Milton Hydro Distribution Inc.

Response to Technical Conference Interrogatories

December 3, 2010

EB-2010-0137

VECC's Technical Conference Questions

QUESTION TC #1

Reference: OEB Staff #35

OEB Letter re: Review of Electricity Distribution Cost Allocation Policy, September 2, 2010.

a) Please explain why the table setting out the Proposed Revenue to Cost ratios may be redundant when the Board has specifically stated that it "expects that any revisions to its electricity distribution cost allocation policy resulting from this consultation would be implemented through cost of service applications starting with the 2012 rate year".

Response:

Milton Hydro is filing a 2011 Cost of Service Application not a 2012 cost of service application.

QUESTION TC #2

Reference: OEB Staff #16 and VECC #37

OPA Advice to the OEB: CDM Target Allocation for Ontario LDCs, pages 11-13

EB-2010-0133, Undertaking JT1.1

a) Hydro Ottawa has recently filed the CDM forecast used by the OPA in determining the individual distributor CDM targets. Is Milton familiar with this material?

b) Please confirm that the GWh targets represent "reduced electricity consumption accumulated over the four year period" 2011-2014.

c) Please explain why Milton assumed that ¼ of the accumulated savings would be achieved in 2011. Please confirm that, assuming 100% persistence through to 2014, Milton would not have to implement any additional CDM measures in subsequent years in order to achieve its target.

d) What percentage of the total 6,000 GWh of savings for LDCs has been allocated to Milton?

e) Based on this percentage and the 2011 LDC savings shown in EB-2010-0133, Exhibit JT1.1, what would Milton's 2011 CDM savings be?

Response:

a) Milton Hydro is not familiar with the Hydro Ottawa material.

b) Milton Hydro confirms that the CDM Target represent "reduced electricity consumption accumulated over the four year period" 2011-2014.

c) Milton Hydro does not assume that ¼ of the accumulated savings would be achieved in 2011. Milton Hydro confirms that if in fact it did realize a CDM savings of 100% of the ¼ of accumulated CDM Target that Milton Hydro would not be required to implement additional CDM measures in subsequent years.

d) Milton Hydro's CDM GWh allocation is 33.500 GWh.

e) Milton Hydro does not understand the reference to EB-2010-0133, Exhibit JT1.1.

QUESTION TC #3

Reference: VECC #7 c)

a) Based on this response, please indicate whether the reported Interest and Dividend Income (Account #4405) includes interest debits/credits on Regulatory Asset Accounts. If the answer is yes, please provide the values for 2008-2011 excluding interest associated with Regulatory Asset Accounts.

Response:

a) Account # 4405 does not include any interest on Regulatory Asset Accounts.

QUESTION TC #4

Reference: VECC #13 a) & c)

EB-2008-0046, Staff Discussion Paper

a) Please confirm that the Board's direction on cost allocation in its EDDVAR Report was based on the Staff Discussion Paper (per page 19 of the Board's Report).

b) Please confirm that, in recommending the use of Distribution Revenues for allocating Account #1508 the Staff Paper only considered two sub-accounts: Pension Contributions and OEB Cost Assessments.

Response:

a) The reference that Milton Hydro can confirm in the EDDVAR Report is found in the Board's Policy and Rationale where the "Board agree with the establishments of a default cost allocation methodology, where applicable, to facilitate the disposition process." This concurs with the Staff Discussion Paper referenced on page 19.

b) Milton Hydro confirms that in recommending the use of Distribution Revenues for allocating Account # 1508, the Staff Paper only considered two sub-accounts: Pension Contributions and OEB Cost Assessments.

QUESTION TC #5

Reference: VECC #15 a), Attachment A and VECC #16 d.

a) Please confirm that the average annual capital budget, net of refunds to developers and capital contributions, approved by Milton Hydro Board of Directors for the four years 2006-2009 inclusive was $7,970,596.

b) Please confirm that the average actual net capital expenditures for the four years 2006-2009 inclusive was $5,347,014 and that for each year in this period, actual capital expenditures were significantly less than the approved capital budgets.

c) Please explain why actual cap ex is persistently less than budgeted cap ex, on both a gross and net basis, for each year 2006-2009. Does this indicate systematic over-forecasting?

d) Please provide the most recent available capital expenditures for 2010 year-to-date in a form similar to that provided in Attachment A. In the event that ytd information is only available for 2010 to October 2010, as in the response to VECC #16 d), please provide the information in VECC #16 d) in the same form as provided in the referenced Attachment A.

e) Please provide the 2009 capital expenditures for 2009 for the same period and in the same form as that requested in part d) of this question.

Response:

a) Milton Hydro confirms that the average annual capital budget, net of refunds to developers and capital contributions as approved by the Board of Directors for the four years 2006 – 2009 inclusive was $7,970,596 (see below for calculation).

Milton Hydro has however provided an additional analysis which removes the extraordinary items in the Capital Budget by year (2006 – 2009) that provides a more accurate average annual capital budget figure being $5,193,623.

a)	Original Budget with ExtraOrdinary Items			
2006 budget approved BOD	4,940,823			
2007 budget approved BOD	8,329,316			
2008 budget approved BOD	8,326,676			
2009 budget approved BOD	10,285,570			
	31,882,385			
Average 4 years	**7,970,596**			
	(per VECC Question)			

	2006 Board Approved	2007 Board Approved	2008 Board Approved	2009 Board Approved
Original Budget Excluding ExtraOrdinary Items	4,940,823	8,329,316	8,326,676	10,285,570
Less:				
Land for New Headquarters	-	(1,500,000)	(1,500,000)	(3,000,000)
Smart meter Rollout	-	(2,394,170)	(1,217,355)	(446,370)
Load Transfer Projects	-		(1,050,000)	
Revised Capital	**4,940,823**	**4,435,146**	**4,559,321**	**6,839,200**
Revised Average 4 years exluding ExtraOrdinary Items	**5,193,623**			

b) Milton Hydro confirms that the average actual net capital expenditures for the four years 2006-2009 inclusive was $5,347,014 (see below for calculation), however Milton Hydro has provided an additional analysis which removes the extraordinary items in the Capital Budget by year (2006 – 2009) that provides a more accurate average actual net capital expenditure of $

b)	Original Actuals with ExtraOrdinary Items
2006 Actual	3,831,460
2007 Actual	5,034,541
2008 Actual	5,343,250
2009 Actual	7,178,812
	21,388,063
Average 4 years	**5,347,016**
	(per VECC Question)

	2006 Board Approved	2006 Actual	2006 Variance	2007 Board Approved	2007 Actual	2007 Variance	2008 Board Approved	2008 Actual	2008 Variance	2009 Board Approved	2009 Actual	2009 Variance
Original Budget Excluding ExtraOrdinary Items	4,940,823	3,831,460	1,109,363	8,329,316	5,034,541	3,294,775	8,326,676	5,343,250	2,983,426	10,285,570	7,178,812	3,106,758
Less:			-			-			-			-
Land for New Headquarters	-		-	(1,500,000)		(1,500,000)	(1,500,000)		(1,500,000)	(3,000,000)	(2,218,530)	(781,470)
Smart meter Rollout	-		-	(2,394,170)		(2,394,170)	(1,217,355)		(1,217,355)	(446,370)		(446,370)
Load Transfer Projects	-		-			-	(1,050,000)		(1,050,000)			-
Refund to Developers (timing difference)		700,000	(700,000)		(700,000)	700,000			-			-
												-
Revised Capital	**4,940,823**	**4,531,460**	**409,363**	**4,435,146**	**4,334,541**	**100,605**	**4,559,321**	**5,343,250**	**(783,929)**	**6,839,200**	**4,960,282**	**1,878,918**
Difference to Budget			8.3%			2.3%			-17.2%			27.5%
Average % Difference	**5.2%**											

c) Milton Hydro for the years 2006 – 2009 has on average been under budget by 5.2% which is mainly due to a result of Regional and Developer projects being postponed which are out of Milton Hydro's control.

d-e) Milton Hydro has provided the following table which sets out the Actual capital to October of 2009 and 2010 in the format requested.

	CAPITAL EXPENDITURES	
	2010 Actual to October 2010	2009 Actual to October 2009
Development Driven and Subdivisons	$ 2,439,879	$ 4,486,808
General Service Connections - OH & UG	$ 549,610	$ 720,606
TOTAL GROWTH RELATED CAPEX	**$ 2,989,489**	**$ 5,207,414**
MHDI Asset Management & Regional Driven Projects	$ 3,204,413	$ 1,463,280
Other Non-Growth Assets (meters)	$ 326,623	$ 209,286
TOTAL NON GROWTH RELATED CAPEX	**$ 3,531,035**	**$ 1,672,566**
TOTAL - OTHER CAPEX	$ 455,113	$ 480,368
TOTAL CAPEX (excl LAND) BEFORE CAPITAL CONTRIBUTIONS	**$ 6,975,638**	**$ 7,360,348**
LAND AND BUILDING	$ 113,038	$ 2,331,061
GRAND TOTAL CAPITAL EXPENDITURES BEFORE CAPITAL CONTRIBUTIONS	**$ 7,088,676**	**$ 9,691,409**
Less: Contributed Capital Portion of Capex		
Refund to Developers	$ 1,856,269	$ 577,380
Capital Contributions Received - Growth Related	$ (2,125,757)	$ (3,496,346)
Capital Contributions Received - Non-Growth Related	$ (2,191)	$ (35,330)
TOTAL CAPITAL CONTRIBUTIONS - NET	**$ (271,680)**	**$ (2,954,296)**
TOTAL CAPEX - NET CASH IMPACT	**$ 6,816,996**	**$ 6,737,113**

QUESTION TC #6

Reference: VECC #16 a)

a) Please explain why the average cost of poles replaced in 2008 was about twice the average cost of poles replaced in each other year shown in the response.

Response:

The costs associated with the pole replacement program for 2008 were captured on a pooled basis, as such individual pole replacement costs are not available. However with only 13 poles replaced in 2008, the average pole replacement cost for 2008 may have been distorted compared to the historic average.

QUESTION TC #7

Reference: VECC #17 and Exhibit 2, page 44, Table 18

a) Regarding Vehicle #30 which was sold in September 2010, what is the typical life of this vehicle in kms?

b) Please indicate the amount received from the sale of Vehicle #30 and Milton Hydro's treatment of this amount.

Response:

a) Large CVOR vehicles are typically kept between 10 and 20 years. The decision to replace is based on more criteria than just kms. Milton Hydro takes into consideration PTO hours, kms, boom condition, maintenance costs, and structural undercarriage condition. #30 had 124,000 kms and 181,750 PTO hours.

b) The amount received from the sale of Vehicle # 30 was $27,500 and was accounted for in the USoA 4355 – Gain on Disposal of Assets.

QUESTION TC #8

Reference: VECC #19 a) and Exhibit 4, page 65, Table 21

a) The initial IR referenced management incentive pay paid in 2006 in error. The year referenced should have been 2008. According to Table 21, in 2008, the average incentive pay was $6,556 while the average management base wage was $91,397. Please explain why the average incentive pay was so high in 2008 compared to all other years shown in Table 21 and indicate whether the 5% cap was exceeded in 2008.

Response:

Milton Hydro included in the 2008 Actual average yearly incentive pay for management a "One-Time" payment in lieu of vacation made to a retiring employee. Without this payment included, the average yearly incentive pay for 2008 was $2,331, which is less than 3%.