



MILTON HYDRO DISTRIBUTION INC.

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January 23, 2016

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Young Street
27th Floor
Toronto, ON
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Re: OEB File No. EB-2015-0089
Milton Hydro Distribution Inc. ED-2003-0014
Interrogatory Responses to Energy Probe Pre-ADR Clarification Questions

Please find enclosed an electronic copy of Milton Hydro's Interrogatory Responses in regards to its 2016 Cost of Service Rate Application and Energy Probe's Pre-ADR Clarification Questions. Live Excel models, as required, have been filed through the RESS. Two hard copies of the Interrogatory Responses will follow by courier under separate cover.

Yours truly,

Original signed by

Cameron McKenzie
Director, Regulatory Affairs
Milton Hydro Distribution Inc.

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

**ENERGY PROBE RESEARCH FOUNDATION
CLARIFICATION QUESTIONS**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1. Ref: 1.0-Staff-7

- a) Please explain why Milton Hydro projects it will be in efficiency group 3 for 2016 when the July 2015 PEG report shows Milton Hydro in group 2.
- b) Do the numbers in the table in the 2016 column indicate that Milton Hydro is forecasting a cost performance of -4.84% for 2016, -1.55% for 2015 and an actual cost performance for 2014 of -5.83%? If this is confirmed please explain the difference between the 2014 figure of -5.83% and the figure of -4.0% in Table 3(a) of the PEG report.

Response:

- a) Milton Hydro updated its 2016 data in the PEG spreadsheet provided for forecasting and the result was a three year performance average of -4.07%. As per the PEG Report “Those [distributors] within 10% of predicted cost receive a stretch factor of 0.30% which is efficiency group 3.
- b) Milton Hydro simply used the results from the updated PEG forecast model as provided in the table below taken from the tab “2014 Forecasting” of the model.

Three Year Average	2014 (Actual)	2015	2016	2017	2018	2019
Current Year	-5.83%	-1.55%	-4.84%	-5.51%	-7.75%	-10.43%
Previous Year	-4.60%	-5.83%	-1.55%	-4.84%	-5.51%	-7.75%
Two Years Ago	-37.63%	-4.60%	-5.83%	-1.55%	-4.84%	-5.51%
Three Year Average Performance	-16.02%	-3.99%	-4.07%	-3.97%	-6.03%	-7.90%
Stretch Factor Group	2	3	3	3	3	3

EXHIBIT 2 – RATE BASE

2. Ref: 2-Energy Probe-7

Please confirm that the 2015 figures shown in Appendix 2-AB indicate that the projected expenditures in 2015 are forecast to be about 17% below the bridge year plan filed in this application.

Response:

Milton Hydro confirms that the 2015 figures shown in Appendix 2-AB indicate that the projected expenditures in 2015 are forecast to be about 17% below the bridge year plan filed in its application.

3. Ref: 2-Energy Probe-4 & 2-Energy Probe-10

The first reference shows contributions and grants in the fixed asset continuity schedule for 2015 of \$1,179,035. The second reference states that Milton Hydro has received \$952,078 in contributions to date (October, 2015) and is forecasting \$2,773,720 for the remainder of the year. This latter figure is the original forecast.

Please reconcile these figures.

Response:

Milton Hydro has projected that the 2015 Bridge Year capital contribution should be \$1,179,035 and not the original amount of \$2,773,720.

4. Ref: 2-Energy Probe-4 & 2-Energy Probe-13

Please explain the difference in the actual capital expenditures related to the building and renovations of \$10,460,000 shown in the fixed asset continuity schedule in the first reference and the \$6,466,058 shown in the response to the second reference. What is the \$4 million related to and was it spent in 2015?

Response:

Milton Hydro's responses to 2-Energy Probe-4 in the amount of \$10,460,000 is the capital for the building expected to be closed to Rate Base in 2015 (actual YTD along with forecast to be closed to Rate Base) and the \$6,466,058 in response to 2-Energy Probe-13 is the actual capital incurred to date which was the end of October.

EXHIBIT 4 – OPERATING EXPENSES

5. Ref: 4.0-Staff-63

Was the land sold to an affiliate?

Response:

Milton Hydro sold the land to its affiliate Milton Energy & Generation Solutions at the appraised value.

6. Ref: 4-Energy Probe-27

- a) Please explain how the response to this interrogatory results in an increase in the test year OM&A of \$219,060 as shown in the Tracking Form in the RRWF.
- b) Please explain fully the increase in the 2016 OM&A of \$219,060.

Response:

- a) Milton Hydro updated its OM&A to its 2016 final budget at the same time as it updated its capital to actuals to date, this reference to Energy Probe is not correct.
- b) The following table sets out the increase in OM&A from Milton Hydro's Application to the final 2016 budget forecast.

	2016 Test year	2016 Budget	Variance	
Operations	2,477,284	2,477,284	-	
Maintenance	1,257,528	1,335,127	77,599	Misc Under threshold
	3,734,812	3,812,411	77,599	
Billing & collecting	2,194,699	2,329,699	135,000	Trilliant/Software maintenance contract
Community Relations	20,071	20,071	-	
Admin and General	3,953,806	3,960,267	6,461	
	6,168,576	6,310,037	141,461	Misc Under threshold
Total OM&A	9,903,388	10,122,448	219,060	

EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE

7. Ref: 5.0-Staff-70

Please update the response to reflect any updates to the December 15, 2015 and January 15, 2016 issuances.

Response:

On December 22, 2015 Milton Hydro took a 30 year note from the TD bank at 3.58%. The January 15, 2016 loan should be July 1, 2016 and the interest rate to be used will be the OEB's prescribe Long-Term Debt Rate for the Cost of Capital Parameters of 4.54%.

All the tables will be updated upon completion of the Settlement Conference.

8. Ref: 5.0-Staff-70 & 5-Energy Probe-33

- a) **The table provided in response to 5.0-Staff-70 continues to show the debt issuance in 2016 as of January 15, 2016, whereas the response to 5-Energy Probe-33 indicates that this debt will be obtained in July, 2016. Please reconcile.**
- b) **The response to 5-Energy Probe-33 indicates the correct date for the 2016 loan is July, not January, yet the interest for 2016 was calculated for a period of 11.5 months. Please reconcile.**

Response:

- a) Milton Hydro confirms that the January 15, 2016 debt issuance should be July 1, 2016
- b) Milton Hydro calculate the interest calculated on the 2016 debt from July 1, 2016 (not January 15, 2016) at the time of updating all the tables and models after the Settlement Conference.