EB-2015-0089

Milton Hydro Distribution Inc.

Application for electricity distribution rates and other charges beginning May 1,

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INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

November 27, 2015

MILTON HYDRO DISTRIBUTION INC.
2016 RATES REBASING CASE
EB-2015-0089

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-1

Ref: Exhibit 1, pages 25-28

Please update Tables 1-3 through 1-6 to include 2014 yearbook data.

1-Energy Probe-2

Ref: Exhibit 1, page 101

Please confirm that no costs associated with Milton Hydro Holdings Inc., Milton Energy & Generation Solutions Inc. or Milton Hydro Services Inc. have been included in either the historical data presented or in the 2016 revenue requirement of Milton Hydro Distribution Inc. If this cannot be confirmed, please provide the details by year of any such amounts included in the application.

EXHIBIT 2 – RATE BASE

2-Energy Probe-3

Ref: Exhibit 2, Tables 2-1, 2-2, 2-3 and 2-16

Please update Tables 2-1, 2-2, 2-3 and 2-16 to reflect the October 2015 Regulated Price Plan Price Report and any updated rates (such as network and connection charges) that are now available.

2-Energy Probe-4

Ref: Exhibit 2, Tables 2-9 & 2-10

a) **Please update Table 2-9 to reflect actual year-to-date expenditures closed to rate base in 2015, along with the forecast for the remainder of the year of the expenditures forecast to be closed to rate base.**

b) Based on the response to part (a), please provide an updated Table 2-10 to reflect any changes in capital additions forecast for the test year as the result of changes in 2015.

2-Energy Probe-5

Ref: Exhibit 2, Table 2-10

Table 2-10 shows a fully allocated depreciation expense of $224,216. Please split this amount into the amount capitalized and the amount included in OM&A.

2-Energy Probe-6

Ref: Exhibit 2, Table 2-11

Milton Hydro has always had significant amounts of work in progress at the end of the year, as illustrated in Table 2-11.

a) How much of the work in progress at the end of 2014 was related to the new service centre and administration building?

b) Please explain what has changed so that Milton Hydro is not forecasting any work in progress at the end of 2015 and 2016.

2-Energy Probe-7

Ref: Exhibit 2, Table 2-17

Please provide a version of Table 2-17 that shows for 2011 through 2015, actual expenditures in the categories shown along with the budgeted amounts for each year. If budgeted amounts are not available in the same level of detail as shown in Table 2-17, please provide the total budgeted amount for each of the years requested.

2-Energy Probe-8

Ref: Exhibit 2, page 40 & Table 2-27

a) Please confirm that contributions received in 2011 through 2014 and forecast for 2015 and 2016 are related to new subdivisions or plant relocation. If this cannot be confirmed, please explain what other capital expenditures are partially offset by contributions.

b) Please provide a table that shows, for each of new subdivisions, plant relocations and any additional areas identified in part (a) above, the gross capital expenditures, contributions and net capital expenditures for each of 2011 through 2016.

2-Energy Probe-9

Ref: Exhibit 2, Tables 2-17 & 2-26

a) Please explain the different figures shown for 2014 and 2015 between Tables 2-17 and 2-26 in the general plant category.

b) If the response to part (a) is related to the new service centre and administration building, please explain why the differences only add up to $6.788 million rather than the $15.0 million total cost of the project.

c) If necessary, please provide a revised version of Table 2-26 that excludes all capital expenditures related to the new service centre and administration building.

2-Energy Probe-10

Ref: Exhibit 2, Table 2-27

a) For each of the projects listed for 2015, please show the most recent year-to-date capital expenditures, the forecast for the remainder of the year and, for each discrete project, the current forecast of when the project will go into service.

b) Please provide the most recent year-to-date capital contributions received and the forecast for the remainder of the year.

2-Energy Probe-11

Ref: Exhibit 2, Tables 2-9, 2-17 & 2-27

a) Table 2-9 shows net additions to rate base in 2015 of $18,946,752, while Table 2-27 shows an amount of $15,946,752. This difference of $3 million appears to be related to the building ($10.5 million in Table 2-9 and $7.5 million in Table 2-27). Please reconcile and provide any corrected tables.

b) Table 2-17 shows gross capital expenditures of $16.469 million for 2015 and with contributions of $2.774 million would result in new additions of $13.695 million which does not match the figures in either Table 2-9 or 2-27. Please provide a reconciliation that shows the figure in Table 2-17 in relation to the correct net additions to rate base in 2015, taking into account contributions, work in progress at the end of 2014 and any other adjustment required.

2-Energy Probe-12

Ref: Exhibit 2, Attachment 2-1

Please explain the difference in 2015 General Plant shown in Table 44 ($6,659) and the amount shown in Table 45 ($11,911).

2-Energy Probe-13

Ref: Exhibit 2, Table 2-9

a) What is the current status of the new service centre and administration building? Is occupancy still expected to be fully accomplished by the end of 2015?

b) Please provide the actual capital expenditures incurred to date for this project.

2-Energy Probe-14

Ref: Exhibit 2, page 59

Please provide the capitalized borrowing costs for 2014 and 2015 (lines 1-2) and confirm that of each of these figures is related to the new service centre and administration building.

2-Energy Probe-15

Ref: Exhibit 2, pages 59-65

a) Are there any impacts outside of those recorded in account 1576 that result from changes in the capitalization policy since the last rebasing application in 2011? If so, please explain and quantify.

b) The evidence indicates that Milton Hydro has used the half year rule for the calculation of depreciation on capital assets in the year that the asset is first deemed to be in service for both financial statement and rate setting purposes. Please confirm that Milton Hydro used the half year rule in its last rebasing application. If this cannot be confirmed, please explain the methodology used in the last cost of service application.

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-16

Ref: Exhibit 3, page 21

The evidence states that Milton Hydro has performed the regression analysis for 2015 and 2016 based on the average of ten years for HDD and CDD. Please confirm that Milton Hydro used the actual HDD and CDD figures for the period over which the regression analysis was performed and used the ten year average to forecast HDD and CDD used in the regression equation to forecast 2015 and 2016.

3-Energy Probe-17

Ref: Exhibit 3, page 9

Please provide a table that shows the actual number of customers in each month of 2014 through to the most recent actual information available in 2015 for each rate class.

3-Energy Probe-18

Ref: Exhibit 3, page 26

a) For each of the rate classes that are billed on a kW basis, please estimate regression equations where the dependent variable is the ratio of the kW to kWh for the period 2001 through 2014 and the explanatory variable is a trend variable (i.e. 2001 through 2014).

b) For each of the equations estimated above where the trend variable has a t-statistic of 2.0 or higher, please provide the result kW forecast that results from the equation using the forecasted kW to kWh ratio for 2016.

3-Energy Probe-19

Ref: Exhibit 3, page 26

For each of the rate classes that are billed on a kW basis, please provide the monthly kW figures for each month for which actual data is available for 2015, along with the corresponding figures for the same months in 2014.

3-Energy Probe-20

Ref: Exhibit 3, Table 3-16

a) Please provide a version of Table 3-16 that:
i) excludes revenue and expenses associated with CDM programs,
ii) includes SSS administration income for all years (i.e. includes account 4080 in 2011 through 2015), and
iii) removes interest revenues and costs associated with deferral, variance and regulatory assets in account 4405.

Please provide the requested information in the same level of detail as the variance tables shown on pages 39 through 43.

b) Based on the same level of detail as found in the table requested in part (a) above, please provide the most recent year-to-date actual revenues for 2015, along with the figures for the corresponding period in 2014.

c) Where are revenues from microFIT customers shown in Table 3-16?

d) Please provide a table that shows microFIT revenues for each of 2011 through 2014 and the forecast for 2015 and 2016.

EXHIBIT 4 – OPERATING EXPENSES

4-Energy Probe-21

Ref: Exhibit 4, pages 9-10 & Table 4-32 & Table 4-1

a) Please indicate what the year to date actual costs incurred are for each of the one-time costs shown in Table 4-32. Please confirm that Milton Hydro has not included any of these costs in the 2015 forecast of OM&A expenses shown in Table 4-1. If this cannot be confirmed, please indicate the amount included in 2015.

b) What was the OEB's total annual assessment for 2015?

4-Energy Probe-22

Ref: Exhibit 4, pages 16-17

a) **The evidence states that Milton Hydro plans to hire six new employees during the 2015 bridge year. However, Table 4-9 appears to the addition of 8 employees and a reduction of 4, for a net increase of 4 employees. Please reconcile.**

b) **Please reconcile the above noted figure with the three positions noted on page 17 at lines 3 through 9.**

4-Energy Probe-23

Ref: Exhibit 4, page 26

Milton Hydro has included a cost of $150,000 associated with load dispatching, of which $100,000 is paid to Guelph Hydro. Please explain the other $50,000 in relation to overtime, connection costs, etc.

4-Energy Probe-24

Ref: Exhibit 4, page 22 & Table 4-8 & Table 4-13

a) **Please explain more fully the accounting around the ice storm. In particular, in what year did Milton Hydro include the $935,000 in related costs in OM&A? If these costs were not included in OM&A, where were they included?**

b) **The adjustment shown in Table 4-8 shows an incremental expense of $500,000 in 2013 and 2015 and a reduction of $1,000,000 in 2014. Does this mean that the actual OM&A was $500,000 lower in 2013 and 2015, and $1,000,000 higher in 2014 than shown?**

c) **Please reconcile the adjustment in Table 4-8 with the adjustment shown in Table 4-13 in 2013 and 2014 only.**

d) **Please provide a version of Table 4-8 assuming the no provision for non-recovery of the December 2013 ice storm was made.**

4-Energy Probe-25

Ref: Exhibit 4, Tables 4-14 & 4-15

a) **Please expand Table 4-14 to add two lines that show the amount of total compensation included in the OM&A expense and the total compensation that is capitalized each year.**

b) **Please add a column to Table 4-15 that shows the most current number of FTE's for the 2015 bridge year.**

4-Energy Probe-26

Ref: Exhibit 4, Table 4-8 & page 22

Please confirm that the increase in 2015 of $150,000 for consulting - financial system upgrade and the resulting decrease of $150,000 in 2016 means that this was a one-time cost. If this cannot be confirmed, please explain.

4-Energy Probe-27

Ref: Exhibit 4, Table 4-1

Please provide the most recent year-to-date actual expenses for 2015 in the same level of detail as found in Table 4-1. In addition, please provide the figures for the corresponding period in 2014.

4-Energy Probe-28

Ref: Exhibit 4, page 43

a) **Please provide a table that shows the amount of OPEBS included in OM&A for 2011 through 2016 based on the accrual basis that is included in the revenue requirement along with the expense actually incurred on a cash basis.**

b) **How has Milton Hydro treated the difference between the accrual and cash amounts?**

4-Energy Probe-29

Ref: Exhibit 4, page 46

a) **Please break down the management fee paid to Holdings into the components noted at lines 24 to 26 on page 46.**

b) **What administration, legal, audit and insurance services does Holdings provide to Distribution? Please explain for each of the items listed.**

c) **Please provide a table that shows for 2011 through 2016 the costs associated with Milton Hydro Distribution's Board of Directors.**

4-Energy Probe-30

Ref: Exhibit 4, page 75

a) **Please split Table 4-49 into tax credits associated with the Ontario Apprenticeship Training Tax Credit, Apprenticeship Job Creation Credits and the Ontario Co-operative Education Tax Credit.**

b) **Please show the number of people that qualified for each of the credits in the years shown for each of the tax credits.**

c) **Please confirm that none of the individuals that qualified for Ontario Apprenticeship Training Tax Credit in 2014 will be eligible in 2016. If this cannot be confirmed, please provide details.**

d) **Please confirm that Milton Hydro does not plan on hiring any students that would qualify for the Ontario Co-operative Education Tax Credit in 2016. If this cannot be confirmed, please provide details.**

4-Energy Probe-31

Ref: Exhibit 4, Table 4-51

a) **Please confirm that the property taxes shown in Table 4-51 are included in the OM&A costs shown in Table 4-1.**

b) **Please provide the assessment and 2015 property tax bill associated with the new service centre and administration building by year.**

EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE

5-Energy Probe-32

Ref: Exhibit 5, page 2 & Table 5-3

a) What is the current status of the loan from TD Canada Trust shown in Table 5-3 with a start date of October 15, 2015 with a principle amount of $4 million?

b) Lending rates from TD Canada Trust are expected to be in line with lending rates from Infrastructure Ontario, please explain why Milton Hydro has used the Board's current deemed interest rate of 4.77% for this loan.

c) What is the current Infrastructure Ontario rate for an amortizer loan with a term of 25 years?

5-Energy Probe-33

Ref: Exhibit 5, page 3 & Table 5-3

a) The evidence states that Milton Hydro is forecasting to borrow $4 million from TD Canada Trust in January, 2016. However, Table 5-3 for 2016 shows a start date of July 1, 2016. Please reconcile.

b) Please show how the interest amount of $182,850 for this January or July, 2016 loan has been calculated (line 13 in 2016 table in Table 5-3).

c) The evidence states that the construction loan of $7.8 million was converted to a promissory note on March 16, 2015, but Table 5-3 shows a start date of September 1, 2015 in the 2015 and 2016 tables. Please reconcile.

5-Energy Probe-34

Ref: Exhibit 5, Table 5-3 & RRWF

The deemed long term debt in the RRWF for 2016 is about $51.5 million (56% of rate base), whereas the forecast long term debt shown in Table 5-3 for 2016 is nearly $58.5 million, or about 63.6% of rate base. Please explain the need for the additional debt forecast for October 15, 2015 and January/July, 2016 given that the existing debt is already almost equal to the deemed long term debt and the addition of the $8 million will result in Milton Hydro significantly exceeding the deemed long term debt amount.

5-Energy Probe-35

Ref: Exhibit 5, pages 4 & 8

a) **Please provide a version of Table 5-4 that shows the difference between the deemed and forecasted long term debt for 2016.**

b) **Please confirm that Milton Hydro is proposing to update the return on equity, the short term debt rate and the long term debt rate based on the cost of capital parameters to be used for January 1, 2016 rates as issued by the Board on October 15, 2015.**

c) **Please update Table 5-3 to reflect any updates for debt issuances and costs as well as the Board's October 15, 2015 letter.**

5-Energy Probe-36

Ref: Exhibit 5, Attachment 5-1

a) **Is Milton Hydro able to pay off some or all of the promissory note to the Town of Milton? If yes, what is the penalty for doing so?**

b) **If the response to part (a) is yes, has Milton Hydro had any discussions with a third party to replace the affiliate promissory note? If yes, please provide details. If no, please explain why not.**

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6-Energy Probe-37

Ref: Exhibit 6, Tab 1, Schedule 1

Based on any corrections, changes or updates (such as the cost of power and the cost of capital parameter updates issued by the Board on October 15, 2015), please:

a) **Provide updated Tables 6-1 through 6-5,**

b) **Provide an updated RRWF that includes the appropriate and necessary entries in the Tracking Form indicating the interrogatory response which is the basis for the change made. Please also provide the RRWF in electronic form.**

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-38

Ref: Exhibit 7, page 5

Please confirm that the reference to street light on line 10 should be unmetered and scattered.

7-Energy Probe-39

Ref: Exhibit 7, Table 7-3 and Cost Allocation Worksheet I7.1

Please explain why some residential customers have:

a) smart meters - central metered,
b) smart meters - network,
c) demand without IT, and
d) demand with IT and interval capability.

In providing an answer, please provide a description of each of the above meter types.

7-Energy Probe-40

Ref: Exhibit 7, page 6

The evidence indicates that each meter reading system requires an employee to operate the meter reading systems and push the data for billing purposes.

a) Is the reference to each meter reading system the AMI and MV90 systems?

b) How many customers are read using the AMI system and how many are read using the MV90 system?

7-Energy Probe-41

Ref: Exhibit 7, Table 7-9

a) Please explain why Milton Hydro proposes to reduce the revenue to cost ratios for the GS > 1000 and Large User classes to 106% rather than to the top of the respective policy ranges of 120% and 115%.

b) Please explain why Milton Hydro proposes to increase the revenue to cost ratios for the street lighting and sentinel lighting classes to the bottom of the policy ranges (80%) rather than to a higher level.

c) Please explain why Milton Hydro proposes to change the revenue to cost ratios for the GS < 50, GS > 50 and USL classes despite the fact that they are already within the policy ranges.

7-Energy Probe-42

Ref: Exhibit 7, Table 7-9

a) Please consider the following scenario. The revenue to cost ratios for the GS > 1000 and Large Use classes is reduced from the status quo figures shown to 120% and the GS < 50 ratio is maintained at the status quo ratio of 109.76%.

If the revenue to cost ratios for the remaining rate classes (residential, GS > 50, street lighting, sentinel lighting and USL) were set equal to one another, what would this revenue to cost ratio need to be in order to be revenue neutral?

b) What is the maximum increase in the revenue to cost ratios for each of the street lighting and sentinel lighting classes so that the total bill impact in 2016 does not exceed 10%?

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-43

Ref: Exhibit 8, Table 8-6

Please confirm that the current monthly fixed charge for the GS > 50, GS > 1000 and Large Use classes is already above the ceiling calculated in the cost allocation model.

8-Energy Probe-44

Ref: Exhibit 8, Table 8-13

Is Milton Hydro aware of anything that resulted in the 2013 loss factor in the distribution system being significantly lower (less than 1%) compared to the 2.8% to 3.4% figures shown for the other years, while at the same time the supply facility

loss factor was more than 1.0% in 2013, compared to about 0.2% in the other years?

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-45

Ref: Exhibit 9, Table 9-5

Table 9-5 shows a heading "Group 2 Accounts - Discontinue". However, the three accounts listed under that heading has "Continue" in the Continue/Discontinue column. Please confirm whether Milton Hydro proposes to continue or discontinue these 3 accounts (all 1508).

9-Energy Probe-46

Ref: Exhibit 9, Tables 9-8, 9-14, 9-15 & 2-9

Please explain why the figures shown in Table 9-14 for 2015 MIFRS do not match the figures shown in Tables 9-8 and 9-15, while at the same time matching the figures in Table 2-9.

In particular, please explain the $3,000,000 difference in the net additions shown in Tables 9-8 and 9-15 as compared to the net additions shown in Tables 9-14 and 2-9.