Milton Hydro Distribution Inc.

Response to Technical Conference Interrogatories

December 3, 2010

EB-2010-0137

ENERGY PROBE RESEARCH FOUNDATION

TECHNICAL CONFERENCE QUESTIONS

Question # 1

Ref: Energy Probe Interrogatory # 5

The response provided indicates a 2010 committed & forecasted capital figure for 2010 of $11,620,966. Will the reduction between this amount and the original forecast for 2010 of $12,454,585 be carried forward into the 2011 capital expenditures?

Response:

The reduction is primarily a result of delayed road projects which are anticipated to proceed in 2011. The reduction will be carried forward into 2011.

Question # 2

Ref: Energy Probe Interrogatory # 6

The developer driven capital contributions in 2008 and 2009 represent 66.9% and 67.5%, respectively, of the developer driven capital expenditures in those years. Please explain the forecasted decrease in this ratio to 62.0% in 2010 and 58.9% in 2011.

Response:

The different ratios in 2010 - 2011 relative to 2008 - 2009 are a result of the relationship between the subdivision development process, the specific progress attributable to individual subdivisions and Milton Hydro's budget year. Since subdivisions can be developed and individual units connected over multiple years, contributed capital and the associated subdivision rebates and therefore the recording of the asset may be recognized in different years, this results in the ratios fluctuating from year to year as is the case from 2008 to 2011.

Question # 3

Ref: Energy Probe Interrogatory # 7

a) What is the impact on the 2011 revenue requirement of including the purchased property in rate base?

b) What percentage of the land is/will be used for storage?

c) Have the costs associated with the fenced compound been included in the 2011 revenue requirement? If yes, please identify these costs.

Response:

a) Milton Hydro has provided the following table which sets out the impact on the 2011 revenue requirement of including the purchased property in rate base.

	Cumulative 2011 Revenue Requirement Impact	Impact/Change
2009 Land Purchase $2,218,530 removed from Rate Base	14,873,706	
Revenue Requirement as filed with Land Purchases included	15,061,832	188,126
Total		**188,126**

b) Milton Hydro expects to use at least one quarter of the property for storage.

c) Milton Hydro has not included the cost associated with the fenced compound in its 2011 revenue requirement.

Question # 4

Ref: Energy Probe Interrogatory # 12

Based on the most recent year-to-date information available, what is the total capital expenditure in 2010 related to FIT and microFIT projects?

Response:

Milton Hydro has not incurred any capital expenditures in 2010 related to FIT and microFIT projects.

Question # 5

Ref: Energy Probe Interrogatory # 13

a) What is the impact on the 2011 revenue requirement of including the property to be purchased in 2010 in rate base?

b) What will this land be used for in 2011?

Response:

a) Milton Hydro has provided the following table which sets out the impact on the 2011 revenue requirement of including the property to be purchased in 2010 in rate base

	Cumulative 2011 Revenue Requirement Impact	**Impact/Change**
2010 Land Purchase $700,000 removed from Rate Base	15,002,474	
Revenue Requirement as filed with Land Purchases included	15,061,832	59,358
Total		**59,358**

b) Milton Hydro will not be using this property in 2011.

Question # 6

Ref: Energy Probe Interrogatory # 14

a) Is the parking lot at 8069 Lawson Rd. currently paved?

b) Please explain the need to pave the parking lot.

c) Given that Milton Hydro plans on vacating these leased premises by 2014, over what period has Milton Hydro amortized this cost?

Response:

a) The parking lot at 8069 Lawson Rd has been repaved. Milton Hydro could be responsible for up to 30% of the total estimate of $150,000.

b) The parking lot repaving was required due to safety concerns.

c) This cost is amortized over the life of the lease being 5 years.

Question # 7

Ref: Energy Probe Interrogatory # 19

a) Please provide the year-to-date actual figures (along with projections for the remainder of 2010) for the overhead and underground costs, along with the associated number of residential and general service customers.

b) Please explain the significant increase in overhead costs in 2010 and 2011 despite a reduction in the number of customers from the 2009 levels shown.

Response:

a) Milton Hydro has provided the following table which sets out actual year to date and projected figures for the overhead and underground costs for the 2010 Bridge Year, along with the associated number of residential and general service customers.

	2010 year-to-date	**2010 projected**
Overhead $	**$51,330**	**$54,192**
Residential Customers	**26**	**30**
GS Customers	**8**	**8**
Underground $	**$680,381**	**$680,381**
Residential Customers	**0**	**0**
GS Customers	**18**	**18**

b) The increase in overhead costs in 2010 and 2011 was an error. The estimate should have remained consistent with the actual costs for 2007 and 2009. The budgeted amount should have been $70,000 and $72,000 for 2010 and 2011 respectively.

Question # 8

Ref: Energy Probe Interrogatory # 21

Has the expenditure of $150,000 for the architectural design for the building been closed to rate base in 2011? If yes, please explain why it would not be included in CWIP until the building has been built and placed into service.

Response:

Milton Hydro agrees that the expenditure for architectural design of $150,000 should properly be included in CWIP.

Question # 9

Ref: Energy Probe Interrogatory # 22

a) Please confirm that the updated cost of power provided in part (b) of the response reflects an RPP price of $0.06838/kWh.

b) The government has announced a change in the mid-peak/off-peak hours effective May 1, 2011. What impact, if any, will this have on the cost of power? If no change is estimated, please explain why.

Response:

a) Milton Hydro confirms that the updated cost of power reflects the RPP price for power of $0.06838/kWh.

b) Milton Hydro is not able to forecast the impact on the cost of power resulting from the change in the summer mid-peak/off-peak hours from 9:00 pm to 7:00 pm as there are many variables such as the weather and what generators are running at the time. In addition, it is unknown whether the change in hours will extend over to the winter period for on-peak/off-peak.

Question # 10

Ref: Energy Probe Interrogatory # 23

Please explain why there is no revenue shown in the table provided in the response for unmetered scattered load.

Response:

Milton Hydro included the revenue for the unmetered & scattered load customers with the General Service <50 kW customer class. The following table sets out the unmetered & scattered load revenue separately.

See revised table below. Milton Hydro has corrected the table to show Unmetered and Scattered Revenue for the period Jan – Sept 2009 and 2010.

Summary of Operating Revenues

Description	2010 Actual - Jan - Sept	2009 Actual - Jan - Sept
Distribution Revenues		
Residential	5,876,894	5,206,839
GS<50	1,271,059	1,162,629
GS>50	1,052,529	1,004,157
GS>1000 to 4999 kW	545,400	571,830
Large User	314,045	283,265
Sentinel	2,211	2,867
Street Light	21,307	19,082
Unmetered Scattered Load	26,030	25,613
Base Distribution Revenue	**9,109,476**	**8,276,283**
Other Distribution Revenue		
Late Payment Charges	124,651	101,408
Specific Service Charges	27,376	25,751
Interest Income	31,584	27,692
Other Distribution Revenue	917,471	798,306
Other Revenue	**1,101,083**	**953,157**
Total Revenue Net of TX Allowance	**10,210,559**	**9,229,440**

Variance from 2010 vs 2009	10.6%	

Question # 11

Ref: Energy Probe Interrogatory # 27 & Exhibit 3, Table 9

Are the figures provided in the response the average number of customers over the January through October periods of 2009 and 2010, or the October numbers?

Response:

Milton Hydro provided the actual end of period number of customers in the Energy Probe Interrogatory # 27 and Exhibit 3, Page 13, Table 9.

Question # 12

Ref: Energy Probe Interrogatory # 26

What is the impact on the revenue deficiency if the number of General Service 1,000 - 4,999 customers in 2011 is changed to the current level of 13? Please show/explain the derivation of the impact.

Response:

Milton Hydro will need to take an Undertaking on this Interrogatory as there is insufficient time to copy and prepare the Excel models and links.

Question # 13

Ref: Exhibit 3 page 42 & Energy Probe Interrogatory # 31

The evidence indicates that Milton Hydro reviewed the actual usage for the two Large Use customers for the first five months of 2010 and that the actual consumption increased by approximately 15% over those five months. Based on this Milton Hydro changed the growth rate for the Large Use customer class to 1.15 to reflect a more realistic consumption forecast for this class.

The response to the interrogatory indicates that based on the first nine months of 2010 that the actual consumption has increased by more than 36%.

What is the impact on the revenue deficiency if the Large Use forecast average use increases by 36% in 2010, followed by an increase of 5% in 2011?

Response:

Milton Hydro will need to take an Undertaking on this Interrogatory as there is insufficient time to copy and prepare the Excel models and links.

Question # 14

Ref: Exhibit 3, Table 18

Please provide the 2010 ratio of kW demand to kWh consumption for each class shown in Table 18 based on the most recent year-to-date figures available for 2010.

Response:

Milton Hydro has prepared the following table setting out the 2010 ratio of kW demand to kWh consumption for each class shown in Table 18 based on the most recent year-to-date figures available for 2010.

Actual kWh Consumption by Customer Class

Period	General Service >50 - 999kW	General Service 1000-4999kW	Large User > 4999 kW	Streetlights	Sentinel Lights
2010 Jan -Sept	144,691,565	82,157,339	57,760,954	4,200,259	117,402
2009 Jan -Sept	137,071,396	88,230,501	42,422,932	3,793,801	130,011

Actual kW Consumption by Customer Class

Period	General Service >50 - 999kW	Service 1000-4999kW	Large User > 4999 kW	Streetlights	Sentinel
2010 Jan -Sept	380,759	183,399	130,566	12,613	331
2009 Jan -Sept	369,010	197,130	111,937	11,381	361

Ratio of kW Demand to kWh Consumption

Period	General Service >50 - 999kW	Service 1000-4999kW	Large User > 4999 kW	Streetlights	Sentinel
2010 Jan -Sept	0.263%	0.223%	0.226%	0.300%	0.282%
2009 Jan -Sept	0.269%	0.223%	0.264%	0.300%	0.278%

Question # 15

Ref: Energy Probe Interrogatory # 34

Does the figure shown in the response to part (c) indicate that Milton Hydro has a $37,000 gain on the disposition of vehicles in 2010?

Response:

Milton Hydro has a gain of $37,033 on the disposition of vehicles and trailers in 2010.

Question # 16

Ref: Exhibit 3, Table 30

Please provide the average cash balance and forecast interest rate used to calculate the 2011 bank deposit interest forecast of $45,000.

Response:

For the 2011 Test Year, Milton Hydro has estimated the average cash balance to be $1,800,000 at an interest rate of 2.5%.

Question # 17

Ref: Exhibit 3, Table 29 & Energy Probe Interrogatory # 23

Please provide the year-to-date figures provided in the response to the interrogatory in the same level of detail as shown in Table 29, including the revenue offsets, for both 2010 and 2009.

Response:

Milton Hydro has provided the following table which sets out the year to date figures in the format requested.

Other Distribution Revenues		
Description	**2009 Jan - Sept Actual**	**2010 Jan - Sept Actual**
4082 - Retail Service Revenue	25,037	25,932
4084 - Service Transaction Requests (STR) Revenues	715	1,444
4090 - Electric Services Incidental to Energy Sales		
4210 - Rent from Electric Property - Pole Attachments	85,706	108,012
4215 - Other Utility Operating Income - SSS Admin		
4225 - Late Payment Charges	101,408	124,651
4235 - Miscellaneous Service Revenues	330,392	338,791
4355 - Gain on Disposition of Utility and Other Property	0	37,033
4375 - Revenue from Non Utility Operations	787,497	615,752
4380 - Expenses from Non Utility Operations	(758,349)	(551,249)
4390 - Miscellaneous Non-Operating Income	353,060	396,633
4405 - Interest and Dividend Income	27,692	31,584
Base Distribution Revenue	**953,157**	**1,128,582**
Revenue Offsets		
Less: 4375 Revenue from Non Utility Operations	(787,497)	(615,752)
Less: 4380 Expenses from Non Utility Operations	758,349	551,249
Less: 4355 Gain on Disposition of Utility & Other Property	0	(18,517)
Total Revenue Offsets	**(29,148)**	**(83,020)**
Total Other Revenue with Offsets	**924,009**	**1,045,563**
Other Distribution Revenue		
Late Payment Charges	101,408	124,651
Specific Service Charges	25,751	27,376
Interest Income	27,692	31,584
Other Distribution Revenue	798,306	944,971
Other Revenue	**953,157**	**1,128,582**

Question # 18

Ref: Energy Probe Interrogatory # 38

a) When did the Board of Directors approve the 2010 OM&A and capital budgets?

b) When does Milton Hydro expect Board of Director approval of the 2011 OM&A and capital budgets?

Response:

a) Milton Hydro's 2010 budget was approved by the Board of Directors at the December 7, 2009 meeting.

b) Milton Hydro's 2011 Budget is tentatively scheduled for approval by the Board of Directors at the December 13, 2010 meeting.

Question # 19

Ref: Energy Probe Interrogatory # 48 & Exhibit 5, Table 1

What is the updated weighted average cost of long term debt shown in Table 1 of Exhibit 5 if the Infrastructure Ontario rate of 4.51% is used for those loans shown in Table 1 that have not yet been placed?

Response:

The updated weighted average cost of long term debt would be 5.07% if the rate of 4.51% is used for Infrastructure Ontario debt not yet assumed.

Date of Debt		Amount	Rate	Interest
Sunday, October 01, 2000	Town of Milton	14,934,210	5.87%	876,638
Thursday, April 01, 2010	Infrastructure Ont.	235,000	3.02%	7,097
Thursday, April 01, 2010	Infrastructure Ont.	2,741,906	4.49%	123,112
Thursday, July 15, 2010	Infrastructure Ont.	3,915,012	4.84%	189,487
Wednesday, December 01, 2010	Infrastructure Ont.	2,925,000	4.51%	131,918
June 1, 2011 (7 mo)	Infrastructure Ont.	3,037,200	4.51%	79,904
		27,788,328		1,408,154
Weighted Average Cost of Capital				5.07%

Question # 20

Ref: Exhibit 3, Table 7

a) Please update the allocation of the CDM target based on EB-2010-0215/EB-2010-0216 Decision and Order dated November 12, 2010.

b) Please explain why Milton Hydro has assumed that its CDM target is one-quarter of the total target over the four year period.

c) If Milton Hydro hits its kWh target for 2011 and these reductions remain in place for the following three years, would Milton Hydro have to achieve any further reductions to meets its 2011-2014 cumulative energy savings target?

d) If the cumulative target were to be met with equal incremental savings in each of the four years, please confirm that Milton Hydro's CDM target reduction for the first year, 2011, would one-tenth of the cumulative energy savings target, based on a weighting factor of 1-2-3-4 for 2011 through 2014. If this cannot be confirmed, please explain why not.

e) How has Milton Hydro reflected the 2014 net annual peak demand savings (MW) in its cost of power forecast for 2011?

Response:

a) Milton Hydro has updated allocation of the CDM Targets in the following table.

Term	ME&I CDM kWh Target	Residential	General Service < 50 kW	General Service > 50 to 999 kW	General Service > 1000 to 4999 kW	Large Users	Total
		kWh					
4 years	33,500,000	249,747,033	73,958,013	183,863,313	104,583,289	69,292,234	681,443,881
1 year	8,375,000						
Ratio to Total kWh		36.6%	10.9%	27.0%	15.3%	10.2%	
Forecast Reduction		**3,069,411**	**908,950**	**2,259,695**	**1,285,337**	**851,607**	**8,375,000**

b) Milton Hydro has used one-quarter of the total CDM Target as its Application is for a four year period.

c) Milton Hydro confirms that on an annual cumulative basis Milton Hydro’s CDM Target for 2011 would be one-tenth of its total CDM target.

d) Milton Hydro has not reflected the annual peak demand reduction for 2014 in its 2011 Cost of Service Application.

Question # 21

Ref: Board Staff Interrogatory # 12

a) Please provide a table that shows the forecasted number of customer additions for 2010 as compared to year-end 2009 for each rate class, along with the actual number of connections as of the end of October 2010 and the projection for the remainder of 2010.

b) How many new residential customers did Milton Hydro connect in 2009 between the end of October and the end of December?

Response:

a) Milton Hydro has provided the following table which sets out the number of customer additions forecasted for the 2010 Bridge Year and the number of customer additions for 2009 by customer class

New Customer Connections by Class									
Period	**Residential**	**General Service < 50**	**General Service >50 to 999 kW**	**General Service ≥ 1000 to 4999 kW**	**Large User > 4999 kW**	**Streetlights**	**Sentinel Lights**	**Unmetered Loads**
Forecast 2010 Bridge Year	1,500	55	12	1	0	60	(4)	12
2009 Actual	2,077	67	1	(2)	0	65	(9)	7
Jan - Oct 2010 actual new	1406	86	6	1	0			6
Forecast Nov & Dec 2010	100	5	0	0	0			0

b) Milton Hydro connected 133 residential customers in November and December of 2009.

Question # 22

Ref: Board Staff Interrogatory # 28 & Exhibit 3, Table 29

a) Please provide the amount of water billing and related services revenues included in account 4390 in each of 2005 through 2009 and the forecast for 2010 and 2011.

b) Where are the costs associated with the provision of these services recorded?

c) Please provide the cost associated with the provision of water billing and related services for each of 2005 through 2009, along with the forecast for 2010 and 2011.

Response:

a) Milton Hydro has provided the following table which sets out the water billing and related services revenues included in account 4390 in each of 2005 through 2009 and the forecast for 2010 and 2011.

	2005	2006	2007	2008	2009	2010 Bridge	2011 Test
Revenue	334,448	371,894	351,352	405,540	474,798	528,628	564,418

b) The costs associated with water billing are recorded in 5310-Meter Reading Expenses, 5315-Customer Billing Expenses and 5320-Customer Collecting Expenses.

c) Milton Hydro is providing the response to this interrogatory part c) in confidence in accordance with the Practice Direction on Confidential Filings. Milton Hydro submits that the result of combining the revenues from part a) and the costs of providing the water billing service in part c) will provide information which is proprietary to Milton Hydro in its negotiations with the Region of Halton.