated specifically with smart meters that flow from the inputs in the Cost Allocation model.
- b) Please provide a cost allocation scenario allocating the smart meter costs to only those classes that have received smart meters.

12)Ref: Board Staff IRR #42

Milton Hydro indicated that it 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.

- a) Since transferring the removed stranded meter costs to the sub-account, was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, please provide the total depreciation expense amount for the period from the time the stranded meters were transferred to the sub-account to December 31, 2009.
- b) If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, please provide the total depreciation expense amount that would have been applicable for the period from the time the stranded meters were transferred to the sub-account to December 31, 2009.
- c) Were carrying charges recorded for the stranded meter cost balances in the sub-account, and if so, please provide the total carrying charges recorded to December 31, 2009.
- d) In the outlined format of the table shown below, Summary of Stranded Meter Cost, please provide the data to derive the total "Residual Net Book Value" amounts for each year.

Table 1 - Summary the Residual Net Book Value of Stranded Meter Costs

Year	Gross Asset	Accumulated Amortization	Net Asset	Proceeds on Disposition	Contributed Capital	Residual Net Book Value
	(A)	(B)	(C = A-B)	(D)	(E)	(F=C-D-E)
2006						
2007						
2008						
2009						
2010 (1)						
Total						

(1) For 2010, please indicate whether the amounts provided are on a forecast or actual basis.