



**Milton Hydro Distribution Inc.**

**Electricity Distribution Licence ED-2003-0014**



**MILTON HYDRO**

Milton Hydro was incorporated on August 30, 2000 under section 142 of the *Electricity Act, 1998* which required all municipalities to incorporate their electricity commissions under the Business Corporations Act.

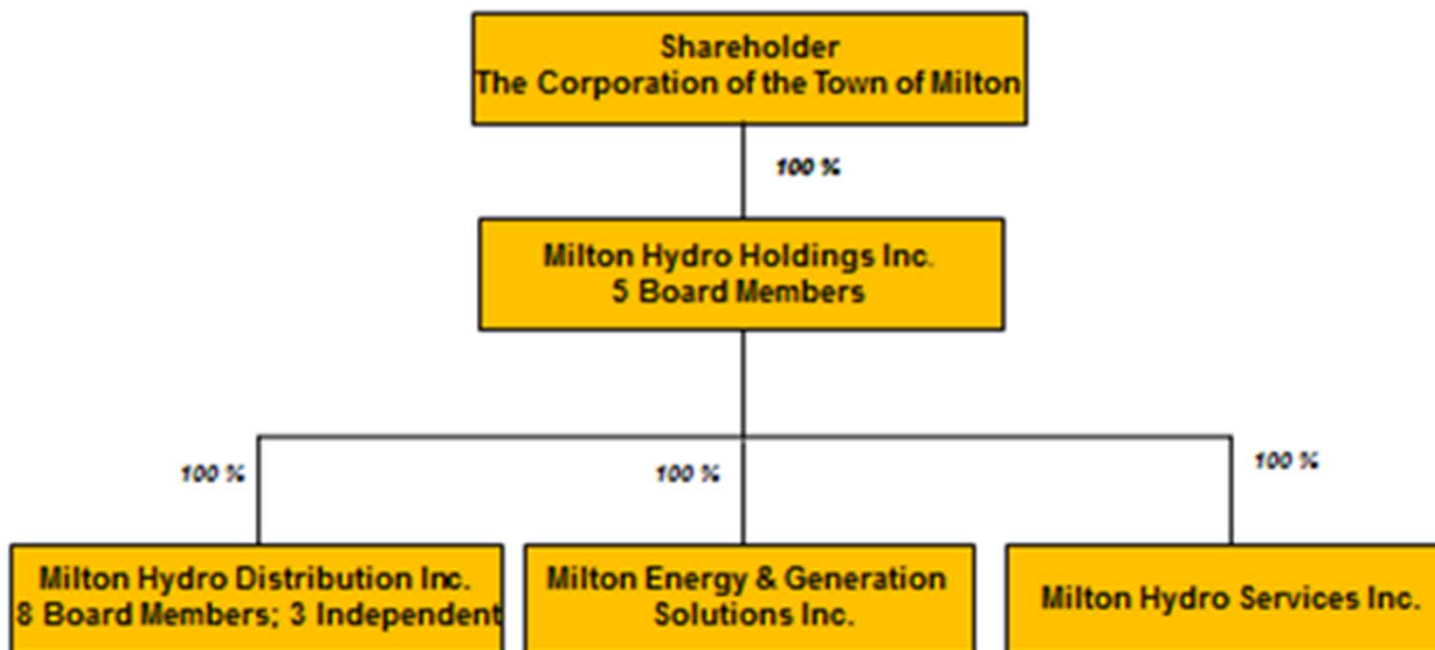
This was the beginning of Milton Hydro Distribution Inc.





**MILTON HYDRO**

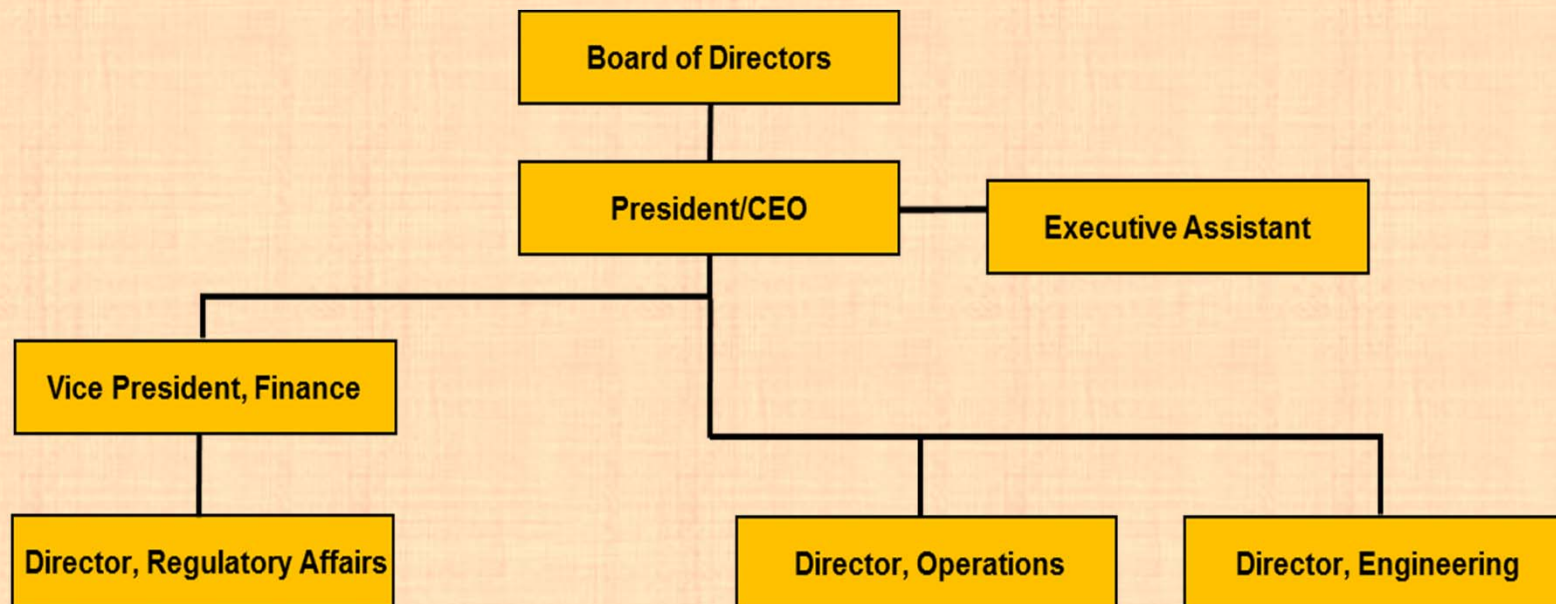
## Ownership Structure





**MILTON HYDRO**

## **Executive and Board Organization Chart**







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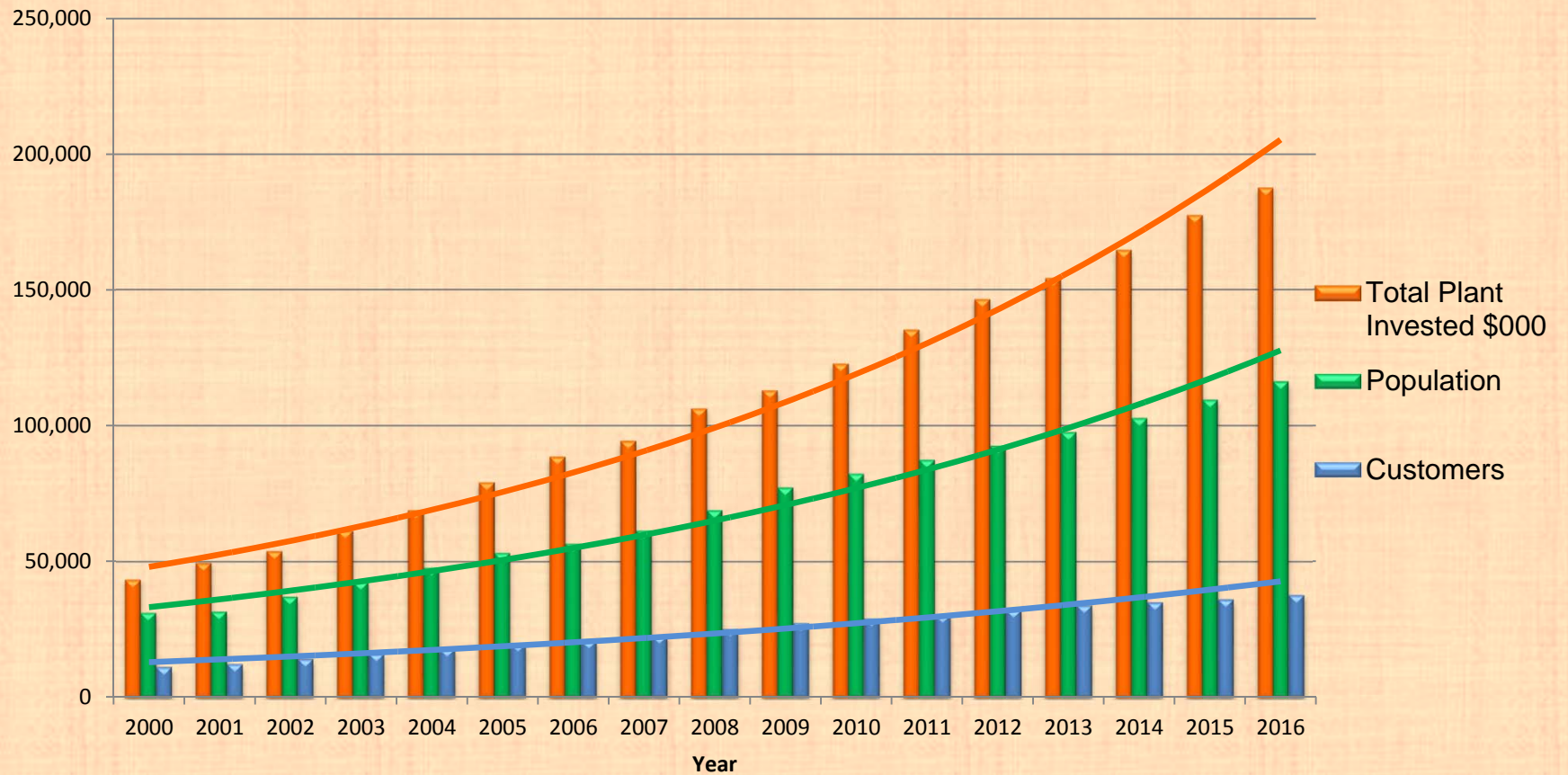
### **About Milton Hydro – as of December 31, 2014**

Residential	32,268
General Service < 50 kW	2,544
General Service >= 50 kW	296
Large User	3
<b>Total Customers</b>	<b>35,111</b>
Rural Service Area (sq km)	315
Urban Service Area (sq km)	56
<b>Total Service Area (sq km)</b>	<b>371</b>
Overhead km of Line	587
Underground km of Line	422
<b>Total km of Line</b>	<b>1,009</b>



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## Total Plant Invested, Population & Customer Growth







## 2014 Customer Survey Report Card Results

Milton Hydro's UtilityPULSE Report Card®			
Category		Milton Hydro	Ontario
1	Customer Care	B+	B
	Price and Value	B	C+
	Customer Service	A	B
2	Company Image	A	B+
	Company Leadership	A	B+
	Corporate Stewardship	A	B+
3	Management Operations	A	A
	Operational Effectiveness	A	B+
	Power Quality and Reliability	A	A
OVERALL		A	B+

**“B+...Customer Care”**

**“A ...Company Image”**

**“A ...Management Operations”**





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## **Results from Customer Engagement – focus groups, on-line survey, phone survey**

Based on the results of the customer consultations and surveys, there were six primary areas of concern and/or preference for customers:

1. Affordable electricity costs
2. Reliability of Service – reduce or maintain current level of outages
3. Assistance to reduce consumption and thereby costs (“CDM”)
4. Proactive communication when there are unplanned outages
5. Continued delivery of high quality service
6. Replace aging infrastructure before failure





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## Milton Hydro's Vision





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## Reliably Powering Our Community

Focuses on the reliable supply of electricity and empowering our community to engage in their understanding of the electricity industry, how they use electricity and to participate in conservation and renewable generation.





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Safety | Innovation | Integrity

Safety – Implemented a Health & Safety Management Plan provided by Springboard Management, Milton Hydro has a written Organization Commitment to Safety posted for employees and includes the safety of our community.

Innovation – first to implement smart meters (2003) and first to be completely deployed by 2010; first to bill on TOU rates; Implementing intelligent technologies to minimize impacts and recovery time for system outages.

Integrity – Commitment to customers and honesty in relationships with customers, other distributors and regulators. Not just listening to customer concerns but acting on them such as increased tree trimming to reduce storm related outages.

## Scorecard - Milton Hydro Distribution Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Target	
									Industry	Distributor
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	99.10%	99.00%	98.60%	98.00%	99.50%	⬆️	90.00%	
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	99.70%	99.80%	⬆️	90.00%	
		Telephone Calls Answered On Time	79.00%	76.80%	82.60%	74.50%	77.80%	⬆️	65.00%	
	Customer Satisfaction	First Contact Resolution					84%			
		Billing Accuracy					99.96%	➡️	98.00%	
		Customer Satisfaction Survey Results					91%			
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public awareness [measure to be determined]								
		Level of Compliance with Ontario Regulation 22/04	NI	C	NI	C	C	➡️		C
		Serious Electrical Incident Index	0	0	0	1	0	➡️		0
		Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.102	0.000	➡️		0.014
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.55	1.05	0.81	7.94	1.22	⬆️		at least within 0.55 - 7.94
		Average Number of Times that Power to a Customer is Interrupted	0.40	1.12	1.05	0.99	1.06	⬆️		at least within 0.40 - 1.12
	Asset Management	Distribution System Plan Implementation Progress					on track			
	Cost Control	Efficiency Assessment			3	2	2			
		Total Cost per Customer <sup>1</sup>	\$659	\$676	\$644	\$654	\$679			
		Total Cost per Km of Line <sup>1</sup>	\$20,478	\$21,698	\$21,166	\$22,402	\$23,629			
<b>Public Policy Responsiveness</b>  Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		13.47%	17.56%	23.56%	47.87%	●		8.05MW
		Net Cumulative Energy Savings (Percent of target achieved)		48.99%	60.40%	72.86%	92.23%	●		33.50GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%	100.00%		100.00%			
		New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%		90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.64	1.56	1.59	1.68	1.59			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.72	0.79	0.90	0.92	1.17			
		Profitability: Regulatory Return on Equity		9.58%	9.58%	9.58%	9.58%			
		Deemed (included in rates)		8.90%	8.15%	10.60%	10.29%			

## Notes:

1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.  
 2. The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

Legend: ⬆️ up ⬇️ down ➡️ flat  
 ● target met ● target not met





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## Scorecard Performance Measures

Customer Focus – services provided in response to customer preferences:

- Service Quality – timely answering telephones; connecting new services; meeting appointment.
- Customer Satisfaction – first contact resolution; billing accuracy; customer survey results

Operational Effectiveness – continuous improvement in:

- Safety; System Reliability; Asset Management; Cost Control

Public Policy Responsiveness – obligation to meet government mandates:

- Conservation targets
- Connecting renewable generation – solar, wind.

Financial Performance – maintain financial viability and sustained operational effectiveness

- Financial ratios
- Meeting regulated returns (profitability)



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## **Approvals Requested in the 2016 Rate Application to the Ontario Energy Board**

- To recover 2016 distribution revenue requirement of \$17,207,367.
- Capital investment in Smart Grid & system automation \$1,139,000 for 2016.
- Continued capital investment in O/H, U/G rebuilds and Pole Replacement \$1,863,400 for 2016.
- Operations, Maintenance and Administration expense for 2016 of \$9,903,387
- Distribution System Plan 2016 to 2020 – to support continued customer growth projected at 1,500 new customers per year.





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**Revenue Requirement**

OM&A Expenses	9,903,388
Amortization/Depreciation Expense	3,292,486
<b>Total Distribution Expenses</b>	<b>13,195,874</b>
Deemed Interest	2,237,077
Regulated Return On Rate Base	3,420,359
PILs – Income Taxes	256,212
<b>Service Revenue Requirement</b>	<b>19,109,522</b>
Less: Revenue Offsets	(1,902,155)
<b>Base Revenue Requirement</b>	<b>17,207,367</b>



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### **Operations, Maintenance & Administration – Cost Drivers**

<b>2011 Board Approved OM&amp;A</b>	<b>6,300,000</b>
Mandatory Overhead Capitalization Policy Change on OM&A (“IFRS”)	1,455,845
Wages, Salaries, Benefits, 15 new employees – over five years	1,006,771
Customer Premise & Service Locates	71,515
Billing & Collections	76,047
Load Dispatching/Control Room	150,000
Tree Trimming	358,783
Maintenance - Overhead/Underground/Transformers	169,832
Safety & Training	71,790
Meter Reading software coming in-house (savings)	(192,695)
Finance/Board/Audit/Security/Consulting	402,703
Regulatory Compliance / Application Costs	99,354
Admin/Service Centre Building (savings)	(66,558)
<b>2016 Test Year OM&amp;A</b>	<b>9,903,387</b>





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### Revenue Offsets

Retailer Services Revenue	24,277
Rent from Electric Property - Poles	156,515
SSS Administrations	111,495
Late Payment Charges	191,188
Collections, reconnections, account setup	677,992
Revenue from Water Billing	652,655
Interest Income	88,033
<b>Total</b>	<b>1,902,155</b>



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## Employee Count

Department	2011 OEB Approved	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Bridge Year	2016 Test Year
Executive	3	3	3	4	5	5	5
Financial Services	7	5	6	6	6	7	8
Customer Service Representatives	10	11	11	11	11	12	12
Engineering/Operations	13	11	11	11	11	11	12
Information Technology	2	2	2	3	3	4	4
Metering	3	4	4	4	4	5	5
Outside Lines People	11	10	12	12	14	14	15
<b>Total Employees</b>	<b>49</b>	<b>46</b>	<b>49</b>	<b>51</b>	<b>54</b>	<b>58</b>	<b>61</b>

2011 – did not hire 2 employees for control room – looked for alternatives or options

2012 – added an Accounting Clerk and 2 Linepersons

2013 – added an IT Specialist and an Engineering Technician (moved the Director Engineering to Executive)

2014 – added 2 Linepersons and a Director of Operations (was a contract position which ended)

2015 – propose one Communication Specialist, one Customer Service/Billing rep, one IT Administrator, one AMI Operator

2016 – propose one HR Specialist, one Engineering Technician, one Line Person

Between 2016 to 2020 Milton Hydro has 10 employees eligible for retirement.





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## How does Milton Hydro Compare to the Rest of the Industry

Description	Last Rebasing Year - 2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Bridge Year	2016 Test Year
Number of Customers	30,485	32,324	34,073	35,111	36,187	37,765
Total OM&A	6,396,764	6,761,996	8,435,973	8,543,897	10,053,141	9,903,388
OM&A per Customer	<b>209.83</b>	<b>209.19</b>	<b>247.59</b>	<b>243.34</b>	<b>277.81</b>	<b>262.24</b>
Ranked in Ontario - Lowest	21	8	19	17		
Total Distributors Reported	75	73	73	72		
Industry Average	<b>275.43</b>	<b>308.99</b>	<b>316.39</b>	<b>313.83</b>		

Number of Employees	46	49	51	54	58	61
Number Customers Served per Employee	<b>663</b>	<b>660</b>	<b>668</b>	<b>650</b>	<b>624</b>	<b>619</b>
Industry Average	<b>488</b>	<b>484</b>	<b>486</b>	<b>499</b>		

Note: in 2013 Milton Hydro transition to Modified IFRS for an impact of \$1.45 Million



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## **Capital Requirements – 2016 Investment Drivers**

- System Access – spending due to customer connection needs and 3rd party infrastructure needs requiring non-discretionary plant relocation for example – Town or Region road projects;
- System Renewal – investments required to replace aging pole assets and other discrete renewal needs;
- System Service – investments that promote the continual growth and development of Milton Hydro's WiMAX based Smart Grid.
- General Plant – investments to meet the needs in areas such as vehicles and IT.





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## Capital Expenditures

Category	2011 - OEB Approved	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Bridge	2016 Test
			\$ '000				\$ '000
System Access	8,409	5,570	7,631	4,658	7,190	5,552	7,907
System Renewal	1,999	2,753	1,198	2,517	2,647	2,087	1,863
System Service	426	428	2,386	638	513	2,171	1,139
General Plant	838	500	343	880	856	301	721
Distribution Capital	11,672	9,252	11,559	8,693	11,206	10,111	11,629
New Building 200 Chisholm Drive					4,040	10,500	
Total Capital	11,672	9,252	11,559	8,693	15,246	20,611	11,629
Capital Contributions	(3,795)	(1,928)	(3,857)	(3,155)	(4,856)	(2,774)	(3,280)
Total Net Capital	7,877	7,324	7,702	5,538	10,391	17,837	8,349



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## Capital Expenditure Forecast

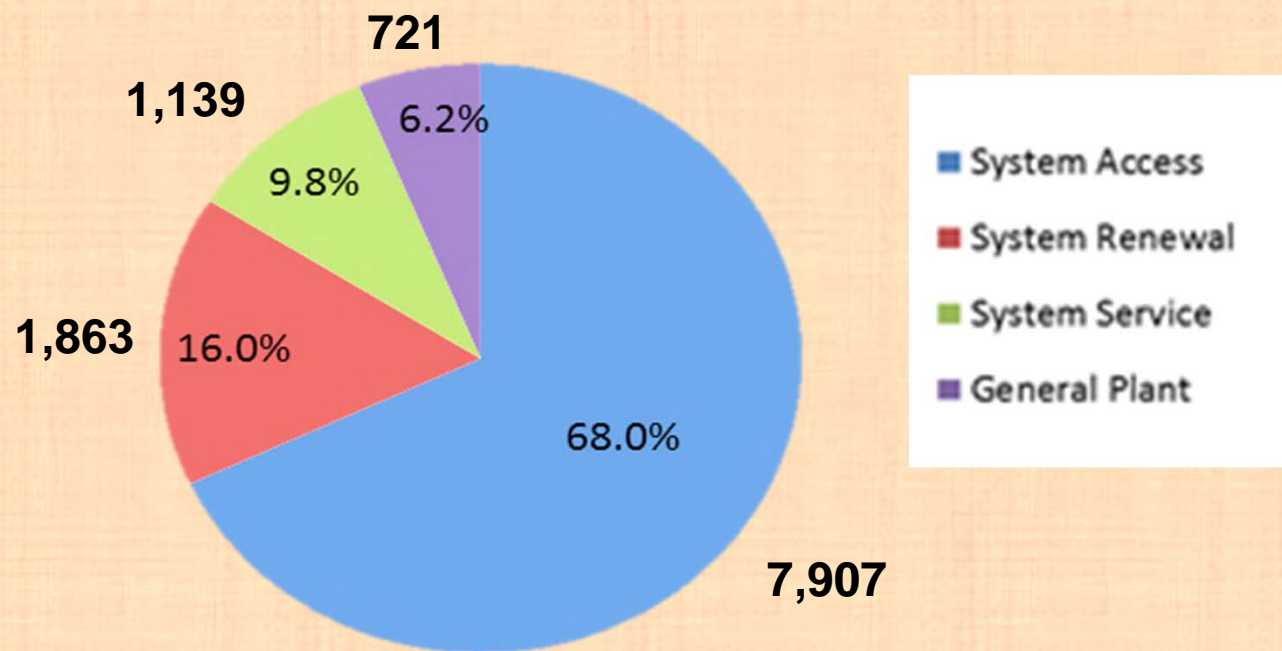
Category	Forecast Period Distribution System Plan			
	2017	2018	2019	2020
		\$ '000		
System Access	8,092	6,212	6,411	6,878
System Renewal	1,821	1,790	1,800	1,725
System Service	1,225	1,350	1,350	1,500
General Plant	701	711	676	696
Distribution Capital	11,839	10,063	10,237	10,799
New Building 200 Chisholm Drive				
Total Capital	11,839	10,063	10,237	10,799
Capital Contributions	(3,780)	(3,780)	(3,780)	(3,780)
Total Net Capital	8,059	6,283	6,457	7,019





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## Capital Requirements – 2016 (\$000)





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## Residential Rate Increases from 2011 to 2015

	2011		2012		2013		2014		2015	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Rate Increase	\$ 1.89	7.89%	\$ 0.23	0.88%	\$ 0.15	0.48%	\$ 0.37	1.40%	\$ 0.38	1.45%
Percent of Total Bill		1.89%		0.19%		0.12%		0.27%		0.27%





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## **General Service <50 kW Rate Increases from 2011 to 2015**

	2011		2012		2013		2014		2015	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Rate Increase	\$ 3.49	7.60%	\$ 0.40	0.88%	\$ 0.28	0.48%	\$ 0.62	1.40%	\$ 0.63	1.45%
Percent of Total Bill		1.26%		0.14%		0.09%		0.20%		0.20%



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## **Rate Design**

- Distribution revenue of \$17,207,367 to be collected from all customers
- Rate design involves the determination of how much to collect from each customer class





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## **Intervenors**

Three organizations (“Intervenors”) representing customers in Milton have intervened in Milton Hydro’s 2016 Application –

- Vulnerable Energy Consumers Coalition (“VECC”)
- School Energy Coalition (“SEC”)
- Energy Probe (“EP”)

They will test the evidence provided in Milton Hydro’s Application through written and oral questions over the course of the proceeding.

Their costs are included in Milton Hydro’s OM&A costs for recovery through rates.



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## Rates & Rate Impacts Applied for – per Month

Residential		2015				2016				Change	Percent			
Monthly Service Charge	Monthly	\$	15.43	1	\$	15.43	\$	19.91	1	\$	19.91	\$	4.48	
Rate Rider Recovery of Smart Meter	Monthly	\$	0.08	1	\$	0.08		0	1			(\$	0.08)	
Distribution Volumetric Rate	per kWh	\$	0.0144	800	\$	11.52	\$	0.0118	800	\$	9.44	(\$	2.08)	
Total Distribution					\$	27.03				\$	29.35	\$	2.32	8.50%
											Percent of Total Bill		1.62%	

General Service <50 kW		2015			2016			Change	Percent
Monthly Service Charge	Monthly	16.42	1 \$	16.42	16.86	1 \$	16.86	\$ 0.44	
Rate Rider Recovery of Smart Meter	Monthly	0.08	1 \$	0.08	0	1 \$	-	(\$ 0.08)	
Distribution Volumetric Rate	per kWh	0.0174	2000 \$	34.80	0.0178	2000 \$	35.60	\$ 0.80	
LRAM Rate Rider	per kWh		2000 \$	-	0.0002	2000 \$	0.40	\$ 0.40	
Total Distribution			\$	51.30			\$ 52.86	\$ 1.56	3.04%
							Percent of Total Bill		0.45%

Note: Consistent with OEB direction the Residential rates have been adjusted to reflect the transition to a 100% Fixed Monthly Service Charge by 2019.





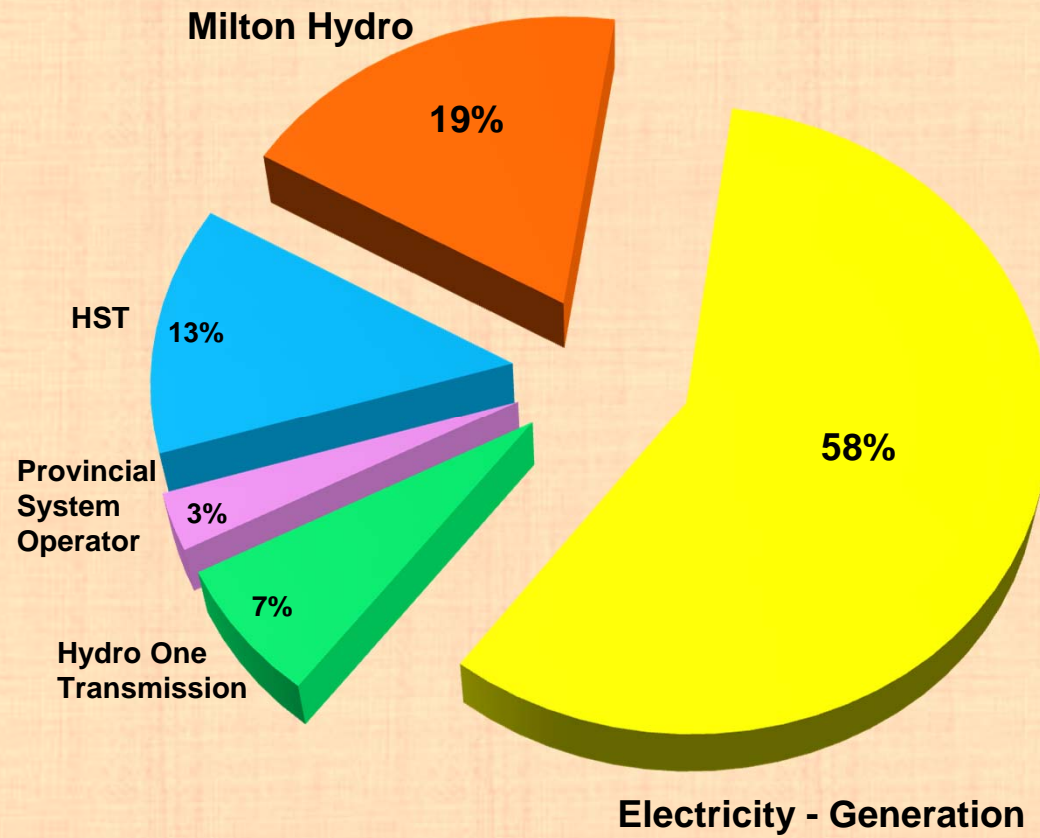
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Residential Customer Class				
Average Residential Customer's Consumption		800 kWh		
		May 1, 2016 Proposed Rates		
		Rate (\$)	Volume kWh	Charge (\$)
<b><u>Milton Hydro</u></b>				
Monthly Service Charge	monthly	\$ 19.91		\$ 19.91
Distribution Volumetric Rate	per kWh	\$ 0.0118	800	\$ 9.44
Standard Supply Service Charge	monthly	\$ 0.25		\$ 0.25
<b>Total Milton Hydro</b>				<b>\$ 29.60</b>
<b><u>Hydro One Transmission &amp; Low Voltage</u></b>				
RTSR - Network	per kWh	\$ 0.0075	826	\$ 6.20
RTSR - Line & Connection Charges	per kWh	\$ 0.0059	826	\$ 4.87
Low Voltage Rate Adder	per kWh	\$ 0.0006	800	\$ 0.48
<b>Total Hydro One Transmission &amp; LV</b>				<b>\$ 11.55</b>
<b><u>Provincial System Operator</u></b>				
Wholesale Market Service Charge	per kWh	\$ 0.0044	826	\$ 3.63
Rural and Remote Rate Protection	per kWh	\$ 0.0013	826	\$ 1.07
Deferral/Variance Account	per kWh	(\$ 0.0014)	800	(\$ 1.12)
Deferral/Variance Account	monthly	\$ 0.9700		\$ 0.97
Smart Meter Entity - MDM/R	monthly	\$ 0.79		\$ 0.79
<b>Total Provincial System Operator</b>				<b>\$ 5.34</b>
<b><u>Electricity TOU</u></b>				
On - Peak	18% per kWh	\$ 0.1750	144.63	\$ 25.31
Mid - Peak	16% per kWh	\$ 0.1280	135.05	\$ 17.29
Off - Peak	66% per kWh	\$ 0.0830	546.55	\$ 45.36
<b>Total Electricity Charges</b>				<b>\$ 87.96</b>
Debt Retirement Charge (DRC)	per kWh	\$ -	800	\$ -
HST	Total Bill	13%		\$ 17.48
<b>Province - DRC+HST</b>				<b>\$ 17.48</b>
<b>Total Customer Bill</b>				<b>\$ 151.93</b>
<b>Milton Hydro Distribution Charges per day</b>				<b>\$ 0.99</b>
<b>Total Bill per day</b>				<b>\$ 5.06</b>



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### Residential Electricity Bill Breakdown







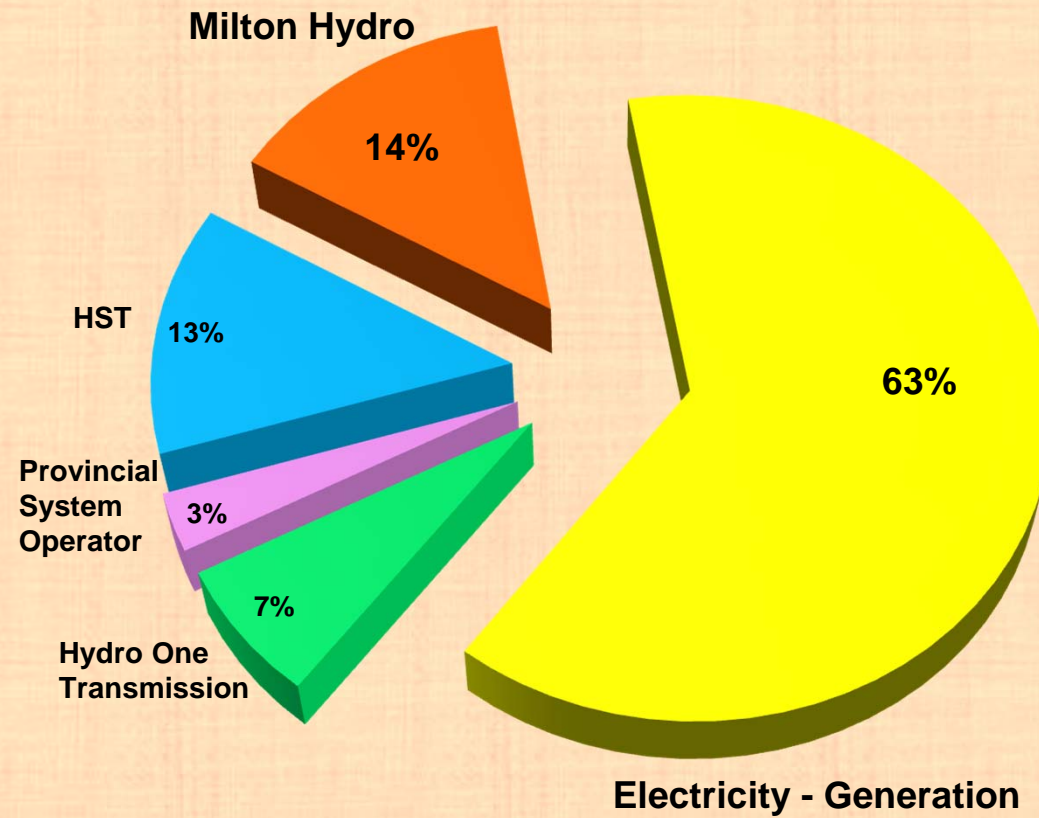
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General Service <50 kW Customer Class				
Average Residential Customer's Consumption		2000 kWh		
		May 1, 2016 Proposed Rates		
		Rate (\$)	Volume kWh	Charge (\$)
<b><u>Milton Hydro</u></b>				
Monthly Service Charge	monthly	\$ 16.86		\$ 16.86
Distribution Volumetric Rate	per kWh	\$ 0.0178	2000	\$ 35.60
Standard Supply Service Charge	monthly	\$ 0.25		\$ 0.25
<b>Total Milton Hydro</b>				<b>\$ 52.71</b>
<b><u>Hydro One Transmission &amp; Low Voltage</u></b>				
RTSR - Network	per kWh	\$ 0.0069	2066	\$ 14.26
RTSR - Line & Connection Charges	per kWh	\$ 0.0052	2066	\$ 10.74
Low Voltage Rate Adder	per kWh	\$ 0.0006	2000	\$ 1.20
<b>Total Hydro One Transmission &amp; LV</b>				<b>\$ 26.20</b>
<b><u>Provincial System Operator</u></b>				
Wholesale Market Service Charge	per kWh	\$ 0.0044	2066	\$ 9.09
Rural and Remote Rate Protection	per kWh	\$ 0.0013	2066	\$ 2.69
Deferral/Variance Account	per kWh	\$ 0.0010	2000	\$ 2.00
Deferral/Variance Account	monthly			\$ -
Smart Meter Entity - MDM/R	monthly	\$ 0.79		\$ 0.79
<b>Total Provincial System Operator</b>				<b>\$ 14.57</b>
<b><u>Electricity TOU</u></b>				
On - Peak	22% per kWh	\$ 0.1750	452.50	\$ 79.19
Mid - Peak	21% per kWh	\$ 0.1280	428.12	\$ 54.80
Off - Peak	57% per kWh	\$ 0.0830	1186.00	\$ 98.44
<b>Total Electricity Charges</b>				<b>\$ 232.43</b>
Debt Retirement Charge (DRC)	per kWh	\$ 0.0007	2000	\$ 1.40
HST	Total Bill	13%		\$ 42.55
<b>Province - DRC+HST</b>				<b>\$ 43.95</b>
<b>Total Customer Bill</b>				<b>\$ 369.86</b>
<b>Milton Hydro Distribution Charges per day</b>				<b>\$ 1.76</b>
<b>Total Bill per day</b>				<b>\$ 12.33</b>



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### General Service <50 kW Electricity Bill Breakdown

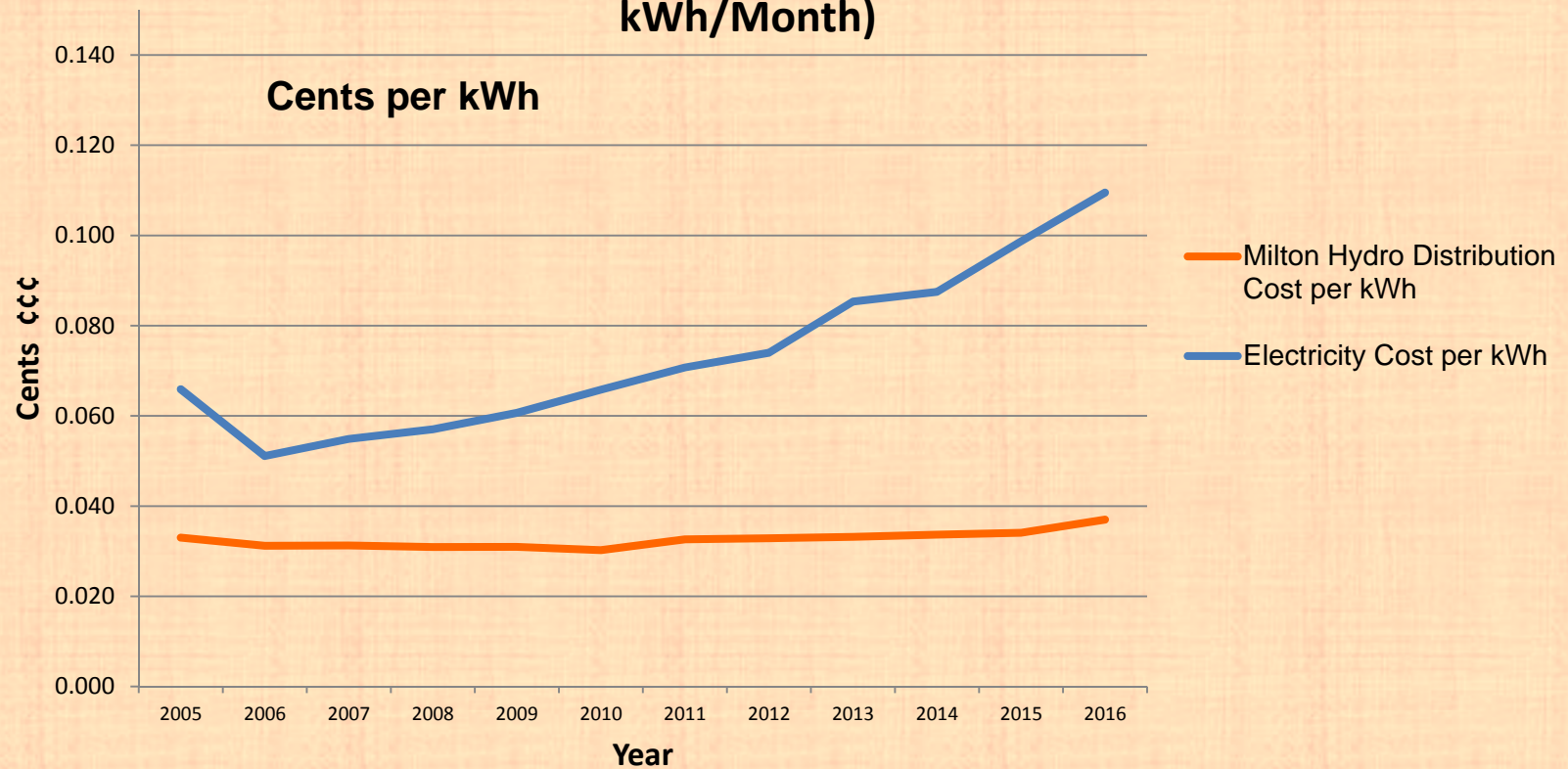






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## 2005 to 2016 Charges - Avge Residential Customer (800 kWh/Month)





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## **Changes Coming**

- Debt Retirement Charge (“DRC”) will no longer be charged to Residential customers effective December 31, 2015
- Ontario Clean Energy Benefit credit of 10% will be discontinued effective December 31, 2015
- The Ontario Electricity Support Program (“OESP”) becomes effective January 1, 2016 to assist Low-Income Residential customers.
- The Low-income Energy Assistance Program (“LEAP”) will continue and is administered by the Milton Salvation Army.





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**Back to Jennifer Lee.**