

**IN THE MATTER** of the *Ontario Energy Board Act 1998*, Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

**AND IN THE MATTER OF** an Application by Milton Hydro Distribution Inc. for an Order or Orders approving just and reasonable distribution rates and other service charges for the distribution of electricity, effective May 1, 2016.

**INTERROGATORIES**  
**FROM THE**  
**SCHOOL ENERGY COALITION**

**Exhibit 1 - Administration**

**1-SEC-1**

Attached is a table, in both pdf. and Excel formats, comparing the most recent (2014 RRR, and 2014 benchmarking) results of twenty-four Ontario distributors similar to the Applicant, including the Applicant. With respect to these comparison tables:

- a. Please identify any distributors on the list that the Applicant feels are not appropriate comparators, and provide reasons for that conclusion. Please identify any distributors that the Applicant feels should be on the list, and are not, and provide reasons for that conclusion.
- b. With respect to the OEB efficiency assessment:
  - i. Please explain the anomalous 2012 results. If the reason for the anomaly is an accounting adjustment, please recalculate the 2012 predicted and actual costs without the adjustment.
  - ii. Please confirm that, with the exception of 2012, the Applicant regularly keeps its overall cost performance about 4% below predicted costs. Please provide any studies, reports or other documents the Applicant has in its possession discussing the reasons for that consistent performance.
  - iii. Please explain why two of the local utilities, Halton Hills and Kitchener-Wilmot, consistently have substantially better cost performance than the

Applicant, and one other local utility, Hydro One Brampton, generally has marginally better cost performance than the Applicant. Please describe any plans or strategies of the Applicant to bring cost performance more in line with these best in class competitors.

- iv. Please confirm that, even with a 6.1% rate increase in 2016 based on forecast increases in cost of service, the Applicant plans to remain at a level at least 4% below predicted costs in 2016.
- c. With respect to cost per customer, please confirm that only five of the comparator distributors had 2014 costs per customer lower than the Applicant. Please provide any exogenous reasons (for example, customer mix) that should be taken into account in analyzing this metric.
- d. With respect to OM&A per customer and Distribution Revenue per customer:
  - i. Please confirm that the Applicant's OM&A per customer is 9<sup>th</sup> best of the comparator distributors, and the Applicant's Distribution Revenue per customer is 7<sup>th</sup> best of the comparator distributors. Please provide details of any data inconsistencies or other anomalies known to the Applicant that would make these comparisons incorrect.
  - ii. Please confirm that the Applicant's Distribution Revenue per customer has declined 7.5% since 2005 (\$497.35 to \$460.29), while on average across the industry it has increased 23.3% since 2005 (\$412.57 to \$508.64, excluding Hydro One and Toronto Hydro). Please explain the factors unique to Milton Hydro that are the cause of this material variance.
- e. Please provide any studies, reports or other materials in the possession of the Applicant analyzing the impact of the Applicant's rapid customer growth on its cost structure and/or any specific cost performance metrics. By way of example, and without intending to limit the scope of the question, has Milton Hydro investigated the extent, if any, to which the newness of its distribution assets impacts its operating and maintenance costs, or the extent, if any, to which its customer demographics impact its billing and collection costs (including such things as e-billing uptake, etc.)?

## **1-SEC-2**

[Ex. 1, p. 19, 61] Please provide a comparison of the Applicant's use of technology, and innovation, in customer communications, with the use of technology, and innovation, by other Ontario LDCs. Please describe the extent, if any, that Milton Hydro seeks to be a leader in this area. If it does, please describe the customer preferences or other factors that make it appropriate to focus on leadership in this area.

## **1-SEC-3**

[Ex. 1, p. 32] Please provide all studies, reports, memoranda and other documents, other than those already included in the Application, analysing the appropriateness of the investment in the

new office and warehouse facilities. Please include all analyses dealing with:

- Cost per square foot of office space;
- Cost per square foot of warehouse or other space;
- Required space for current employees, and required space for future growth, including any comparisons to square feet per employee at other LDCs, or square foot per employee standards;
- Layout of the buildings, including space optimization;
- Relative costs of different locations within the Milton Hydro service territory.

#### **1-SEC-4**

[Ex. 1, p. 35] Given the capital investments forecast in the Distribution System Plan, please explain why the Applicant elected to use 4<sup>th</sup> Generation IRM rather than Custom IR for this Application. Please advise if the Applicant currently expects to seek an Incremental Capital Module during its IRM period.

#### **1-SEC-5**

[Ex. 1, p. 54] Prior to the RRFE, what were the primary methods used by the Applicant to get feedback from its customers, and to learn their preferences? Please advise what changes in customer engagement strategy were implemented as a result of RRFE, the cost of those changes, and the incremental knowledge of customer preferences, concerns, and input that have arisen as a result of those changes. Please provide a list of customer preferences and feedback that the Applicant heard in the customer engagement relating to this Application, and were not previously known to the Applicant.

#### **1-SEC-6**

[Ex. 1, p. 59] Please provide a summary of the areas of service quality in which the Applicant believes it has the most room for improvement, together with the Applicant's current strategy for achieving that improvement.

#### **1-SEC-7**

[Ex. 1, p. 65, 71] Please advise how many of the school boards served by the Applicant were included in the general service and mid-market focus groups and telephone surveys.

#### **1-SEC-8**

[Ex. 1, p. 67] Please provide details of all steps taken by the Applicant to ensure that those who completed the Online Workbook were not employees of, or otherwise connected with, Milton Hydro.

#### **1-SEC-9**

[Ex. 1, p. 83] Please provide a copy of the Crisis Communication Manual.

#### **1-SEC-10**

[Ex. 1, Tale 1-23] Please explain where, in this table of RRFE outcomes and objectives, Milton Hydro is targeting its customers' number one goal, lower rates.

**1-SEC-11**

[Ex. 1, p. 87-88] For each of the cost savings described on these two pages, please provide estimates of costs to implement, and cost savings, for each of the years 2015 through 2020.

**1-SEC-12**

[Ex. 1, p. 95] Please confirm that, although the Applicant is proposing a weighted average rate increase of 6.1% (deficiency of \$990,647 from the Revenue Requirement Work Form) that includes an offset of \$2,050,703 from the CGAAP to IFRS change. Please confirm that, compared on an “apples to apples” basis to previous rates, the proposed weighted average rate increase is \$3,041,350 or 18.8%.

**1-SEC-13**

[Ex. 1, p. 104] Please provide the budget presentation given to the Board of Directors on November 10, 2015, and any budget or rate application presentation given to the Board of Directors on November 23, 2015.

**1-SEC-14**

[Ex. 1, p. 107] Please provide all presentations, reports, memoranda and other documents provided to the Relocation Committee.

**1-SEC-15**

[Ex. 1, Attach. 1-1 and 1-2] Please advise which of these documents is the current Strategic Plan of the Applicant. If neither is the Strategic Plan, please file the current Strategic Plan.

**1-SEC-16**

[Ex. 1, Attach. 1-1, pp. 8-9] Please explain why page 8 lists the third area of focus as “Shareholder Engagement”, while page 9 lists it as “Stakeholder Engagement”.

**1-SEC-17**

[Ex. 1, Attach. 1-1, pp. 12-15] Please confirm that this table is intended to be a prioritized version of the list on page 11. Please advise whether the prioritization in this table is based on order of importance, or chronological order of either initiation or delivery target. If neither, what is the basis of the prioritization?

**1-SEC-18**

[Ex. 1, Attach. 1-2] Please advise whether the Board of Directors Strategic Planning session was intended to be a new look, from scratch, at vision, values and success factors, or was instead a review of those areas as already proposed by management after their previous session.

**1-SEC-19**

[Ex. 1, Attach. 1-2, p. 13] Please advise the Applicant’s current consolidation strategy. Please advise whether the question “What does the shareholder want” has been asked and answered, and if

so provide details. Please provide full details of all actions planned for the Test Year to pursue the Applicant's consolidation strategy.

**1-SEC-20**

[Ex. 1] Please provide a copy of the most recent Shareholder Declaration or Shareholders Agreement for each of the Applicant and its holding company.

**1-SEC-21**

[Ex. 1] Please provide full calculations of the Applicant's regulatory ROE for each of 2014 actual, and 2015 forecast.

Submitted by the School Energy Coalition November 28, 2015.

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Jay Shepherd  
Counsel for School Energy Coalition

Company	# of Customers	OM&A/ Customer	DX. Rev/ Customer	Gross PPE/ Customer	Net PPE/ Customer	Aging Ratio	Efficiency Assessment						Cost per Customer	Cost per km of Line
							2010	2011	2012	2013	2014	3 Year		
BLUEWATER POWER DISTRIBUTION CORPORATION	36,115	\$336.47	\$596.97	\$2,715.63	\$1,441.75	53.09%	-3.2%	1.7%	6.4%	5.9%	0.3%	4.2%	637	29,216
BRANTFORD POWER INC.	38,789	\$235.71	\$445.98	\$2,625.12	\$1,631.01	62.13%	3.8%	-2.5%	4.7%	0.7%	-3.6%	0.6%	503	39,047
CAMBRIDGE and NORTH DUMFRIES HYDRO INC.	52,684	\$274.29	\$525.45	\$4,067.29	\$2,090.55	51.40%	-10.1%	-7.8%	-3.3%	0.5%	-1.9%	-1.6%	634	29,241
CANADIAN NIAGARA POWER	28,627	\$329.51	\$653.78	\$4,829.35	\$2,944.46	60.97%	16.4%	15.6%	10.0%	13.8%	12.9%	12.2%	749	21,202
ENTEGRUS	40,503	\$230.35	\$492.53	\$3,281.01	\$1,778.28	54.20%	-13.1%	-13.4%	-10.9%	-12.5%	-16.7%	-13.4%	533	22,585
ESSEX POWERLINES CORPORATION	28,640	\$235.64	\$406.15	\$2,401.82	\$1,545.55	64.35%	-17.0%	-17.1%	-12.6%	-17.2%	-12.7%	-14.2%	524	32,562
FESTIVAL HYDRO INC.	20,362	\$322.01	\$558.73	\$3,818.56	\$1,914.97	50.15%	20.5%	18.0%	20.2%	19.6%	16.6%	18.8%	634	50,028
GREATER SUDBURY HYDRO INC.	47,187	\$328.46	\$505.18	\$4,129.28	\$1,650.06	39.96%	-2.4%	14.1%	16.7%	4.8%	14.9%	12.2%	648	30,698
GUELPH HYDRO ELECTRIC SYSTEMS INC.	52,963	\$271.51	\$552.15	\$2,872.28	\$2,374.91	82.68%	12.4%	14.7%	-2.0%	0.8%	-4.8%	-2.0%	601	28,683
HALDIMAND COUNTRY HYDRO INC.	21,323	\$352.62	\$620.61	\$3,737.07	\$2,238.68	59.90%	-27.6%	-24.1%	-18.7%	-23.7%	-23.6%	-22.0%	711	8,762
HALTON HILLS HYDRO INC.	21,534	\$246.30	\$475.89	\$2,682.71	\$2,424.87	90.39%	-27.2%	-24.9%	-27.5%	-35.7%	-31.3%	-31.5%	701	9,886
KINGSTON HYDRO CORPORATION	27,356	\$236.44	\$468.79	\$2,385.37	\$1,461.64	61.27%	0.1%	2.2%	2.4%	3.7%	-3.6%	0.8%	501	38,384
MILTON HYDRO DISTRIBUTION INC.	35,111	\$243.34	\$460.29	\$3,776.17	\$2,058.51	54.51%	-4.1%	-3.0%	-37.6%	-4.5%	-4.0%	-15.4%	679	23,629
NEWMARKET-TAY	34,871	\$231.48	\$504.72	\$3,060.63	\$1,581.13	51.66%	-14.6%	-21.0%	-19.5%	-19.5%	-18.6%	-19.2%	566	23,340
NIAGARA PENINSULA ENERGY INC.	51,824	\$329.23	\$624.45	\$4,653.17	\$2,319.69	49.85%	5.4%	5.2%	10.2%	1.1%	7.7%	6.4%	742	19,458
NORTH BAY HYDRO DISTRIBUTION INC.	23,975	\$273.36	\$598.12	\$4,542.57	\$2,197.31	48.37%	3.6%	5.5%	5.8%	5.4%	8.2%	6.5%	659	27,926
OSHAWA PUC NETWORKS INC.	54,731	\$204.78	\$361.92	\$3,105.41	\$1,558.90	50.20%	-21.7%	-18.0%	-14.5%	-17.4%	-18.1%	-16.7%	519	29,881
PETERBOROUGH DISTRIBUTION INCORPORATED	36,058	\$241.81	\$430.11	\$2,828.61	\$1,605.72	56.77%	14.0%	15.6%	13.2%	14.5%	14.5%	14.1%	585	37,415
PUC DISTRIBUTION INC.	33,487	\$329.60	\$557.07	\$4,269.92	\$2,525.27	59.14%	-8.5%	-5.2%	13.4%	22.7%	14.6%	16.9%	664	29,886
THUNDER BAY HYDRO	50,482	\$273.13	\$404.65	\$3,843.00	\$1,805.57	46.98%	9.6%	8.0%	-2.8%	8.2%	7.4%	4.2%	606	26,864
WATERLOO NORTH HYDRO INC.	54,674	\$259.20	\$626.65	\$5,866.41	\$3,415.97	58.23%	-3.1%	6.4%	4.3%	10.6%	11.0%	8.6%	760	26,299
WELLAND HYDRO-ELECTRIC SYSTEM CORP.	22,470	\$277.20	\$412.69	\$2,485.05	\$1,209.00	48.65%	-19.6%	-16.2%	-10.4%	-15.2%	-17.3%	-14.3%	483	23,278
WESTARIO POWER INC.	22,822	\$230.83	\$439.14	\$2,760.53	\$1,765.65	63.96%	-3.1%	-0.2%	-1.4%	2.2%	-4.2%	-1.1%	540	23,829
WHITBY HYDRO ELECTRIC CORPORATION	41,488	\$255.33	\$542.70	\$3,694.88	\$1,707.55	46.21%	0.4%	-3.0%	-7.0%	-0.9%	-6.8%	-6.5%	628	24,275
Averages of 24 Distributors	36,587	\$272.86	\$511.03	\$3,517.99	\$1,968.62	55.96%	-3.7%	-2.1%	-2.5%	-1.3%	-2.5%	-2.2%	617	27,349