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Ontario

BY E-MAIL

November 24, 2015

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

Dear Ms. Walli:

Re: Milton Hydro Distribution Inc. (Milton Hydro)
2016 Distribution Rate Application
OEB Staff Interrogatories
Board File No. EB-2015-0089

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Milton Hydro and all intervenors have been copied on this filing.

Milton Hydro's responses to interrogatories are due by December 21, 2015.

Yours truly,

Original Signed By

Harold Thiessen
Ontario Energy Board staff
Case Manager, EB-2015-0089

Attach.

OEB Staff Interrogatories
2016 Cost of Service Rate Application
Milton Hydro Distribution Inc. (Milton Hydro)
EB-2015-0089
November 24, 2015

GENERAL, Exhibit 1 Administrative Documents & Executive Summary

1.0 - Staff 1
Conditions of Service, Ref: Exhibit 1, p. 98
Milton Hydro indicates that it has posted its most recent Conditions of Service on its website.

a) Please identify any rates and charges that are included in the Applicant's Conditions of Service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered through these rates and charges.

b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2012 to 2014 inclusive, and the revenues forecasted for the 2015 bridge and 2016 test years.

c) Please explain whether, in the Applicant's view, these rates and charges should be included on the Applicant's tariff sheet of approved rates and charges.

1.0 – Staff 2
Updated RRWF Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet.

Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 10 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

1.0 – Staff 3
Updated Appendix 2-W, Bill Impacts
Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 362 and 800 kWh for residential, 2,000 kWh for GS<50, etc.).

Customer Engagement

1.0 – Staff 4
Ref: Exhibit 1, pp. 59-84
Chapter 2 of the Filing Requirements states, "The RRFE Report contemplates **enhanced** engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations." (Emphasis added)

Please describe the differences between customer engagement conducted in preparation for the current application and previous customer engagement. Please explain how customer engagement has been enhanced.

1.0 – Staff 5
Ref: Exhibit 1, pp. 59-84
Exhibit 1, p. 41-43
In the first reference, Milton Hydro provides information on its customer engagement activities and customer engagement surveys. In the second reference, Milton Hydro provides a broad description of its capital investment plans.

a) Please provide a program or investment project roadmap that more directly connects Milton Hydro's future plans with the findings of its customer engagement surveys.
b) Were any concerns raised about specific capital projects planned for 2016 during customer consultations?

RRFE ISSUES

1.0 – Staff 6
Ref: Exhibit 1, Attachment 1-6, OEB Scorecard
Milton Hydro included its 2013 Scorecard dated September 24, 2014. Please provide Milton Hydro's 2014 Scorecard. Please also provide an explanation or discussion of any differences from the 2013 Scorecard.

1.0 – Staff 7
Ref: Exhibit 1, Attachment 1-6, OEB Scorecard
Scorecard group and future cost performance. Milton Hydro's scorecard shows that it has been assigned to Group 2 for Efficiency Assessment, based on the PEG July 2014 report. PEG has also provided LDCs with a spreadsheet that enables them to project future cost performance.
a) Did Milton Hydro forecast their future cost performance for 2016-2020 based on the information provided in this application?
b) If so, please provide the results. If not, please complete the forecast model, provide the results, any assumptions made and if Milton Hydro's efficiency assessment is forecasted to worsen, then please provide an explanation on why this is the case.

1.0 – Staff 8
Ref: Exhibit 1, p. 58
It appears that on this page, Milton Hydro has inadvertently provided an incomplete paragraph under the heading, Cost Control. Please correct and or update the information in this paragraph.

1.0 – Staff 9
Ref: Exhibit 1, p. 79, Table 1-22
This table shows project CDM savings for 2011 to 2014. Have any updates become available regarding these savings? Please provide:
a) the reasons that the "demand savings results are below expectations"
b) how Milton Hydro determined that they are "in line with many other LDCs"
c) how Milton Hydro determined that it "will be in top 1/3 of LDCs when comparing results as a percent of target."

1.0 – Staff 10
Ref: Exhibit 1, p. 95, Table 1-25 and Exhibit 9, p. 19, Table 9-13

OEB staff notes the following discrepancies between Tables 1-25 and 9-13:

	Table 1-25 (App 2-Y)	Table 9-13 (App 2-BA CGAAP without accounting policy changes	Difference
Closing NBV 2015 – CGAAP without policy changes	$79,320,764	$76,350,764	2,970,000

a) Please explain the discrepancies.
b) Please update the evidence as applicable.

Benchmarking

1.0 – Staff 11
Ref: Exhibit 1
Please provide copies of all benchmarking studies, evaluation, surveys undertaken by Milton Hydro, either through a third-party or internally, since 2010.

2.0 RATE BASE and CAPITAL EXPENDITURES

2.0 – Staff 12
Ref: Exhibit 2, p. 6
Please update the Working Capital Cost of Power calculation for 2016 using the OEB's October 2015 Price Report as issued on October 15, 2015.

2.0 – Staff 13
Ref: Exhibit 2, p. 50 and p. 55 Table 2-27
Has any information come forward, since the application was submitted, to indicate that 2015 or 2016 capital expenditure forecasts require amendment? If so please provide an update with any rationales for changes. Are all of the projects and related capital expenditures that are listed in Table 2-27 expected to be placed in-service in 2016 and to be added to the 2016 Rate Base?

If some of the projects that are listed in Table 2-27 are not expected to be in-service in 2016 and as a result will not be added to the 2016 Rate Base, please identify all such projects, the associated capital expenditure and the expected in-service date.

2.0 – Staff 14
Ref: Exhibit 2, p. 6
Milton Hydro's forecasted 2016 rate base has increased by 54% from 2011 Board Approved.
a) In its annual capital planning and implementation for the years 2011 to 2016 did Milton Hydro take into account the cumulative impact its capital expenditures would have on rate base and rates in 2016?
b) How did this inform the pacing of investments identified in the DSP for 2016 forward?

DISTRIBUTION SYSTEM PLAN

2.0 – Staff 15
Ref: Attachment 2-1 – DSP Introduction, p. 9
Distribution System Plan
Did Milton Hydro have any external assistance in preparing the Distribution System Plan? If so, please indicate who and the extent of their involvement.
Did Milton Hydro have an external party review the Distribution System Plan? If so, please provide a copy of their comments.

2.0 – Staff 16
Ref: Attachment 2-1 – DSP Introduction, p. 10.
"MHDI's DSP demonstrates prudence in the pacing and prioritizing of non-discretionary investments, specifically those related to system renewal (e.g. planned pole replacement) system service (e.g. smart grid development) and general plant (e.g. fleet and information technology)."

a) Please confirm that the above paragraph refers to discretionary, rather than non-discretionary investments.
b) If the sentence is correct, please provide examples of non-discretionary investments whose implementation is paced.

2.0 – Staff 17
Ref: Attachment 2-1 – DSP Section 5.2.1 (a): Key elements of the Distribution System Plan that affect its rates, *Pole Replacements*, p. 21.
"Milton Hydro inspects 1/3 of its pole population on an annual basis and based on those results either:

- *Replaces the pole immediately*
- *Schedules poles for replacement during the next budget year*
- *Rates the pole and inspects the pole during future inspection cycles*

In 2016 Milton Hydro proposes to spend $500,000 on Pole Replacements. This represents approximately 26.8% of the System Renewal budget and 4.3% of the total capital spend for 2016."

a) Please provide a detailed description of the selection process Milton Hydro uses to determine if a pole must be replaced immediately, or if replacement can be deferred to the next year.
b) Is the replacement selection process primarily based upon the measurement of quantifiable parameters, or is it primarily based upon the judgment of the person doing the in-field condition assessment?
c) If a pole must be replaced immediately based upon the results of the condition assessment, does Milton Hydro consider that to be a non-discretionary investment?
d) Please provide the number of poles replaced each year and the total cost of the pole replacement program for each of the DSP historical years. Has Milton Hydro factored in efficiency improvements in pole replacement?
e) Does the 2016 to 2020 pole replacement budget follow the historical trend in respect of the number of poles replaced and the annual spending levels?
f) If no to e), please explain the reasons for the departure from the trend.
g) How does Milton Hydro assess and measure asset 'end of life'?

2.0 – Staff 18
Ref: Attachment 2-1 – DSP Section 5.2.1 (a): Key elements of the Distribution System Plan that affect its rates, *Underground Line Rebuilds*, p. 21.
"Underground Line Rebuilds are the replacement of entire sections of underground primary distribution circuits. These projects are driven by end of useful life factors in conjunction with pacing of capital investments to ensure reliability, safety and a sustainable investment schedule. In 2016 Milton Hydro is not proposing any material Underground Line Rebuild projects. In 2017 Milton Hydro is proposing 1 Underground Line Rebuild totalling $350,000. This represents 19.2% of the 2017 System Renewal budget or 3.0% of the total 2017 capital expenditure."

a) Please provide a detailed description of the selection process Milton Hydro uses to determine the appropriate year to rebuild an underground line, including any quantifiable parameters used in the decision-making process.

b) Are underground cable replacements typically driven by asset age, or are other assessment approaches used, e.g.: non-destructive underground cable testing?
c) With specific reference to the 2017 Underground Line Rebuild, does Milton Hydro typically rebuild entire underground lines within the same budget year, or are longer line rebuilds sometimes staged over multiple years?
d) How are underground line rebuild projects integrated into longer-term System Service requirements?
e) What proportion of Milton Hydro underground circuit length is direct buried vs. conduit?
f) What basis does Milton Hydro use to determine if a new circuit will be built as direct buried or in conduit?
g) Please provide the total length of underground lines rebuilt each year and the total cost of the underground line rebuild program for each of the DSP historical years.
h) Does the 2016 to 2020 underground line rebuild budget follow the historical trend from 2011 to 2015?
i) If no to h), please explain the reason for the departure from the trend.

2.0 – Staff 19
Ref: Attachment 2-1 – DSP Section 5.2.1 (a): Key elements of the Distribution System Plan that affect its rates, *Overhead Line Rebuilds*, p. 21.
"Overhead Line Rebuilds are the replacement of entire sections of overhead pole lines. These projects are driven by end of useful life factors in conjunction with pacing of capital investments to ensure reliability, safety and a sustainable investment schedule. In 2016 Milton Hydro is proposing 3 Overhead Line Rebuilds totalling $798,400 or 42.8% of the System Renewal budget."

a) Please provide a detailed description of the selection process Milton Hydro uses to determine the appropriate year to rebuild an overhead line, including any quantifiable parameters used in the decision-making process.
b) Does Milton Hydro typically rebuild entire lines within the same budget year, or are some longer line rebuilds staged over multiple years?
c) Why is Milton Hydro rebuilding all three Overhead Lines identified above in 2016? Would it be possible to stage these projects over a three-year period?
d) Please provide the total line length rebuilt each year and the total cost of the line rebuild program for each of the DSP historical years 2011 - 2015.
e) Does the 2016 to 2020 line rebuild budget follow the 2011 – 2015 historical trend for total line rebuild length and capital cost?
f) If no to e), please explain the reasons for the departure from the trend.
g) Please describe any differences in the process to determine if rebuilds are necessary for overhead and underground lines.

2.0 – Staff 20
Ref: Attachment 2-1 – DSP Section 5.2.1 (a): Key elements of the Distribution System Plan that affect its rates, *WiMAX Communication Investments*, p. 22.
"WiMAX Communication Investments refer to the deployment of a WiMAX based communication infrastructure utilizing the 1.8 GHz band allocated by Industry Canada for utility operations. Milton Hydro will utilize this communication infrastructure as the primary means of remotely accessing:

- *Automated distribution switches*
- *Smart fault Indicators*
- *Metering points*

In 2016 Milton Hydro plans to invest $770,000 in WiMAX Communication infrastructure. This represents 67.6% of the System Access budget or 6.6% of the proposed total 2016 capital investment."

a) Please provide the total WiMAX investments for each of the DSP historical years 2011 – 2015.
b) Please provide the plan, schedule and budget for WiMAX implementation through the DSP forecast period.
c) Please provide the business case for the WiMAX project.
d) What savings/productivity or other benefits are expected from this project? Based on expected savings, what is the internal rate of return on the project investment?
e) Will WiMAX implementation be largely completed within the 5 year forecast period, or are material levels of WiMAX capital expenditure expected to continue beyond the forecast period?
f) Are there expected to be material long-term costs associated with operating and maintaining the WiMAX assets beyond the forecast period?

2.0 – Staff 21
Ref: Attachment 2-1 – DSP Section 5.2.1 (a): Key elements of the Distribution System Plan that affect its rates, *Automated Equipment Investments*, p. 22.
"Automated Equipment Investments refers to the deployment of automated switches and smart fault indicators throughout Milton Hydro's service territory. The ability to remotely operate and monitor the distribution system will help to maintain and improve reliability and safety measures associated with the distribution system and improve operational system efficiencies. In 2016 Milton Hydro proposes to invest $369,000 in automated equipment. This represents 32.4% of the System Service budget or 3.2% of the proposed 2016 capital budget."

a) Please provide the total investment in Automated Equipment by type for each of the DSP historical years 2011 – 2015.
b) Please provide the plan, schedule and budget for Automated Equipment investments through the DSP forecast period, by type.
c) Are material levels of capital expenditure on Automated Equipment expected to continue beyond the forecast period?

2.0 – Staff 22
Ref: Attachment 2-1 – DSP Section 5.2.1 (e): MHDI asset management process, p. 24.
"In 2014, MHDI contracted out its control room operations to Guelph Hydro to fully realize the benefits associated with a smart infrastructure and to address the operational/switching intricacies associated with MHDI's growing, dynamic distribution system."

a) Please explain Milton Hydro's reasoning for transferring the control centre operations to Guelph Hydro.
b) How is Guelph Hydro expected to be more responsive than Milton Hydro (i.e. during a systemic outage for example)?
c) In the absence of contracting out control room operations to Guelph Hydro, would Milton Hydro have been required to make additional capital and O&M investments?
d) If yes to c), did Milton Hydro estimate these capital and O&M costs?
e) Did Milton Hydro incur any capital costs in 2014 or 2015 to outsource control room functionality to Guelph Hydro?
f) Will Milton Hydro incur any capital costs over the DSP forecast period due to outsourcing control room functionality to Guelph Hydro?
g) What is the all-in annual cost for outsourcing control room functionality to Guelph Hydro, and does the contract include any automatic cost escalation terms?
h) Does Milton Hydro have the capability to resume control room functionality in-house should the arrangements with Guelph Hydro terminate for any reason?
i) If yes to h), would this involve capital investments and incremental O&M costs?
j) If no to h), does Milton Hydro have a backup plan?
k) What measures has Milton Hydro taken to ensure reliability standards do not suffer as a result of transferring the control centre operations to Guelph Hydro?

2.0 – Staff 23
Ref: Attachment 2-1 – DSP Section 5.2.1 (f): Contingent activities/events affecting the Distribution System Plan, *Long Term Load Transfers*, p. 25.
"As of December 2014, MHDI had 91 load transfer customers where Milton Hydro is the physical distributor and the surrounding utilities are the geographic distributors. Any LDC activity, during the period of the DSP, to become the physical distributor would result in minor removal of MHDI plant.

Milton Hydro is also the geographic distributor to 159 LTLT customers supplied by other LDCs.

MHDI is aware of the OEB's proposed amendments to the Distribution System Code (DSC) outlined in the OEB letter dated February 20, 2015 (EB-2015-0006)

and intended to facilitate the elimination of remaining LTLT arrangements between LDCs. ***MHDI's DSP as filed does not include any work for MHDI to become the physical distributor for any of the LTLT customers.*** *MHDI will eliminate LTLT arrangements as prescribed by any amendments to the DSC." [Bold added for emphasis]*

a) Although the DSP as filed does not include any work for Milton Hydro to become the physical distributor for any of the LTLT customers, does Milton Hydro have an order of magnitude estimate for making the changes?
b) If no to a), could Milton Hydro provide an indication of the range of likely costs?

2.0 – Staff 24
Ref: Attachment 2-1 – DSP Section 5.2.2 (b): Final Deliverables of the Regional Planning Process, *Northwest Sub-Region*, p. 40
"The completed Integrated Regional Resource Plan (IRRP) dated April 28, 2015 considers all options to address electricity supply needs in the GTA West – Northwest Sub-Region over the next 20 years. A link to the Northwest GTA sub-region Integrated Regional Resource Plan (IRRP) has been included in Appendix A – Document Links. A copy of the Hydro One planning status letter has been included in Appendix G – Regional Planning Status Letter.

The IRRP findings include a need for new transformation facilities to service MHDI load growth by 2020. *" [Bold added for emphasis]*

a) Please confirm that the DSP Capital Expenditure Plan as filed does not include any costs for the new transformation facilities identified in the Regional Plan.
b) Does Milton Hydro have an order of magnitude estimate for the cost of the new assets?
c) If no to b), could Milton Hydro provide an indication of the range of likely costs?
d) If an estimate is not available, does Milton Hydro anticipate that the capital cost of the new transformation facilities will materially increase Milton Hydro customer rates? Please explain
e) Would the costs borne by Milton Hydro ratepayers be affected by the actual ownership of the new transformation facilities? For clarity, would the costs to Milton Hydro's ratepayers be different if the assets are owned directly Milton Hydro rather than by Hydro One or another owner?
f) Does the IRRP indicate if either Milton Hydro or Hydro One Networks Inc. (HONI) should own the new transformation facilities?
g) If HONI becomes owner of the new transformation facilities, will Milton Hydro be required to make a capital contribution towards their cost, and if so, please provide the contribution formula?
h) The IRRP (see Appendix G, page 203) also identified the potential need to undertake work on the T38B/T39B circuits. Do Milton Hydro capital expenditure plans anticipate any costs associated with work on T38B/T39B?

2.0 – Staff 25
Ref: Attachment 2-1 – DSP Section 5.2.3 (a): Metrics used to monitor distribution system planning performance, *Cost Efficiency and Effectiveness – Planning Quality*, p. 48.
"At a corporate capital and operating expenditures regularly to ensure they are on budget and on schedule. Expenditure summary records are provided to the MHDI Board on a periodic basis."

a) Are these records available? If yes, please provide materials.
b) What actions are taken when corporate capital and operating expenditures are not on budget?

2.0 – Staff 26
Ref: Attachment 2-1 – DSP Section 5.2.3 (b): Summary of historical performance – *Customer Oriented Performance – Service Reliability*, pp. 51-54.
On pages 51-54 of the DSP, Milton Hydro discusses system reliability, historical interruptions and scheduled outages.

a) Does Milton Hydro map the outages to their GIS system?
b) Are there patterns to equipment outages in the older parts of the system, for example, that catalyze changes to Milton Hydro O&M patterns?

2.0 – Staff 27
Ref: Attachment 2-1 – DSP Section 5.2.3 (b): Summary of historical performance – *Customer Oriented Performance – Service Reliability*, p. 54.
"In 2014 MHDI proactively replaced porcelain switches. A 2010 ESA serious incident report study identified porcelain as a "know equipment weakness" and contributor to hazards affecting public safety. For the scheduled outages in 2014, 94 outages were due to porcelain switch replacements. There were less than 5 scheduled outages for this in previous years."

a) Were porcelain switch failures tracked separately prior to the replacement program in 2014? If so, please provide the average annual failure count.
b) Has Milton Hydro observed and/or does Milton Hydro anticipate observing a material improvement in its reliability statistics specifically related to equipment failures and planned outages as a result of the porcelain switch replacements that were implemented in 2014?
c) Does Milton Hydro have any remaining porcelain switches in its system?
d) If yes to b), does Milton Hydro intend to replace all remaining porcelain switches?
e) If so, what is the anticipated cost and schedule of the remaining program?

2.0 – Staff 28
Ref: Attachment 2-1 – DSP Section 5.2.3 (b): Summary of historical performance, *Asset/System Operations Performance – Reg. 22/04*, Table 14, p. 56.
"During the 2010 – 2014 historical period, MHDI has achieved compliance in this portion of the audit. Issues noted as "Needs Improvement" are addressed to ensure that they are "In Compliance" for the following year audit. Exceptions to "In Compliance" audit findings are shown in Table 14…"

Table 14 – ESA Audit Results

Audit Year	Not in Compliance	Needs Improvement
2010	0	3
2011	0	2
2012	0	1
2013	0	1
2014	0	1

a) Provide details of the items identified as "Needs Improvement" in Table 14.
b) Identify the corrective actions that were taken to address these issues and estimate the capital and O&M cost impacts of these actions.

2.0 – Staff 29
Ref: Attachment 2-1 – DSP Section 5.2.3 (b): Summary of historical performance, *Asset/System Operations Performance – System Losses*, Table 15, p. 56.

Table 15 – MHDI System Losses

2010	2011	2012	2013	2014
3.21%	3.36%	3.60%	2.00%	3.87%

a) Confirm that Milton Hydro system losses dropped to 2% in 2013 as shown in Table 15.
b) If confirmed, please explain how this significant reduction in system losses was achieved.
c) Would it be possible to continue operating the system in a manner that would maintain this loss reduction?

2.0 – Staff 30
Ref: Attachment 2-1 – DSP Section 5.3: Asset Management Process, p. 60. Appendix J "*Milton Hydro Distribution Inc. Asset Management Plan 2016 – 2020*", PDF page 378.
"MHDI has developed an Asset Management Plan which outlines the capital and operating expenditures necessary to ensure that Milton Hydro continues to provide high standards for the safe, reliable supply of electricity at the lowest cost."

a) Does Milton Hydro consider that its Asset Management approach is fully developed?

b) Has Milton Hydro prepared a consolidated Asset Condition Assessment report to support the Asset Management Plan? If so, please provide a copy.
c) Does Milton Hydro utilize an explicit methodology that combines asset condition assessment information with asset criticality rankings in developing and prioritizing its capital expenditure plans, or does the Capital Expenditure process depend primarily upon the application of judgment by experienced staff?

2.0 – Staff 31
Ref: Attachment 2-1 – DSP Section 5.3.1 (b): Asset Management Process Components, *Asset Register*, pp. 65 – 66.
"The asset management process has at its foundation an asset register where asset information is held. For MHDI, the asset register is not a single information source but is composed of the GIS, electronic files and paper files."

"The MHDI GIS is a new system and the long term plan is to have the GIS linked to databases containing all distribution plant information."

a) Has Milton Hydro developed a schedule and cost estimate for the process of linking the GIS to the other databases that contain all distribution plant information?
b) Does Milton Hydro intend in the longer term to migrate its paper asset register files into electronic records that would be accessible via the GIS?
c) If so, has the cost of this migration been estimated?

2.0 – Staff 32
Ref: Attachment 2-1 – DSP Section 5.3.2 (b): System Configuration, Figure 15 – 8.32 kV Distribution System, p. 77.
Milton Hydro has an extensive rural 8.32 kV system, primarily in the north part of the service area.

a) Does Milton Hydro have any longer term plans to upgrade this part of the system to a higher voltage?
b) Would a future voltage upgrade in this area be deferred until facility replacement is driven by load growth or asset condition?

2.0 – Staff 33
Ref: Attachment 2-1 – DSP Section 5.3.2 (c): Information by Asset Type, p. 78.
"Proactive replacement strategies have been adopted for poles, pole lines, underground primary cable, and areas serviced by underground primary supplies. Reactive replacement strategies have been adopted for the remainder."

a) How does Milton Hydro ensure that pole life is maximized under the proactive replacement strategy?

b) Are proactive pole replacements prioritized for criticality or are all pole replacements considered to be equally critical, depending solely upon asset condition?

2.0 – Staff 34
Ref: Attachment 2-1 – DSP Section 5.3.2 (d): Assessment of Existing System Capacity, *MS Station Capacity*, p. 79.
"MHDI's long term plan is to convert the 13.8kV area to 27.6kV supply. Load growth in MS supplied areas will be accommodated through existing MS capacity or through planned MS area conversion to 27.6kV supply."

a) Has Milton Hydro created an overall schedule and estimated the cost to implement the planned 13.8 kV to 27.6 kV conversion?
b) Is the planned MS4 salvage contingent upon this conversion?
c) Have the capital costs of the conversion and MS4 salvage been included in the capital expenditure plan in this filing?

2.0 – Staff 35
Ref: Attachment 2-1 – DSP Section 5.3.3 (b): Lifecycle Risk Management, p. 85.
"As part of the prioritization process Milton Hydro considers:

1. *The current state of the assets*
2. *Assets critical to performance*
3. *MHDI's desired level of service and mandated deliverables*
4. *MHDI's design and operating philosophies*

Within this context projects are prioritized based on:

- *Discretionary*
- *Non-Discretionary*

Non-discretionary projects, typically System Access projects, are automatically included in response to third party needs."

a) Has Milton Hydro's ability to address its backlog of discretionary projects been materially impacted by the recent historically high level of System Access/Non-Discretionary projects?
b) Is the 13.8 kV to 27.6 kV conversion project considered to be Discretionary?

2.0 – Staff 36
Ref: Attachment 2-1 – DSP Section 5.4.1 (c): Effect of asset management and capital investment process outputs on capital expenditures, *System Renewal*, p. 88.
"System Renewal –A long term proactive investment program is required for pole assets. This need has been reflected in the increase of spending in this category over the period of the DSP. Other spending in this category will be for discrete

projects and will be determined on the basis of ongoing system asset performance. Future funds ranging from $400k to $1,100k have been reserved in this category for renewal needs due to unanticipated asset failure."

a) Is the $400k to $1,100k figure based upon historic norm?
b) If the answer to a) if no, please provide the basis of this figure.
c) How does Milton Hydro justify holding a variable reserve fund that ranges from $400K to $1,100K to augment a pole replacement program that should be relatively stable and predictable from year to year over the forecast period?
d) Does Milton Hydro anticipate fully utilizing this level of reserve fund each year while still prudently maximizing asset life?
e) Why is a long term proactive investment program required for pole replacements?
f) What level of productivity improvement is anticipated in future pole replacements?

2.0 – Staff 37
Ref: Attachment 2-1 – DSP Section 5.4.4: Capital Expenditure Summary, Table 44 Capital Expenditures Forecast, p. 111.
Attachment 2-1 – DSP Section 5.4.4: Capital Expenditure Summary - Table 45 – OEB Chapter 5 Table 2 Capital Expenditure Summary, p. 112.

Capital Expenditure Summary

Table 43 Capital Expenditures Actual ($' 000)

Category	2011 (CGAAP)	2012 (CGAAP)	2013 (MIFRS)	2014 (MIFRS)
	Actual	Actual	Actual	Actual
System Access	5,571	7,631	4,658	7,190
System Renewal	2,753	1,198	2,517	2,647
System Service	428	2,387	638	513
General Plant	500	343	880	4,896
Total	9,252	11,559	8,693	15,246

Table 44 Capital Expenditures Forecast ($'000)

2015 (MIFRS)	2016	2017	2018	2019	2020
Plan	Plan	Plan	Plan	Plan	Plan
5,551	7,906	8,092	6,212	6,411	6,878
2,087	1,863	1,821	1,790	1,800	1,725
2,170	1,139	1,225	1,350	1,350	1,500
6,659	720	701	711	676	696
16,467	11,628	11,839	10,063	10,237	10,799

Table 45 – OEB Chapter 5 Table 2 Capital Expenditure Summary

Appendix 2-AB
Table 2 - Capital Expenditure Summary from Chapter 5 Consolidated

First year of Forecast Period: 2016

CATEGORY	Historical Period (previous plan[1] & actual)															Forecast Period (planned)				
	2011			2012			2013			2014			2015			2016	2017	2018	2019	2020
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual[2]	Var					
	$ '000		%	$ '000		%	$ '000		%	$ '000		%	$ '000		%	$ '000				
System Access		5,571	--		7,631	--		4,658	--		7,190	--		5,552	--	7,906	8,092	6,212	6,411	6,878
System Renewal		2,753	--		1,198	--		2,517	--		2,647	--		2,087	--	1,863	1,821	1,790	1,800	1,725
System Service		428	--		2,387	--		638	--		513	--		2,171	--	1,139	1,225	1,350	1,350	1,500
General Plant		500	--		343	--		880	--		4,896	--		11,911	--	720	701	711	676	696
TOTAL EXPENDITURE	-	9,253	--	-	11,560	--	-	8,693	--	-	15,246	--	-	21,721	--	11,628	11,839	10,063	10,237	10,799
System O&M		$ 2,055	--		$ 2,210	--		$ 3,551	--		$ 3,002	--		$ 3,601	--	$ 3,735				

Notes to the Table:
1. Historical "previous plan" data is not required unless a plan has previously been filed
2. Indicate the number of months of 'actual' data included in the last year of the Historical Period (normally a 'bridge' year): 0

a) Please explain the discrepancy between the following:
   i. $6.659 million capital expenditure forecast for the 2015 General Plant expenditures (as highlighted in Table 44 above), and
   ii. $11,911 million actual General Plant expenditures for 2015 (as highlighted in Table 45 above)
b) The 2011 – 2015 historical expenditures, by category and by nominal amount, varied significantly from year to year.
   i. Please provide the reasons for this 'lumpiness' in the expenditure trends.
   ii. Does Milton Hydro have any ability to manage the inter-annual 'lumpiness' of these capital expenditures?
   iii. If yes, why did Milton Hydro not spread out the capital expenditures in a manner that minimized year over year changes in nominal spending?
c) What has changed to allow Milton Hydro to be more consistent with the year to year forecast expenditures?
d) Please confirm that the capital expenditure figures for the 2016 test year, and for the 2017-2020 forecast period, have been adjusted to take into account all customer contributions. In other words, please confirm that the contributions from the road authority have resulted in a lower total capital expenditure budget, as depicted in Table 45 above versus the figures listed in Table 32 – Material Capital Expenditures 2016, on page 89.

2.0 – Staff 38

Ref: Attachment 2-1 – DSP Section 5.4.5.1 (a): Comparative expenditures by category 2010 – 2015 - *System Access*, p. 114.

"Over the forecast period subdivision costs to remain consistent at approximately $3.8 million per year and total System Access costs to remain fairly consist with an average spend of $7.1 million over the forecast period."

a) Is the $3.8 million a placeholder value, or is this figure based upon explicit customer plans/requests? If yes, please provide supporting information.
b) Does Milton Hydro have similar supporting information for any of the other forecast years? If yes, please provide the supporting information.
c) A substantial proportion of the System Access project costs in Year 2016 relate to relocating Milton Hydro infrastructure due to roadwork being undertaken by the road authority. Is the 2016 budget year a good proxy for the expected expenditures for roadwork during the 2017-2020 period? Please explain why or why not.
d) Has Milton Hydro estimated the number of kilometers of Milton Hydro infrastructure required to be relocated in each of the forecast period years? If yes, please provide the details of the estimates.

OPERATING REVENUE/LOAD FORECAST

3.0 – Staff 39
Ref: Exhibit 3, p. 4
Milton Hydro indicates that it has updated its analysis for actual power consumed by each customer class up to May 2015. Please update the load forecast to include the most recent data and indicate how the load and customer forecast for 2015 and 2016 may be affected.

3.0 – Staff 40
Ref: Exhibit 3, p. 5
Milton Hydro indicates that it has used the same load forecast methodology as was used in its last Cost of Service application in 2011.
a) How did Milton Hydro determine that the 2011 model was still appropriate for use in this application?
b) Has Milton Hydro tested the forecast results against actuals over the past years since 2011? If yes, what were the results? If not, why not?

3.0 – Staff 41
Ref: Exhibit 3, p.6 Table 3-2
Milton Hydro's residential customer base grows by 3.1% in 2015 and residential kWh consumption increases by 4.4% in the same year. This is inconsistent with past years where consumption grows at a much lower pace than customer additions. Please provide a rationale for this anomaly.

3.0 – Staff 42
Ref: Exhibit 3, p.7
Milton Hydro states that its customer count forecasts for the Residential class is based on the expected growth determined through discussions with developers and their subdivision plans submitted to Milton Hydro.
a) What is the past track record of these discussions in terms of accuracy?
b) Does Milton Hydro adjust the forecasts provided or does Milton Hydro just accept the forecasts?

3.0 – Staff 43
Ref: Exhibit 3, p.27 Table 3-14a
Milton Hydro's residential customer base grows by 4.5% in 2016, significantly higher than the 3.1% growth rate for 2014 and 2015. What are the reasons for this forecast growth in the test years for both classes?

3.0 – Staff 44
Ref: Exhibit 3, p.28a
Milton Hydro indicates that it the Residential weather normalized consumption reduces each year from 2010 to the test year due to smaller and more town house style homes being built.

a) What is the percentage of new homes in Milton Hydro's service area that are electrically heated?
b) Are the majority gas heated and if so, what are the other factors for this reduction in usage?

3.0-Staff-45
Ref: Exhibit 3, p. 7 and p. 6, Table 3-2
Ref: Report of the Board Review of the Board's Cost Allocation Policy for Unmetered Loads EB-2012-0383, November 19, 2013

Milton Hydro states that it contacted all 20 of its unmetered scattered load customers and received replies from 6 customers. Table 3-2 shows a reduction in load per connection for 2015 and 2016. There is a similar result in the street lighting class. OEB staff is aware that there is a trend in communities to install more efficient street lighting. OEB staff is also aware of a similar trend for other unmetered loads.

In the second reference, the Board commented on communications between distributors and unmetered load customers:

> *"The Board believes that there should be ongoing communication between distributors and unmetered load customers. This will enable the municipalities and other unmetered load customers to bring to the attention of their distributor any technological changes that impact the electricity consumption or the load profiles of their unmetered loads. Unmetered load customers should be able to determine, and distributors should be able to validate, what the appropriate consumption levels and load profiles are for particular devices that will reflect the technology used in street lights and other unmetered loads."*[1]

OEB staff is interested in determining the level of customer engagement Milton Hydro has undertaken in preparing this application.

a) Please state if the survey of USL customers resulted in new knowledge related to technology for new and replacement devices that would affect electricity loads. Please describe how the load reduction was developed.
b) Has Milton Hydro discussed with street lighting providers plans related to technology for new and replacement devices that would affect electricity loads in the municipality that it serves.
c) If it did not, please describe how the reduction was developed.
d) If Milton Hydro did not meaningfully engage its customers to assist in setting a forecast of electricity demand, please, on a best efforts basis, consult with them and review the forecast in light of the discussion.

[1] 3.1.4 The Board's Approach

4.0 OPERATING EXPENSES

4.0-Staff-46
Ref: Exhibit 4, p. 4 (Table 4-1) and p. 13 (Table from Appendix 2-JA)
On page 4 in Table 4-1, Milton Hydro shows a 2013 amount for Administration and General Expense of $2,960,750. However, on page 13, showing the table from appendix 2-JA, the same expense category is shown as $2,779,927. Please reconcile or correct the amounts.

4.0-Staff-47
Ref: Exhibit 4, p. 8
Milton Hydro states that an inflation rate of 2% was used on non-labour items and that this is within the range of rates set out in Toronto Dominion Bank's September 25, 2014 quarterly economic forecast. Milton Hydro also includes Table 4-4 that shows inflation forecast for Canada.

a) Why did Milton Hydro not use a more recent forecast of inflation as a reference for this parameter?
b) Why did Milton Hydro not use an Ontario-specific inflation forecast such as a forecast from the Ontario Ministry of Finance?
c) Why did Milton Hydro not use the latest IPI factor of 1.6% as issued by the OEB on October 30th, 2014?

4.0-Staff-48
Ref: Exhibit 4, Tab 2, Schedule 2
a) Please identify what improvements in services and outcomes the Applicant's customers will experience in 2016 and during the subsequent term for the custom IR as a result of increasing the provision for OM&A in 2016.

b) How has the Applicant communicated these benefits and the associated costs to its customers, and how did customers respond? Please provide some examples, including a synopsis of any customer feedback. If no communications took place, please explain why not.

4.0-Staff-49
Ref: Exhibit 4, p. 13 (Table from Appendix 2-JA)
This table shows OM&A expenses by major category from 2011 to the 2016 test year, including a change in accounting standards which took place in 2013. Please provide a similar table that shows the 2013 transition year under CGAAP to enable comparisons from 2012 and to isolate the OM&A impact of the MIFRS accounting change for 2013.

4.0-Staff-50
Ref: Exhibit 4, p. 4 (Table 4-1)
Staff notes that OM&A expense per FTE increases by about 3%per year from 2011 to 2016.
a) Please provide a rationale for this increase.

b) Why has Milton Hydro not shown better productivity over this time period?

4.0-Staff-51
Ref: Exhibit 4, p. 13 (Table from Appendix 2-JA)
This table shows Community Relations expenses fluctuating significantly from 2011 approved to 2001 actual, and then falling further to $3,000 in 2012, up to $19,700 in 2014 and up to $20,000 in 2016. Please provide the reasons for the fluctuations in this expense over the 2011 to 2016 period.

4.0-Staff-52
Ref: Exhibit 4, p. 19 (Table 4-10)
This table shows Wage Increases by year from 2011 to 2016 for both unionized and Non-Union Staff. Increases in both these areas are in the 2.6% annual range. Ontario CPI as published by the Ontario Ministry of Finance, shows an inflation rate averaging 1.85% over the same time period. Please explain why Milton Hydro's wage increases are so much higher than Ontario inflation over that time period.

4.0-Staff-53
Ref: Exhibit 4, p. 20
Under Benefit Costs, Milton Hydro refers to an agreement with Green Shield Canada for an Administrative Services only contract and references a surplus of $23,505 at May 31, 2015. Please explain the reasons for pursuing the Green Shield contract and what savings have been realized and savings expected to realized in the future, compared to previous practices.

4.0-Staff-54
Ref: Exhibit 4, p. 20
Under Service Locates, Milton Hydro refers to the 2011 actual costs for service locates which were lower than the 2011 OEB approved by $110,122, and goes on to state that Milton Hydro's 2011 forecast was for 6,790 locates, while the actual number of locates performed was 5,085 accounting for $90,000 in reduced contract costs.
a) Please provide a schedule of the number of service locates performed from 2011 to forecast 2016 and the cost associated with those locates.
b) Why has the number of service locates changed over the 2012 to 2016 period?

4.0-Staff-55
Ref: Exhibit 4, p. 20
Under Customer Premise Maintenance costs, Milton Hydro refers to the increase in costs in 2014. Staff notes that these costs increased by approximately 30% from 2001 approved and continue at that level to the test year level of $258,634.

a) Please provide a schedule of the number of Customer Premise Maintenance calls received from 2011 to forecast 2016 and the cost associated with these calls.
b) Why have Customer Premise Maintenance calls changed over the 2012 to 2016 period?
c) Why did these calls increase to this extent from 2011? Is Milton Hydro taking any steps to address the number of calls they are receiving?

4.0-Staff-56
Ref: Exhibit 4, p. 20, (Table 4-26)

OEB staff notes that Milton Hydro has recovered OPEBs in rates previously.

a) For each year since the onset of the recovery of OPEBs, please indicate if OPEBs were recovered on a cash or accrual accounting basis.

b) Please complete the table below to show how much more than the actual cash benefit payments, if any, have been recovered from ratepayers from the year Milton Hydro started recovering amounts for OPEBs.

OPEBs	**First year of recovery to 2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Amounts included in rates							
OM&A							
Capital							
Sub-total							
Paid benefit amounts							
Net excess amount included in rates greater than amounts actually paid							

c) Please describe what Milton Hydro has done with the recoveries in excess of cash benefit payments, if any.

4.0-Staff-57
Ref: Exhibit 4, p. 21
Under Meter Reading, Milton Hydro refers to a decrease in costs in 2016 of $168,860 and that it "…will bring the AMI meter system in-house January 1, 2016 as the contract with Trilliant for this service ends December 31, 2015. The savings in Meter Reading will be partially offset by the hiring of an AMI Operator and a support/maintenance agreement with Trilliant."

a) Please provide an accounting of how the total Meter Reading costs will be affected by these moves to realize this saving.
b) How will the investment in WiMAX affect the overall meter reading costs?

4.0-Staff-58
Ref: Exhibit 4, p. 27
Under Meter Expense, Milton Hydro shows an increase in this category of Operations cost of 29% from 2014 and 150% from 2011 approved costs. Please provide a detailed explanation for these increases and whether there is a relationship between this expense and Meter Reading expense referred to above.

4.0-Staff-59
Ref: Exhibit 4, p. 21
Under Load Dispatching, Milton Hydro discusses its decision to contact with Guelph Hydro for control room services and mentions an increase of $149,617. Please provide a schedule of the Load Dispatching/Control Room costs from 2011 to 2016. Please provide a full rationale and business case for the decision to contract with Guelph Hydro for these services and the expected savings from this decision.

4.0-Staff-60
Ref: Exhibit 4, p. 21
Under Tree Trimming, Milton Hydro discusses its ice storm experience and the increase in tree trimming costs since 2011. Milton Hydro indicates that it also approved a change to its tree trimming specifications in May 2014 in response to the number of outages and concerns expressed by customers.
a) Please outline how the specifications have change, the rationale for the changes and the cost impact of these changes to the tree trimming budget.
b) In light of the additional tree trimming performed after the ice storm, why do the tree trimming costs for 2016 increase by 16% from 2014 levels?
c) Can Milton Hydro provide any statistical evidence that it has achieved productivity gains in tree trimming/vegetation management over the past 5 years?

4.0-Staff-61
Ref: Exhibit 4, p. 22
Under Rent-Lawson Road, Milton Hydro indicates the reduction in rent costs due to the move to the new building. The rental costs for the 2015 bridge year are $328,664 which move to zero in 2016. However, building expenses cost are $406,153 in 2016.

a) Please provide the rationale and business case for the decision to purchase/renovate the new building and the additional costs incurred, compared to the previous rental building.
b) Please provide a summary of any operational savings that the new building will generate.
c) Please provide a summary of the expenses included in the $406,153.

4.0-Staff-62
Ref: Exhibit 4, p. 22 and Exhibit 1, p. 30
With regard to the new building (200 Chisholm):

a) What was the square footage in the previous building and what is the square footage of the new building?
b) How many staff (FTEs) were accommodated in the previous building and what number can be accommodated in the new building?
c) What percentage of the building is dedicated to administration as opposed to service work/operations?
d) Please calculate the sq. footage/ FTE number.
e) Please detail and explain any benchmarks and standards that were adopted in determining space requirements and costs for the facility, including space per employee, cost per sq ft, number of meeting rooms, operational savings, energy efficiency etc.
f) Was the new building constructed with future expansion in mind? To what degree?
g) What was the size of the lot in the previous building and what is the size of the lot in the new building?
h) What was the cost of the land for the new building?
i) Were any sites combined and consolidated in the new building? Can Milton Hydro define any efficiency gains due to the combining of sites?
j) Is the new building certified to a certain construction efficiency standard?
k) Will Milton Hydro experience lower operating costs as a result of this move to a renovated building? If so, how much?

4.0-Staff-63
Ref: Exhibit 1, p. 32
Milton Hydro indicates that it will sell its Main and Fifth property.
a) When will this property be put up for sale?
b) When is a sale anticipated?
c) When will the revenue offset of the sale be provided to rate payers?

4.0-Staff-64
Ref: Exhibit 4, p. 22
Under Maintenance (Meter, Overhead Lines, Line Transformers, Underground Conductor) 2016 costs are some 27% less than those in 2014. Please provide a rationale for the reduced costs in these four areas.

4.0-Staff-65
Ref: Exhibit 4, p. 25 (Table 4-13)
Under Billing and Collections, Milton Hydro shows a 10% increase in 2014, 8% in 2015 and 3.5% in 2016.
a) Please provide a rationale for the increases in each year.
b) What is the status of Milton Hydro's transition to monthly billing?
c) To what extent has Milton Hydro been able to gain efficiencies in its Billing and Collections activities, including the transition to monthly billing and increased e-billing?

4.0-Staff-66
Ref: Exhibit 4, p. 32
The applicant did not show any relevant studies of its proposed increases in compensation/headcount on the basis of compensation benchmarking, or any other external comparators, and appears to have justified its proposed increases solely on the basis of its anticipated needs without any specific reference to any external comparators. Please explain what analyses and data the Applicant has used to derive its proposed compensation per headcount for the bridge and test years.

4.0-Staff-67
Ref: Exhibit 4, p. 33 and p. 34 (Table 4-16)
On page 1, Milton Hydro states that staffing levels will increase from 54 FTEs in 2014, to 58 FTE in 2015 and then up to 61.5 FTE in 2016. This is an increase of almost 14% over a two year period. Milton Hydro also shows a corresponding 16% increase in total employee compensation for the test year relative to the 2014 actual levels. Board staff notes that average customer numbers increase 6.9% over the same period.

a) Please provide a detailed explanation of this increase in FTEs. What objectives has the applicant established for its operations?
b) Does Milton Hydro have an overall formal staffing strategy?
c) In particular, why are two new Metering Technician positions required (2011-2016), considering meter automation.
d) Why are 3.5 Powerline Technicians needed for succession planning?
e) Please provide specific information on why the proposed cost increases are necessary for the applicant to achieve the objectives that the applicant has targeted in the capital and operating expenditure sections of its application, and the alternative methods for achieving these objectives that were

considered and rejected in favour of the proposed headcount and compensation increases.

4.0-Staff-68
Ref: Exhibit 4, Attachment 4-4 Income Tax PILs Workform and Chapter 2 Appendix 2-BA for 2016 MIFRS
Total amortization on the PILs workform for 2016 is $3,516,702 ((line 104: 3,384,642; line 105: $132,060). This does not match the depreciation and amortization per Appendix 2-BA for 2016, which is $3,292,486.
Please explain the discrepancy and update the evidence as applicable.

4.0-Staff-69
Ref: Exhibit 4, p. 10, p. 54, Table 4-32
Milton Hydro indicates that the one-time costs of this application are $615,800 which compare to the one-time costs in 2011 of $224,500, an increase of 174%. Please provide an itemized breakdown of these totals, for 2011 and 2016 with rationales for the increase in each item. And please also define line 10 in Table 4-32 for both years.

5.0 COST OF CAPITAL AND CAPITAL STRUCTURE

5.0-Staff-70
Ref: Exhibit 5, p. 5
Milton Hydro indicates that beginning in October 2015, it will finance capital projects through long term debt issued by TD. As the rates on this debt were not available, Milton Hydro used the OEB's long term rate.

a) Please provide an update on the status of this financial instrument and update Table 5-3.
b) Please update Table 5-3 with the OEB's latest cost of capital parameters.
c) Why were Infrastructure Ontario debt instruments not pursued for the debt to be held by TD?

6.0 REVENUE DEFICIENCY/SUFFICIENCY

(No Questions)

7.0 COST ALLOCATION

7.0-Staff-71
Ref: Exhibit 7, p. 11
Milton Hydro states that for the 2016 test year, it prepared a more detailed breakout of assets into primary and secondary categories and also corrected the kilometers of road with distribution plant.

Milton Hydro also indicated that it had confirmed the impact of these changes by preparing a Cost Allocation Model using the new data and comparing this with the with the previous 2011 model.

a) Please provide a rationale for why these inputs were not accurate in the model used to set 2011 rates.
b) Please provide a summary of the results generated when the two model runs were completed. What was the impact on Revenue to Cost ratios?

7.0-Staff-72
Ref: Exhibit 7, p. 12 Table 7-9
In proposing its Revenue to Cost ratios, what were Milton Hydro's reasons for moving the Residential Class to below 100%?

8.0 RATE DESIGN

8.0-Staff-73
Ref: Exhibit 8, Attachment 8-4
Milton Hydro shows the rate/bill impact for a customer using 100 kWh per month. How many customers does Milton Hydro have at that consumption level?

9.0 DEFERRAL AND VARIANCE ACCOUNTS

9.0-Staff-74
Ref: Exhibit 9, p. 5 LRAMVA Disposition

Please provide a table that lists all the appropriate OPA CDM Initiatives that produced net CDM savings which were used in the LRAMVA calculations. For each rate class, please list all relevant CDM initiatives in the applicable year and provide the subsequent net CDM savings for each. An example is provided below:

Residential	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		
GS < 50 kW	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		

Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		
GS > 50 kW	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		
Other classes (e.g., Streetlighting, Large Use, etc.), as needed	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		

A separate table should be provided for each year.

9.0-Staff-75
Ref: Exhibit 9, p. 13
Milton Hydro has calculated a balance of zero for Account 1575 as of the changeover date of January 1, 2015. OEB staff notes that Milton Hydro had a credit of approximately $37.5 million in Account 1995 – Customer Contributions as of the changeover date.

According to APH Article 510, under IFRS, customer contributions received subsequent to the transition date are recognized as deferred revenue. Customer contributions recognized prior to the transition date are not reclassified to deferred revenue as a result of electing the optional exemptions. (Emphasis added)

a) Please confirm that Milton Hydro has reviewed Article 510 in determining that account 1575 should have a zero balance as of the changeover date of January 1, 2015. If confirmed, please explain why there is a zero balance.

b) If the balance is to be revised, please provide the calculation.

c) While OEB staff has not identified any other impacts that should be captured in account 1575, for customer contributions, there may need to be an amount for

the difference between Milton Hydro's revised CGAAP based amount for customer contributions as of the changeover date, and the MIFRS based amount for customer contributions as of the same date.

9.0-Staff-76
Ref: Exhibit 9, pp. 20-21, Table 9-14 and Table 9-15
OEB staff notes the following discrepancies between Tables 9-14 and 9-15 (Appendix 2-BA - 2015 MIFRS Fixed Asset Continuity Schedule and Appendix 2-EC – Accounting Changes under CGAAP):

	Table 9-14 (App 2-BA 2015)	Table 9-15 (App 2-EC)	Difference
Net Additions 2015 MIFRS	$17,837,487	$14,837,487	$3,000,000
Net Depreciation 2015 MIFRS	3,031,284	3,001,284	30,000
Closing Net PP&E 2015 MIFRS	80,801,054	77,831,064	2,970,000

a) Please explain the discrepancies.
b) Please update the evidence as applicable.

9.0-Staff-77
Ref: Exhibit 9, p. 22 Table 9-16
Milton Hydro has proposed a volumetric rate rider for Account 1576 – Accounting Changes under CGAAP. According to filing requirements 2.8.2 (page 57) distributors are expected to propose changes to residential rates consistent with the OEB policy: *A New Distribution Rate Design for Residential Electricity Customer*, which states that electricity distributors will transition to a fully fixed monthly distribution service charge for residential customers, to be implemented over a period of four years, beginning in 2016.

In proposing a transition to a fully-fixed monthly service charge, the distributor must follow the approach set out in Appendix 2-PA. Generally speaking, distributors must propose a fully fixed rate design for charges applicable to the residential class provided that those charges are specifically related to the distribution of electricity.

Examples of distribution-specific charges include: Group 2 Deferral and Variance Accounts including balances in accounts 1575/1576, ACM and ICM rate riders. Table 9-16 shows that Milton Hydro is proposing a volumetric rate rider to dispose of account 1576.

a) If this was more than just an oversight, please explain why Milton Hydro is proposing a volumetric charge.

b) Please provide an alternative calculation of the rate rider for Account 1576 as a fixed rate for the residential class.

---End---