MILTON HYDRO DISTRIBUTION INC.
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By RESS and Courier

July 31, 2014

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

Re: Milton Hydro Distribution Inc.
Z-Factor Application EB-2014-0162
Interrogatory Responses

Attached please find Milton Hydro Distribution Inc.'s ("Milton Hydro") interrogatory responses to Ontario Energy Board Staff, Energy Probe and the Vulnerable Energy Consumers Coalition.

Milton Hydro has attached all three interrogatory responses into one pdf. file and the responses are filed in the order received.

Should you require further information please contact me at 289-429-5212 or cameronmckenzie@miltonhydro.com .

Respectfully submitted,

original signed by

Cameron McKenzie, CPA, CGA
Director, Regulatory Affairs

cc: Ontario Energy Board Staff, Suresh Advani
Energy Probe, David MacIntosh
Energy Probe, Randy Aiken
Vulnerable Energy Consumers Coalition Ms. Shelley Grice, P. Eng.
Vulnerable Energy Consumers Coalition, Mr. Michael Janigan

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 the recovery of amounts related to the restoration of electricity service in the Town of Milton due to the December 2013 Southern and Eastern Ontario Ice Storm.

MILTON HYDRO DISTRIBUTION INC. ("Milton Hydro")

EB-2014-0162

APPLICATION FOR APPROVAL OF A Z-FACTOR RATE RIDER FOR RECOVERY OF ICE STORM RELATED RESTORATION COSTS

RESPONSE TO BOARD STAFF INTERROGATORIES

Filed: July 31, 2014

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1. Accounting Standard

Ref: Board's letter dated July 17, 2012

a. Please provide the accounting standard under which Milton Hydro's Z-factor application has been filed.

b. Please confirm whether or not Milton Hydro's Z-factor application is reflective of the capitalization policy changes as per the Board's letter "Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013" dated July 17, 2012.

Response:

a. Milton Hydro's Z-Factor application has been filed under Modified International Financial Reporting Standards ("MIFRS").

b. Milton Hydro confirms that its Z-Factor application is reflective of the capitalization policy changes as per the Board's letter "Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013" dated July 17, 2012.

2. Accounting Treatment - Impaired Assets

Ref: Manager's Summary: page 4, line 7

Board staff notes that Milton Hydro's claim is based on the premise that its distribution system was negatively impacted by the ice storm that occurred on December 21st and 22nd, 2013.

a. Please explain the extent of the damage to Milton Hydro's assets with respect to the usability, remaining useful life and salvage value of the assets.

b. Please indicate Milton Hydro's accounting treatment for these damaged assets (e.g. impairment loss).

c. Please quantify any loss recorded on the assets.

Response:

Milton Hydro has not included capital in its Z-Factor Application.

a. Milton Hydro had 14 wood poles; 6 transformers; and 10 switches damaged beyond repair plus miscellaneous conductor and equipment taken down by trees and branches. The poles, transformers and switches were fully depreciated and had no salvage value.

b. The damaged assets were fully depreciated and no further accounting treatment was required.

c. Not applicable

3. Audited Costs

Ref: Manager's Summary

Board staff was unable to establish whether Milton Hydro's costs comprising the Z-factor claim have been audited.

a. Please indicate whether the costs contained within the application have been audited.
b. If not, please indicate when audited costs will be available.

Response:

a. The costs contained within the application have been audited as part of Milton Hydro's 2013 year end. Milton Hydro would refer OEB Staff to paragraph 1.3 of the Manager's Summary which states "Milton Hydro confirms that the amount included in this Application is the December 31, 2013 balance included in Milton Hydro's year end Audited Financial Statements." Also please refer to paragraph 4.14 of the Grounds for this Application are as Follows: which states "As provided in Table 1 at paragraph 2.6 the total audited costs of restoring electricity service, exclusive of capital costs, amounted to $935,507…"

b. Not applicable

4. Incremental Internal Labour Costs

Ref: Manager's Summary: page 2, lines 17 & 18
Ref: Manger's Summary: page 4, line 25
Ref: Manager's Summary: page 13, Table 3

Board staff notes that Milton Hydro is applying for recovery of incremental OM&A costs, which includes labour costs for overtime only pertaining to Milton Hydro staff.

a. Please provide the method used to determine the level of incremental overtime hours worked by Milton Hydro staff that are included in the Z-factor claim.
b. Please include a description of the method for tracking overtime hours and labour rates.
c. In addition to the overtime hours provided in Table 3, please also provide the regular hours by department worked by Milton Hydro staff in the restoration effort.
d. For additional clarity, please confirm that the Z-factor claim does not include the costs of these regular hours.

Response:

a. Milton Hydro employees submitted time sheets for each day worked during the restoration of electrical service, resulting from the ice storm. The timesheets were then reviewed and approved by management and then used to determine the level of overtime hours worked by Milton Hydro staff that are included in the Z-factor claim.

b. Milton Hydro employees submitted time sheets, which were reviewed and approved by management, for each day worked during the restoration of electrical service resulting from the ice storm. The timesheets are coded and entered into Milton Hydro's computerized payroll system. Those hours coded as overtime are then multiplied by two for double time and then multiplied by the individual employees pay rate, all in accordance with Milton Hydro's collective agreement.

Milton Hydro has reversed the responses to interrogatory c. and d as below:

d. Milton Hydro confirms that the Z-factor claim does not include the costs of regular hours as stated in the Application in paragraph 2.6 "… and include overtime hours only for Milton Hydro staff; and in paragraph 4.10 "Milton Hydro has provided, by department, the overtime hours and costs…"; and in Table 3.

c. Please refer to Milton Hydro's response to part d. above. The regular hours worked by Milton Hydro staff in the restoration effort are not included in this Z-Factor Application and therefore are not relevant to this application.

5. External Contractors and Other Electricity Distributors

Ref: Manger's Summary: page 4, line 26
Ref: Manager's Summary: page 14, Table 4

Board staff notes that Milton Hydro utilized a total of nine external contractors and nine electricity distributors in the restoration effort.

a. Please provide information supporting the choices made with respect to the procurement of external contractors listed under Power-Line Contractors in Table 4.

b. Further to the above, were the external contractors retained in a manner consistent with Milton Hydro's procurement policies? If not, please provide rationale supporting procurement.

c. Please clarify if the invoiced costs from the nine Local Distribution Companies and nine Power-Line Contractors in Table 4 are based on regular labour rates or premium rates given, for example, the timing of the engagement, its urgency, or the amount of notice provided to suppliers.

Response:

a. Milton Hydro put a call out to "GridSmart City" whose partners includes ten electricity distributors and one power line contractor of which three distributors and the contractor were able to respond. A further call to the Electricity Distribution Association brought in additional crews and vehicles for a total of 70 Linemen and 30 line trucks to assist Milton Hydro in the repairs of its distribution system and restoration of power to the rural customers.

b. Milton Hydro's Emergency Preparedness Plan supersedes Milton Hydro's Purchasing Policy. The Emergency Preparedness Plan, Section 12, states "During a major emergency or a disaster, assistance may be required from external organizations such as the Electricity Distributors Association (EDA), contractors, other distribution companies and/or Hydro One."

c. Milton Hydro verified the hours worked by the nine external contractors and nine electricity distributors in the restoration effort. However, Milton Hydro does not know how the invoiced costs for labour rates and equipment were determined by each of the Local Distribution Companies or Power-Line Contractors.

6. Trucks - Overtime Hours and Charge

Ref: Manager's Summary: page 13, Table 3

In Table 3 titled "Milton Hydro Overtime Labour Costs", Board staff notes a charge of $14,912 against 208 overtime hours for Trucks.

a. Please provide an explanation to clarify the above noted overtime hours and charge.

Response:

a. Milton Hydro truck time is allocated on timesheets based on straight time hours of use. The truck charges do not include overtime or premiums. Milton Hydro would note that the 208 hours provided in its Application did not include all the line trucks. The total truck hours should have been 386 hours of straight time as set out in the following table. The $14,912 of truck costs remains unchanged.

Truck #	Rate	Hours	Charge
44	27.32	89.0	2,431
48	55.78	6.5	363
2821	10.64	53.0	564
7147	27.32	129.5	3,538
9898	74.22	108.0	8,016
Total		**386.0**	**14,912**

7. Allocation of Recovery Costs

Ref: Manager's Summary: page 18

Board staff notes that Milton Hydro proposes to recover the ice storm Z-factor costs by way of a fixed rate rider across all metered customer classes based on Milton Hydro's customer count at December 31, 2013.

Board staff further notes that in the Board's Decision on The Combined Proceeding on Storm Damage Cost Claims (EB-2007-0514/0595/0571/0551) and the Board's Decision on Niagara-on-the-Lake Hydro Inc.'s wind storm damage Z-factor claim (EB-2011-0186), the Board ruled that approved costs shall be allocated to the classes on the basis of distribution revenue and using the last Board approved fixed-variable split.

Board staff also notes that in the Settlement Agreement approved by the Board with respect to West Coast Huron Energy Inc.'s tornado damage claim embedded within its 2013 cost of service rate application (EB-2012-0175), approved costs were allocated to the classes on the basis of dollar weighted allocators, i.e. distribution revenue.

a. Please provide Milton Hydro's rationale for proposing to recover the ice storm Z-factor costs by way of a fixed rate rider across all metered customer classes based on Milton Hydro's customer count.

b. Please provide Milton Hydro's views on allocating approved costs to all customer classes, i.e. metered and unmetered.
c. Further, please provide Milton Hydro's views on allocating approved costs to all customer classes on the basis of distribution revenue.

d. With respect to intra class allocations, please provide Milton Hydro's views on the recovery of approved amounts on the basis of (i) fixed only, or (ii) fixed and variable rate riders.

e. Please calculate rate riders by allocating Milton Hydro's recovery amount of $946,967 to all customer classes on the basis of the last approved distribution revenue, and using (i) fixed only, and (ii) fixed and variable rate riders, using the last Board approved fixed-variable split.

Response:

a. Milton Hydro is proposing to recover the ice storm Z-Factor costs by way of a fixed rate rider across all metered customer classes based on Milton Hydro's 2013 customer count for two reasons. First, for simplicity and transparency from the customer's perspective as the customer will know exactly what the storm damage cost will be; and secondly, the remaining class counts are based on connections and many of them also have a metered account, such as sentinel lights and some unmetered/scattered load customers and therefore would be paying the rate rider twice.

b. It is Milton Hydro's view that by allocating approved costs to all customer classes, i.e. metered and unmetered, the rate rider may be charged twice to the same customer where the metered account also has an unmetered account such as sentinel lights and some unmetered/scattered load customers.

c. It is Milton Hydro's view that the costs for the recovery of the restoration of electricity services due to the ice storm are not revenue related such that a customer in one class should not pay more or less for the costs to restore the electricity service to all the customers than a customer in another class simply base on the distribution revenues received by the specific customer class.

d. It is Milton Hydro's view with respect to intra class allocations on the recovery of approved amounts on the basis of (i) fixed only, or (ii) fixed and variable rate riders are as follows:

   Fixed only rate rider – the costs of restoration of electricity service are fixed and once the repairs were completed the restoration costs would be shared equally by all customers.

   Fixed and Variable rate rider – the costs of restoration of electricity service are not dependent on a customer's energy consumption or demand on Milton Hydro's distribution system. The costs are incurred without regards to kWh or kW demand and a customer in one class should not pay more or less than a customer in another class simply based on consumption or demand.

e. Milton Hydro has calculated rate riders by allocating Milton Hydro's recovery amount of $946,967 to all customer classes on the basis of its 2011 Cost of Service Application being the last OEB-Approved distribution revenue and the last OEB-Approved fixed-variable split, and using (i) fixed only, and (ii) fixed and variable rate riders as requested in this interrogatory.

Milton Hydro has included as a reference the impact of the Fixed/Variable charge on a Residential customer using 800 kWhs which is $1.52 compared to Milton Hydro's proposed Fixed charge of $1.54.

2011 Cost of Service						
Customer Class	**Customer Count**	**kWh**	**kW**	**Distribution Revenue**	**Fixed %**	**Variable %**
Residential	27,082	260,408,065		8,408,648	57.20%	42.80%
General Service <50kW	2,286	75,603,703		1,700,610	25.48%	74.52%
General Service 50 to 999 kW	293	188,689,653	511,697	1,483,511	17.57%	82.43%
General Service 1000 to 4999 kW	13	112,523,353	230,486	695,085	20.23%	79.77%
Large Users	2	85,702,235	188,668	543,950	17.52%	82.48%
Sentinel Lighting	272	167,188	465	9,387	48.18%	51.82%
Street Lighting	2,865	6,320,787	17,810	119,370	30.63%	69.37%
Umetered Scattered Load	201	1,519,815		44,620	42.93%	57.07%
	33,013	730,934,799	949,126	13,005,181		

	Ice Storm Cost Allocated on Dist. Rev.	**Ice Storm Cost Rate Rider Based on Allocation on Dist. Rev.**			**Impact Average Res. Cust. 800 kWh/mo**	**Milton Hydro Proposed Fixed Rate Rider**
Customer Class		**100% Fixed**	**Fixed**	**Variable**		
Z-Factor Application	**946,967**					
Residential	612,272	1.26	0.72	0.0010	**1.52**	**1.54**
General Service <50kW	123,829	3.01	0.77	0.0012		
General Service 50 to 999 kW	108,021	20.49	3.60	0.1740		
General Service 1000 to 4999 kW	50,612	224.94	45.50	0.1752		
Large Users	39,607	1,100.21	192.81	0.1731		
Sentinel Lighting	684	0.14	0.07	0.7618		
Street Lighting	8,692	0.17	0.05	0.3386		
Umetered Scattered Load	3,249	0.90	0.39	0.0012		
	946,967					

8. Shareholder Contributions

Ref: Manager's Summary: page 2
Ref: Milton Hydro's 2011 cost-of-service rate application (EB-2010-0137), exhibit 1, pages 23

Board staff notes that Milton Hydro is a corporation incorporated pursuant to the *Ontario Business Corporations Act*, and is a wholly-owned subsidiary of Milton Hydro Holdings Inc. which is 100% owned by the Corporation of the Town of Milton.

a. Is Milton Hydro's shareholder, i.e. Town of Milton making any contribution to the restoration cost?
    i. If not, why not?
    ii. If yes, please provide details.

Response:

a. Milton Hydro's shareholder is Milton Hydro Holdings Inc. which is 100% owned by the Town of Milton. The Town of Milton is not making any contribution to the restoration cost.

    i. Milton Hydro is a private corporation incorporated under the *Ontario Business Corporation Act, 1990* in accordance with Section 142 of the *Electricity Act, 1998* and as such there is no obligation or liability on the part of the Shareholder to make payments to Milton Hydro for the restoration costs of the ice storm. In fact, the Town of Milton incurred its own costs exceeding $1.7 million of cleanup after the ice storm.

    ii. Not applicable

9. Cost Impact

Ref: Manager's Summary: page 6-7

Board staff notes that Milton Hydro's claim suggests that it sustained significant and sustained damage to its distribution system as a result of the ice storm that occurred on December 21st and 22nd, 2013.

a. If the ice storm event had not occurred, would Milton Hydro have incurred any of the costs included in the $946,967 it is seeking to recover?

Response:

a. If the ice storm event had not occurred, Milton Hydro would **not have** incurred any of the costs included in the $946,967 it is seeking to recover.

10. Emergency Preparedness

Ref: Manager's Summary: page 7

a. Please explain if Milton Hydro has an Emergency Preparedness Plan ("EPP") to cope with events such as the subject ice storm.

   i. If yes, please provide details and a copy of the plan. Please comment on the degree to which Milton Hydro's response to the ice storm accorded with the provisions of the plan, and explain the main reasons for any deviation from it.

   ii. If Milton Hydro does not have an EPP, please explain why not.

Response:

a. Milton Hydro's response to the ice storm complied with the emergency response strategy contained within Milton Hydro's Emergency Preparedness Plan. There were no deviations from the Emergency Preparedness Plan.

   Milton Hydro's Emergency Preparedness Plan provides for, in part, Emergency Identification and Recognition; Safety; Communications; Extra Staffing Requirements; and External Assistance.

   A copy of Milton Hydro's Emergency Preparedness Plan is attached as Appendix A. Milton Hydro would note that the following appendices to the Emergency Preparedness Plan have been redacted as they contain names and personal contact information: Appendix B – Corporate Officers & Board of Directors – Telephone Numbers; Appendix C – Directory of Staff, Emergency Contacts; Appendix D – Key Emergency Contact Numbers and Appendix F – Major Supplier Contact Numbers. The removal of these appendices does not impact the content of the Emergency Preparedness Plan and are not relevant to this interrogatory response.

b. Not applicable.

11. Budget

Ref: Milton Hydro's 2011 cost-of-service rate application (EB-2010-0137), exhibit 4, pages 6-10

Board staff notes that Milton Hydro's 2011 cost-of-service rate application alludes to the OM&A budgeting process including an item related to unexpected repairs to the distribution system caused by storm damage.

a. What was Milton Hydro's budget for storm damage for 2013?

b. What was the unspent amount in Milton Hydro's 2013 storm damage budget just prior to the occurrence of the ice storm on December 21, 2013?

c. Up to what dollar value, if any, was the ice storm restoration effort funded by Milton Hydro's 2013 storm damage budget?

d. Please provide Milton's Hydro's annual storm damage budget and actual annual expenditure for the 5-year period prior to 2013.

Response:

a. In 2013, Milton Hydro budgeted 1,200 hours ($87,600) of labour for emergency distribution system issues, which includes storm related and any after-hours unexpected repairs to the distribution system. Milton Hydro does not budget for contractors that may be required in major emergency power outages.

b. Up to the time of the December 21 and 22, 2013 ice storm Milton Hydro had already incurred in excess of 1,920 hours of labour time for emergency distribution system problems in 2013. Included in this total are three major storms: February 26th – 151 labour hours; April 12th – 430.5 labour hours; and July 19th – 166.5 labour hours for a total of 748 labour hours. The balance of emergency hours in 2013 of 1,180.5 (1,920 hrs less 748 hrs) are within Milton Hydro's 1,200 hours budgeted, however, having already incurred 1,920 hours of labour time there were no unspent hours or dollars

remaining in Milton Hydro's budget for emergency distribution system problems just prior to the occurrence of the ice storm on December 21 and 22, 2013.

c. The ice storm restoration was not funded by Milton Hydro's 2013 emergency distribution system problems budget – See part b. above.

d. Milton Hydro's budget and actual costs for emergency distribution system problems, which includes storm related problems for the 5 years prior to 2013, being 2008 to 2012 is set out below. Beginning in 2012, Milton Hydro discontinued allocating burdens to overtime labour which accounts for the significant decrease in the budget and actual amounts for 2012 and 2013. Note: The Actual costs for 2013 do not include the December ice storm.

Emergency Distribution Systems Problems	2008	2009	2010	2011	2012	2013
Budget	200,900	195,775	269,120	269,120	88,290	87,600
Actual	251,158	325,283	245,371	186,963	96,525	134,805

12. Insurance and Other Funding Sources

Ref: Manager's Summary: page 3, section 1.6

Board staff notes that Milton Hydro states that there is no insurance coverage available to offset the costs of restoration.

a. Did Milton Hydro investigate the possibility of reimbursement through its current property insurance? Was any reimbursement for damage available through current coverage?
b. Please provide a copy of any communication received from Milton Hydro's insurance provider regarding potential reimbursement for ice storm damage.
c. Did Milton Hydro attempt to obtain funding to offset the costs of restoration from other sources, including but not limited to the Ontario Disaster Relief Assistance Program?
    i. If yes, please provide details.
    ii. If not, why not?

Response:

a. Milton Hydro, in common with Local Distribution Companies in Ontario, does not insure its distribution plant and therefore there is no possibility of reimbursement through insurance.
b. See Milton Hydro's response to a. above. There is no communication to be received from Milton Hydro's insurance provider regarding potential reimbursement for ice storm damage as there is no insurance.
c. Milton Hydro did not attempt to obtain funding to offset the costs of restoration from other sources, as there are no other sources other than filing for recovery with the Ontario Energy Board.
    i. Not applicable.

ii. Milton Hydro is a private corporation and in common with Local Distribution Companies in Ontario, is not eligible for funding from the ODRAP or any other provincial department.

13. Rate of Return

Ref: Revenue Requirement Work Form (Milton Hydro's 2011 cost-of-service rate application - EB-2010-0137), tab 4

Board staff notes that Milton Hydro's Board approved Return on Equity ("ROE") in its 2011 cost-of-service rate application (EB-2010-0137) was 9.58%. Board staff also notes that Milton Hydro's achieved regulatory ROE for 2013 reported to the Board was 10.61%.

a. Please confirm that Milton Hydro's achieved regulatory ROE for 2013 was 10.61%, i.e. higher than the Board approved ROE of 9.58%.

b. If yes, please explain Milton Hydro's reasons for seeking the recovery of the entire z-factor claim through this application, and whether any amount could and should be borne by Milton Hydro given the level of its return on equity in 2013.

Response:

a. Milton Hydro confirms that its regulatory ROE for 2013 was 10.61%, which is higher than the Board approved ROE of 9.58%.

b. Milton Hydro submits that any amount of the entire Z-Factor claim **should not** be borne by Milton Hydro given the level of its return on equity in 2013. Milton Hydro has not earned the OEB-Approved regulated return since its 2006 Cost of Service Application as indicated in the following table. Milton Hydro submits that it is inappropriate to offset the ice storm restoration costs in the one year that Milton Hydro earns its regulated return on equity.

	OEB-Approved Regulated Rate of Return	Actual Regulated Return Earned	(Under)/Over Earned
2007	9.00%	7.70%	-1.30%
2008	9.00%	6.86%	-2.14%
2009	9.00%	7.42%	-1.58%
2010	9.00%	7.01%	-1.99%
2011	9.58%	8.90%	-0.68%
2012	9.58%	8.15%	-1.43%
2013	9.58%	10.61%	1.03%

Appendix A – Milton Hydro's Emergency Preparedness Plan

MILTON HYDRO DISTRIBUTION INC.

EMERGENCY PREPAREDNESS PLAN

1. PURPOSE

This plan is a component of risk management and is a valid way of reducing the potential severity of a loss.

The purpose of an emergency preparedness plan is to have written procedures in the event of a major distribution system failure or emergency.

This procedure is strictly for hydro related distribution system emergencies. In the event of a major municipal area or regional disaster, the Town of Milton Emergency Disaster Plan or the Halton Region Emergency Response Plan will be coordinated along with these guidelines to ensure the safe and efficient restoration of services.

2. INTRODUCTION

The following instructions pertain specifically to a major emergency where a lengthy power outage exists caused by forces of nature or other unexpected events, which will involve all our human resources and equipment.

3. DEFINITIONS

Major Emergency: A major emergency is defined, as a situation when a power outage lasts up to 24 hours and a concentrated effort of our local forces is required to restore power.

Disaster: A disaster is defined as a major emergency when power is expected to be out for more than 24 hours and which requires the early organization and assistance of outside help. Examples are ice storms, hurricanes, tornadoes or other similar severe situations. Disasters of this type are widespread and often extend beyond municipal boundaries.

4. EMERGENCY IDENTIFICATION AND RECOGNITION

Prior to any action being put into effect, there must be some recognition and identification of an emergency.

Potential causes of an emergency may include, but are not limited to, severe weather conditions, train derailment, acts of terrorism and loss of bulk supply.

No-power calls, calls of lines down and confirmed lines down by hydro personnel are the first indicators that may set an emergency plan into effect.

After hours, the standby staff will be the first personnel to determine if an emergency situation does exist.

5. DECLARING AN EMERGENCY

The Director of Engineering/Operation (Dir, E/O) will determine whether an urgent situation will be declared a major emergency or a disaster. In the event of the absence of the Dir, E/O, this task will be performed by the company President/CEO.

After normal working hours, the standby staff will advise the Dir, E/O of the situation who in turn determines whether an urgent situation will be declared a major emergency or a disaster. The Dir, E/O or Operations Supervisor will advise the company President/CEO who will in turn notify the Board of Directors.

Upon declaring an emergency, the following organizations will be notified (see Appendix C):

- Town of Milton
- Fire
- Police
- Region of Halton

6. SAFETY

It is the duty and responsibility of each employee to work safely, with equal concern for the safety of co-workers and the public. The E&USA rule book, Milton Hydro Distribution Inc. practices and procedures, and all applicable Occupational Health & Safety legislation must be followed.

7. DAMAGED AREA ISOLATION

Appropriate steps will be taken to isolate the damaged area to facilitate power restoration in the surrounding area.

Restoration priority will be given to Critical Loads (Appendix E) and those parts of our distribution system that can be restored by sectionalizing and switching. Our mandate is to minimize the impact of outages on our customers while safeguarding the general public and our employees.

8. STORM CENTER CONTROL STATION

A control station will be set up in the Milton Hydro Control Room (905-878-3483 ext. 249) and all switching will be controlled from this area. All power outages shall be documented by our customer service representatives, using the outage report form and communicated to the control room immediately.

9. EXTRA STAFFING REQUIREMENTS

Corporate Officers: Once it has been determined that there is a major emergency or disaster, corporate officers will be notified. Corporate officers will assess the need for extra staff and co-ordinate the following:

- Incoming phone calls.
- Spotters.
- Material deliveries (to emergency area).
- Meals.
- Media communications (Chair of the Board approvals required).
- Various other duties as required.

10. CARING FOR EMPLOYEES' FAMILIES

In order that employees may attend to Milton Hydro Distribution Inc. needs during a declared major emergency or disaster, consideration will be given to the families of employees. The President/CEO will appoint an Emergency Coordinator (see Appendix B) who will arrange for appropriate assistance for employees' families, as required, such as:

- Lodging and food
- Transportation to a place of safety (possibly the service center or other appropriate location)
- Communication arrangement.

11. COMMUNICATION

It is essential that the general public is made aware and remains informed of the status of any major emergency or disaster. A Contact List for communicating on a 24-hour basis will be maintained including the names and contact numbers for employees, customers, suppliers, government officials & agencies and the media. (See Appendix C)

Corporate officers, with the assistance of the Chair of Board, will coordinate press releases and media notification. Caution is needed in how a message is conveyed. Where at all possible, customers will be advised of the approximate time of restoration.

12. EXTERNAL ASSISTANCE

During a major emergency or a disaster, assistance may be required from external organizations such as the Electricity Distributors Association (EDA), contractors, other distribution companies and/or Hydro One. (See Appendix F for contact numbers.)

If assistance is required, Milton Hydro Distribution Inc. has verbal agreements in place with surrounding utilities in Burlington, Halton Hills and Oakville and hourly agreements with the a number of pole line contractors, listed in Appendix D of this document.

13. CONDITIONS OF PARTICIPATION

Milton Hydro Distribution Inc. will bear the costs incurred by external companies rendering assistance. It is the responsibility of the company providing assistance to invoice Milton Hydro Distribution Inc. for labour, equipment and materials, including applicable burdens, based on the following terms:

Record of Hours Worked:

All personnel will submit a record of hours worked on forms provided by Milton Hydro Distribution Inc. Information recorded must include:

- Employer (utility or contractor) name.
- Employee name.
- Date of each work period.
- Start time.
- Quitting time.
- Applicable work orders assigned by Milton Hydro Distribution Inc.

This record will form the basis for invoicing from each company or contractor.

Working Hours:

It is recommended that full use be made of crews when they are remote from their home base. Thus, a minimum 12 hour shift (including meals and travel time) would be standard, with a suggested maximum 16 hour shift. A minimum 8 hour rest period between shifts would be required.

Where possible, the best use of daylight hours is recommended, with the sleep times scheduled at night. To allow for necessary response capability, a small number of crews could be scheduled on night shift.

Burdens:

Burdens may be applied to all hours worked and materials supplied.

Meals & Lodging:

Corporate officers will designate an Emergency Coordinator (See Appendix B) to make all arrangements for lodging and meals for crews and Milton Hydro Distribution Inc. personnel as necessary.

When normal accommodations are not available, Milton Hydro Distribution Inc. personnel may be asked to billet emergency staff. Those billeting emergency staff will be reimbursed, at the rate of basic motel accommodations.

Fuel:

Corporate officers will designate someone to make the necessary arrangements for fuelling of vehicles at the Milton Hydro Distribution Inc. yard (tanker truck) or at designated service stations throughout Milton.

14. COORDINATION OF EXTERNAL ASSISTANCE

All visiting crews will report to the Milton Hydro Distribution Inc. Service Center, where they will receive an orientation.

Some of the items that must be addressed are:

a) Provide a description of our distribution system.
b) Provide work practices to be followed including adherence to WSIB policies regarding emergency workers.
c) What Milton Hydro Distribution Inc. will provide, by way of lodging, food, rest periods, pay, etc.
d) Identify assigned supervisors.
e) Provide an information kit containing city and operating maps, forms to complete, safety policy, time sheet, and contact numbers including those for family members.

15. MATERIAL

With the assistance of the Material Handler, the Operations Supervisor will arrange all procurement of material. (See Appendix F for contact numbers of major suppliers.)

16. ELECTRICAL INSPECTION

In the event of a major emergency or disaster, no immediate hazard to life or property will be left unattended. The field procedure listed below will be followed:

a) Isolate all damaged services from the distribution system.
b) Advise customer to make arrangements for repairs and electrical inspection with Electrical Safety Authority ("ESA").
c) Restoration of hydro services by Milton Hydro Distribution Inc. will be subject to the rules of the ESA.

17. ADDITIONAL COMMUNICATION EQUIPMENT

If additional radios are required to maintain communications with field staff, they can be obtained by calling Comnet Ericsson or Ernie's Electro-Com and will be available within 2 to 3 hours of contact. Cell phones/radios are available through Communication Zone Inc. (See Appendix C for contact names and phone numbers.)

18. POST CONTINGENCY REVIEW

As soon as possible after the emergency has passed, a meeting will be held with key individuals to review how things progressed, both internally and with regards to responding to the public. Opportunities to improve the emergency plan and/or procedures will be identified. Following the meeting, a written evaluation of the emergency response, with any pertinent recommendations, will be submitted to the Board for consideration.

19. TRAINING & PARTICIPATION

As a market participant, Milton Hydro Distribution Inc. will meet all requirements of the Emergency Planning Guidelines as established and updated by the IESO's Emergency Planning Task Force.

Milton Hydro's emergency plan will be reviewed annually with both inside and outside staff. A mock exercise to test all components of the emergency plan will be performed as required.

Milton Hydro Distribution Inc. will also participate in any exercises initiated by outside organizations including the Town of Milton, Region of Halton, Electrical Distributors Association, neighboring utilities, Hydro One or IESO.

20. PLAN RESPONSIBILITY

The Corporate Officers will be responsible for updating the Emergency Plan and will ensure the plan is reviewed at least annually.

21. SUPPORTING DOCUMENTS

The following Agreements and documents form part of this plan, and the most up-to-date versions shall be reviewed as part of this document:

a) Town of Milton Emergency Response Plan

b) Halton Region Emergency Response Plan

c) Two Operating Agreements - Ontario Hydro Networks Inc:

- Supply Agreement for Halton TS
- Supply Agreement for Fergus TS and Palermo TS

d) Ontario Electricity Emergency Plan (OEEP)

APPENDIX "A"

MEMORY JOGGERS FOR UTILITY ASSISTANCE

1. Assess extent of damage to obtain as clear an indication as possible as to:
   a) Number of men required.
   b) Type and quantity of vehicles required.
   c) Type of work likely to be encountered; i.e. sub-transmission, distribution, services, underground, pole replacement, conductor repair, forestry work, etc.
   d) Material needs.

2. Advise as to any specific material and equipment that incoming crews should bring; i.e. reels of conductor, pole trailers, heavy-duty rigging, emergency lighting, chain saws, etc.

3. Indicate size of conductor likely to be worked on, to ensure that proper sized of sleeves, grips, presses and dies, etc. are brought along.

4. Indicate where incoming crews are to report, and provide directions to the location.

5. Arrange accommodation and meals for incoming crews.

6. Establish clear starting and quitting times.

7. A "handout sheet" containing all pertinent instruction; such as priorities, utility policy and hours of work; names and phone numbers of local staff, etc. would be helpful.

8. "Check-in" and "check-out" sheets are useful for recording information on "outside" crews.

9. Guard against auxiliary power supplies. (Apply grounds),

10. Have an adequate supply of utility's distribution system maps to hand out.

11. Establish a plan for material issuing and delivery.

12. Consider special time-reporting procedures for restoration period, i.e. time sheets submitted daily. Indicate approximate length of time that the assisting crews may expect to be away from home base.
13. Review inspection policy for use during emergency conditions.

14. Confirm with contractor radio and cell phone status and requirements.

APPENDIX "B"

MILTON HYDRO DISTRIBUTION INC.

CORPORATE OFFICERS & BOARD OF DIRECTORS - TELEPHONE NUMBERS

CORPORATE OFFICERS	**BUSINESS**	**HOME**
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

BOARD OF DIRECTORS	**BUSINESS**	**HOME**
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]

EMERGENCY COORDINATOR	**BUSINESS**	**HOME**
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

MILTON HYDRO DISTRIBUTION INC.

Phone: 905-876-4611

DIRECTORY OF STAFF, EMERGENCY CONTACTS,

CONTRACTORS, GOVERNMENT & MISC. ASSOCIATIONS & OTHER HYDROS

EMPLOYEE LISTING - FOR STAFF USE ONLY

[redacted]

[redacted]

[redacted]

ON-CALL OFFICE STAFF

[redacted] [redacted] [redacted]

If extra staff is required-rotate between the following for after hours call in:
(all within 30 minutes drive time)

[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

The following will rotate if the overtime begins at 4:30 pm

[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

MILTON HYDRO'S TELECOMMUNICATION SYSTEM:

	Vehicle#'s	Cellular #'s	Direct #'s
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	
[redacted]		[redacted]	
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	
[redacted]		[redacted]	
[redacted]		[redacted]	
[redacted]	[redacted]	[redacted]	
[redacted]		[redacted]	
[redacted]		[redacted]	
[redacted]		[redacted]	
[redacted]		[redacted]	
[redacted]		[redacted]	
[redacted] [redacted]		[redacted]	

Fire Monitoring System

Sonitrol Central Station
5875 Kenedy Rd.
Mississauga, Ontario, L4Z 2G3
[redacted]

The monitoring system is owned by G&A Masonry. The sprinkler panel is located in the warehouse on G&A's side on the west wall of the building

The fire panel is located in the front entrance of Milton Hydro

[redacted]

Emergency Contact list:

[redacted]

EMERGENCY CONTACTS - GENERAL:

[redacted]

NOTE:

The above numbers are for Milton Hydro employees use ONLY! They are to be used for emergency situations and should NOT be given to the general public under any circumstances.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

KEY EMERGENCY CONTACT NUMBERS

NAME	BUSINESS	HOME	CELL
[redacted]			

APPENDIX "E"

SPECIFIC REQUIREMENTS FOR POWER OUTAGE AT MILTON HYDRO SERVICE CENTER

OUTAGES LESS THAN FOUR HOURS:

If it is perceived that the power will be restored in less than four hours, there is no requirement to initiate any backup generation because our backup supply for the radios and telephones will sustain this duration.

OUTAGES GREATER THAN FOUR HOURS:

It is imperative that our telephone, radio and computer systems remain functional during any prolonged outage. These systems do have backup supplies but it is important to consider supply from an alternate feeder should the present supply feeder (41M23) remain out of service for a period greater than four hours. The following should be taken into consideration should this situation arise:

- Supply to the Milton Hydro Service Center should be restored as soon as possible. The building is presently supplied by the 41M23 feeder out of Halton TS. The feed to our transformer off the riser pole would then be connected to the 41M26 facilitate restoration.

BACKUP GENERATOR

Milton Hydro Distribution Inc. is equipped with a 9 kVA UPS, which can handle the essentials within the building (i.e. telephone system, radio system, computer system and designated terminals, etc.) for a period of 3-4 hr.

Milton Hydro has just awarded a contract for installation of a 125 kW generator to power the whole facility, which will be installed by May 2010.

Milton Hydro Distribution Inc. presently has two portable 5 kW generators to be used on an "as required" basis. Should the outage be widespread, greater than 24 hours in duration, and include the area of 17 Side road and Hwy #25 in Halton Hills, one of the generators will be installed at our repeater site to ensure continued operation of the radio system which is located at the Speyside Police Tower (17 Side road – Halton Hills) These generators are gas fuelled and have a running time of 4-6 hours between refueling. Should further generators (all sizes) be required for any reason our supply contractor is L.M. Generating Power Co. Ltd. and can be contacted on a 7/24 basis at 905-564-7322.

APPENDIX "F"

SEPARATELY ATTACHED: "APPENDIX F MHDI EMERGENCY PREPAREDNESS PLAN"

MAJOR SUPPLIER CONTACT NUMBERS

NAME	BUSINESS	CELL
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	
[redacted]	[redacted]	
[redacted]	[redacted]	
[redacted]	[redacted]	
[redacted]	[redacted]	
[redacted]	[redacted]	
[redacted]	[redacted]	
[redacted]	[redacted]	
[redacted]	[redacted]	
[redacted]	[redacted]	
[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	

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 the recovery of amounts related to the restoration of electricity service in the Town of Milton due to the December 2013 Southern and Eastern Ontario Ice Storm.

MILTON HYDRO DISTRIBUTION INC. ("Milton Hydro")

EB-2014-0162

APPLICATION FOR APPROVAL OF A Z-FACTOR RATE RIDER FOR RECOVERY OF ICE STORM RELATED RESTORATION COSTS

RESPONSE TO ENERGY PROBE INTERROGATORIES

Filed: July 31, 2014

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Director, Regulatory Affairs
Milton Hydro Distribution Inc.
8069 Lawson Road
Milton, Ontario
L9T 5C4
Tel: (289) 429-5212
cameronmckenzie@miltonhydro.com

Energy Probe - 1

Ref: Paragraph 1.3

Please provide a copy of Milton Hydro's 2013 year end Audited Financial Results.

Response:

Milton Hydro has attached its 2013 Audited Financial Statements as Appendix A.

Energy Probe - 2

Ref: Paragraphs 3.6-3.7

a) Did Milton Hydro experience any other events that would have qualified for Z-factor status in 2013 but were less than the materiality threshold? If yes, please provide an estimate of the cost of these other events in 2013.

b) Please provide the level of costs incurred in 2013 for emergency restorations excluding the costs associated with this application.

Response:

a) Events less than the materiality threshold do not qualify for Z-Factor status.

b) Please refer to OEB staff IR # 11 d.

Energy Probe - 3

Ref: Paragraph 3.7

The evidence states that the costs incurred as a result of this event were clearly outside of the base upon which Milton Hydro's rates were derived based on the OEB approved 2011 cost of service proceeding.

a) What level of costs was included in the approved 2011 cost of service OM&A related to emergency maintenance/restorations?

b) What was the actual level of emergency maintenance/restoration costs incurred by Milton Hydro in each of 2008 through 2012?

Response:

a) Please refer to OEB Staff IR # 11 d.

b) Please refer to OEB Staff IR # 11 d.

Energy Probe - 4

Ref: Paragraph 4.12

Please explain why the material costs related to restoration shown in Table 6 were expensed rather than capitalized.

Response:

Milton Hydro's capitalization policy is that individual items under $1,000 are not capitalized. Material related to capital projects or capital re-builds are of course capitalized as a component of the capital work undertaken. The material costs related to the ice storm restoration shown in Table 6 were expensed as this material is normally carried on the trucks for maintenance purposes to replace broken or damaged equipment in the field such as blown fuses, arresters, sleeves for connecting conductor, pole top pins for holding insulators, etc., where replacement is one-for-one and the material cost is less than $1,000, for example, the highest cost in Table 6 of a single fuse replaced is $146.44.

Energy Probe - 5

Ref: Paragraph 2.6 & Table 1

a) Did Milton Hydro include the costs shown in Table 1 in the calculation of its PILs for 2013? If not, why not? If yes, what was the impact on PILs in 2013 of the deduction of these amounts?

b) If the response to part (a) was that Milton Hydro did not include the costs shown in Table 1 in the calculation of its 2013 PILs, will Milton Hydro be deducting these costs in the calculation of its 2014 PILs? If yes, what is the expected impact on PILs in 2014 of the deduction of these amounts?

c) If the response to parts (a) and (b) are both no, please explain when these additional costs will be reflected in the PILs calculations, or why they will not be reflected in the PILs calculations.

Response:

a) Milton Hydro's auditors recommended that a provision for non-recovery be recognized as an expense in 2013, in the amount of $500,000 given that the recovery of the ice storm costs is at the discretion of the Ontario Energy Board. At the current tax rate of 26.5%, the impact on 2013 PILs is $132,500.

b) If Milton Hydro's Application is approved by the OEB, then the provision expensed in 2013 will be reversed accordingly and recorded in USoA 1572 for disposition. The balance of the Z-Factor claim would remain in USoA 1572 for disposition. If the Application is not approved by the OEB for recovery, Milton Hydro would expense the amount recorded in USoA

1572 in 2014, the tax impact at the current tax rate of 26.5% would be approximately $115,400.

c) As provided in part a) and b) above, the treatment of the restoration costs in Milton Hydro's PILs calculations is dependent on the outcome of the Z-Factor Application.

Energy Probe - 6

Ref: Paragraph 1.8

a) Please explain why the rate rider will be recovered only from metered customers and not from unmetered customers?

b) Please confirm that the street lighting class, sentinel class and unmetered class will not pay any of the costs associated with the Z-factor event under Milton Hydro's proposal. If this cannot be confirmed, please explain.

c) How many unmetered connections does Milton Hydro have? How many unmetered customers does Milton Hydro have?

d) Based on actual data for 2013, please provide the percentage of actual kWh's consumed by each of the rate classes that do not attract the rate rider as a percentage of the total kWh's delivered by Milton Hydro.

Response:

a) Please refer to OEB Staff IR # 7 a. and b.

b) Milton Hydro confirms that the Street Lighting class, Sentinel Light class and Unmetered/Scattered Load class will not pay any of the costs associated with the Z-factor event under Milton Hydro's proposal.

c) Milton Hydro has 192 Unmetered/Scattered Load connections, 3,046 Street Light connections (3 customers) and 256 Sentinel Lights as of December 31, 2013.

d) Based on actual data for 2013 the percentage of actual kWh's consumed to the total Kwh delivered by Milton Hydro for the Unmetered/Scattered

Load class is 0.16%; the Street Light class is 0.78% and the Sentinel Light class is 0.02%.

Energy Probe - 7

Ref: Paragraph 1.8 & Table 9

Milton Hydro is one of the fastest growing electricity distributors in Ontario and had 34,073 metered customers at the end of December, 2013.

a) How many metered customers does Milton Hydro forecast that it will have at the end of October, 2014?

b) How many metered customers does Milton Hydro forecast that it will have at the end of April, 2016?

c) Based on the most recent month available on an actual basis, how many metered customers does Milton Hydro have?

d) If the rate rider is calculated based on the December 31, 2013 number of customers, does Milton Hydro agree that it will recover in excess of the amount through the rate rider because the number of metered customers will be higher than the number used to calculate the rate rider?

e) Will any over collection resulting from the increase in the number of metered customers be held in the Z-factor account and refunded to ratepayers after the rate rider expires at the end of April, 2016? If not, why not?

f) Would Milton Hydro agree to track the revenues received from the rate rider and to refund any over collection to ratepayers following a review in a subsequent proceeding? If not, why not?

Response:

a) Milton Hydro forecast that it will have 34,900 metered customers at the end of October, 2014.

b) Milton Hydro forecast that it will have 37,073 metered customers at the end of April, 2016.

c) Based on the month of May 2014 Milton Hydro has 34,222 metered customers.

d) Milton Hydro agrees that it will recover in excess of the amount through the rate rider because the number of metered customers will be higher than the number used to calculate the rate rider, which is why the Z-Factor restoration costs are tracked in USoA 1572 as a deferral/variance account.

e) Any over collection resulting from the increase in the number of metered customers will be held in the Z-factor account and refunded to ratepayers after the rate rider expires at the end of April, 2016 in accordance with the Report of the Board on Electricity Distributors' Deferral and Variance Account Review.

f) Milton Hydro agrees to track the revenues received from the rate rider and to refund any over collection to ratepayers following a review in a subsequent proceeding.

Energy Probe - 8

Ref: Paragraph 1.8

a) Please explain why Milton Hydro is allocating costs among the rate classes by number of metered customers rather than the number of customers/connections.

b) Please explain why Milton Hydro is allocation costs among the rate classes by number of metered customers rather than by kWh figures for 2013.

c) If the storm costs had been allocated on the same basis as tree trimming costs, how would these costs be allocated to the rate classes? Please base the response on the cost allocation methodology used and approved by the Board in the 2011 cost of service application.

d) If the storm costs had been allocated on the same basis as maintenance of poles, towers and fixtures or maintenance of overhead conductors and devices, how would these costs be allocated to the rate classes? Please base the response on the cost allocation methodology used and approved by the Board in the 2011 cost of service application.

e) Please provide a version of Table 9 that shows the allocation of the $946,967 to each rate class based on Milton Hydro's proposal and each of the possible alternatives from parts (a), (b), (c) and (d) above.

Response:

a) Please refer to OEB Staff IR # 7b.

b) Please refer to OEB Staff IR # 7d.

c) Please see d) below as tree trimming costs are included in Maintenance of Overhead Conductors and Devices USoA 5125

d) Milton Hydro has provided the ice storm costs allocated on the same basis as maintenance of poles, towers and fixtures or maintenance of overhead conductors and devices based on the cost allocation methodology used and approved by the OEB in the 2011 cost of service application in the following table.

Customer Class	Ice Storm Costs Allocated by USoA 5120 or 5125
Residential	476,603
General Service <50kW	107,521
General Service 50 to 999 kW	176,293
General Service 1000 to 4999 kW	83,642
Large Users	72,571
Sentinel Lighting	2,224
Street Lighting	25,708
Unmetered/Scattered Load	2,406
	946,967

e) Milton Hydro has provided a version of Table 9 that shows the allocation of the $946,967 to each rate class based on Milton Hydro's proposal and each of the possible alternatives from parts a), b), and c) same as d), above.

Customer Class	Ice Storm Costs Allocated by # Metered Customers [Table 9] note below	IR 8 a) Ice Storm Costs Allocated by Customers & Connections	IR 8 b) Ice Storm Costs Allocated by 2013 kWh	IR 8 c) & d) Ice Storm Costs Allocated by USoA 5120 or 5125
Residential	867,885	789,219	334,253	476,603
General Service <50kW	68,662	62,439	101,247	107,521
General Service 50 to 999 kW	7,568	6,882	236,392	176,293
General Service 1000 to 4999 kW	305	277	131,176	83,642
Large Users	83	76	134,774	72,571
Sentinel Lighting		76,782	178	2,224
Street Lighting		6,453	7,393	25,708
Unmetered/Scattered Load		4,840	1,555	2,406
	944,504	946,967	946,967	946,967
	note: Rounding			

Energy Probe - 9

Ref: Paragraph 3.13 and

EB-2010-0137, Exhibit 2, Appendix A

a) Please provide a copy of the written tree trimming policy referenced in Paragraph 3.13.

b) When was this tree trimming policy implemented and/or changed?

c) Milton Hydro filed an Asset Management Plan for 2010 through 2015 in EB-2010-0137 (Exhibit 2, Appendix A). As part of that plan, Table 2 on page 20 of 196 showed the tree trimming cycle for year in 2010 through 2015 for each of three areas (central, south, north). Please confirm that the tree trimming cycle shown in Table 2 was completed as planned. If this cannot be confirmed, please explain any variations from plan.

Response:

a) Milton Hydro has provided a copy of its tree trimming policy in effect at the time of the ice storm as Appendix B.

b) Milton Hydro's tree trimming policy was implemented on December 20, 2010 and has been updated effective May 26, 2014. A copy of the updated policy has also been attached as Appendix C.

c) Milton Hydro confirms that the tree trimming cycle continued to be based on a three year rotation as shown in Table 2 of Milton Hydro's Asset Management Plan filed in its 2011 Cost of Service Application. However, the service areas to be trimmed have been changed to better reflect the growth rate of the trees in each area. In addition, the tree trimming in the North was advanced as a result of the number of trees and rapid vegetation growth.

Appendix A – Milton Hydro Distribution Inc. 2013 Audited Financial Statements.

Appendix B – Milton Hydro's Tree Trimming Policy in Effect at the time of the Ice Storm.

Appendix C – Milton Hydro's Tree Trimming Policy Updated May 2014.

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 the recovery of amounts related to the restoration of electricity service in the Town of Milton due to the December 2013 Southern and Eastern Ontario Ice Storm.

MILTON HYDRO DISTRIBUTION INC. ("Milton Hydro")

EB-2014-0162

APPLICATION FOR APPROVAL OF A Z-FACTOR RATE RIDER FOR RECOVERY OF ICE STORM RELATED RESTORATION COSTS

RESPONSE TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

Filed: July 31, 2014

Cameron McKenzie, CPA, CGA
Director, Regulatory Affairs
Milton Hydro Distribution Inc.
8069 Lawson Road
Milton, Ontario
L9T 5C4
Tel: (289) 429-5212
cameronmckenzie@miltonhydro.com

VECC Question #1

Ref: Application, Page 2

Preamble: Milton Hydro is applying for recovery of a total Z-Factor claim of $946,967.

a) Please confirm the costs included in the Z-Factor amount are incremental costs and that that all regular payroll costs and the associated truck costs were deducted from the total cost claim.

b) Please provide the regular payroll costs and associated truck costs not included in the total claim.

c) Please identify the annual storm damage costs included in current base rates.

Response:

a) Milton Hydro confirms that the costs included in the Z-Factor Application are incremental costs and that that all regular payroll costs and the associated truck costs were not included in the total cost claim as stated in the Application in paragraph 2.6 "… and include overtime hours only for Milton Hydro staff; and in paragraph 4.10 "Milton Hydro has provided, by department, the overtime hours and costs…"; and in Table 3.

b) Please refer to Milton Hydro's response to part a) above. The regular payroll costs and associated truck costs are not included in the total claim are not relevant to this Application.

c) Please refer to OEB Staff IR #11 d.

VECC Question #2

Ref: Application, Page 2

Preamble: Milton Hydro indicates its capital costs related to the replacement of poles, transformers and reclosers amounted to $48,871.

a) Please provide an itemized breakdown of this amount.

Response:

a) Milton Hydro provided the detailed list of material capitalize in Table 5 in the amount of $25,241 plus the labour component to install the capital in the amount of $23,630, as identified at paragraph 4.10 of the Application, which states “Milton Hydro has excluded the hours and costs in the amount of $23,630 charged to capital as discussed in paragraph 1.5 above.” The total ice storm costs capitalized amounted to $48,871.

VECC Question #3

Ref: Application, Pages 3-4

Preamble: Milton Hydro indicates that it had approximately 15,000 customers almost 50% of its customer base without power due to damage to its system.

a) Please provide a complete description of Milton Hydro's damaged distribution infrastructure.

Response:

a) Milton Hydro sustained damage to its 27.6 kV, 13.8 kV and 8.32 kV distribution system and ancillary equipment. Please refer to Appendix B of the Z-Factor Application for the Outage Map and Restoration Dates. Also please refer to the pictures provided in paragraph 4.5 and Appendix C of the Z-Factor Application.

VECC Question #4

Ref: Application, Page 8

Preamble: Milton Hydro indicates it follows a written tree trimming policy and hires a contractor aborist to perform tree trimming in accordance with its policy.

a) Please provide the frequency of Milton Hydro's tree trimming schedule for the past 5 years.

Response:

a) Please refer to Energy Probe IR # 9 c).

VECC Question #5

Ref: Application, Page 13, Table 3

Preamble: Table 3 includes 208 overtime hours for trucks in the amount of $14,912.

a) Please provide the calculation for this amount and identify any premium applied.

Response:

a) Please refer to OEB Staff IR # 6.

VECC Question #6

Ref: Application, Page 13, Table 3

Preamble: Table 3 provides by department overtime hours and costs. Milton Hydro has excluded the hours and costs in the amount of $23,630 charged to capital as discussed in paragraph 1.5 above. Paragraph 1.5 on page 2 references $48,871 in capital.

a) Please reconcile the two capital cost amounts provided.

Response:

a) Please refer to VECC IR # 2 above.

VECC Question #7

Ref: Application, Page 14, Table 4

Preamble: Table 5 provides the total distribution companies & contractors invoiced costs.

a) Please provide a breakdown of the costs for labour, material, equipment and other costs and a provide an explanation of other costs.

Response:

a) Milton Hydro has provided a breakdown of the costs for labour, material, equipment and other costs in the following table.

Local Distribution Companies	**Labour**	**Equip.**	**Material**	**Meals/Living**	**Contractors**	**Dump Fee**	**Admin**	**Total**
Niagara Penninsula	159,930	33,982	1,611	9,309				204,833
Oakville Hydro	54,523	7,555			3,056			65,134
Ascent	25,178	3,795	450					29,423
St. Thomas Hydro	23,660	3,400	1,323	263				28,646
Goderich Hydro	14,797	3,575	736					19,108
Tillsonburg Hydro	8,663	1,820						10,483
Horizon Utilities	32,619	7,952		1,190			6,264	48,025
Guelph Hydro	8,775	1,903			141			10,818
Haldiman County Hydro	18,494	5,720						24,214
Total Distributors Invoiced Costs	346,638	69,702	4,120	10,762	3,197	0	6,264	440,684
Power-Line Contractors	**Labour**	**Equip.**	**Material**	**Meals/Living**	**Contractors**	**Dump Fee**	**Admin**	**Total**
Strudy Power Lines	45,473	9,036						54,510
Southwest Power	102,595	27,795						130,390
K-Line Group	31,285	7,709		2,063				41,056
HV Power Lines	17,000	incl.	342	372				17,714
Miller Tree Service	118,440	incl.						118,440
Super Sucker	6,895	incl.				450		7,345
J&N Traffic Control	1,620	0						1,620
Edgar Howden (backhoe / breaker & Op	1,413	0						1,413
Bill Prisniak	2,275	0						2,275
Total Power-Line Contractors Invoiced	326,995	44,540	342	2,435	0	450	0	374,762
Total Outside Forces Deployed	673,633	114,242	4,462	13,197	3,197	450	6,264	815,445

VECC Question #8

Ref: Application, Page 15, Table 5

Preamble: Table 5 provides a listing of material capitalized in the amount of $25,241.

a) Please explain how this amount is treated in the recovery sought in this application and compare to the amounts referenced in VECC Question #6 above.

Response:

a) Milton Hydro has not included capital costs for labour and material in its Z-Factor Application. Please refer to paragraph 2.6 which states "The total OM&A restoration costs incurred by Milton Hydro, net of capital costs, to restore electricity service to its customers amounted to $935,507…"; paragraph 4.14 which states "As provided in Table 1 at paragraph 2.6 the total audited costs of restoring electricity service, exclusive of capital costs, amounted to $935,507…" ; and paragraph 6.3 which states "Milton Hydro has provided the details of the costs incurred in section 4 above and confirms that the capital costs of restoration have been appropriately separated and charged to the capital assets."

VECC Question #9

Ref: Application, Pages 15-16

Preamble: Tables 5 and 6 provide a summary of material costs.

a) Please confirm the materials acquired were at normal rates from regular suppliers.

b) If not, please provide an explanation and breakdown of the premium paid.

Response:

a) Milton Hydro confirms that the materials acquired from Milton Hydro's inventory were at normal rates purchased from regular suppliers. Cambridge North Dumfries supplied #2 Sleeves at a cost of $308 and there was additional material required for restoration repairs provided by some Local Distribution Companies from stock normally carried on the trucks as indicated in the table to VECC IR # 7 above.

b) Milton Hydro does not know if there is a premium on the material supplied by Local Distribution Companies or Power-Line Contractors.

VECC Question #10

Ref: Application, Page 17 Table 7

Preamble: Table 7 reflects meal allowances and mileage.

a) Please provide Milton Hydro's meal allowance and mileage policies for Milton Hydro's staff and distributors & contractors and confirm that these policies were followed.

Response:

a) Milton Hydro has provided a copy of its mileage policy as Appendix A and the meal allowance is included in the Collective Agreement and is reproduced below.

"18.03 A meal allowance of $11.00, $12.00 effective January 1, 2014, $13.00 effective January 1, 2015 and $14.00 effective January 1, 2016 will be paid to all employees who are required to work two (2) contiguous overtime hours past the their regular working hours and every four (4) overtime hours thereafter or one (1) continuous overtime hour or more prior to their regular start time. The same allowance will be paid to all employees, who are called out to work, after the first four (4) overtime hours and every four (4) overtime hours thereafter. A half-hour (1/2 hour) recess time for meals will be paid only when the employee is required to continue working after the meal recess."

Milton Hydro does not have meal allowance and mileage policies for distributors and contractors.

Milton Hydro confirms that its policies were followed.

Appendix A – Milton Hydro's – Mileage Policy

MILTON HYDRO DISTRIBUTION INC.

MILEAGE POLICY

Mileage Allowance

All employees and Directors who are required to use their personal vehicles on Corporate business, excluding the President/CEO; be paid an allowance of 47.5 cents per km. And that the Corporation will periodically adjust the mileage rate using the CAA car cost report and the Town of Milton as a guide.