

Milton Hydro Distribution Inc.

OM&A

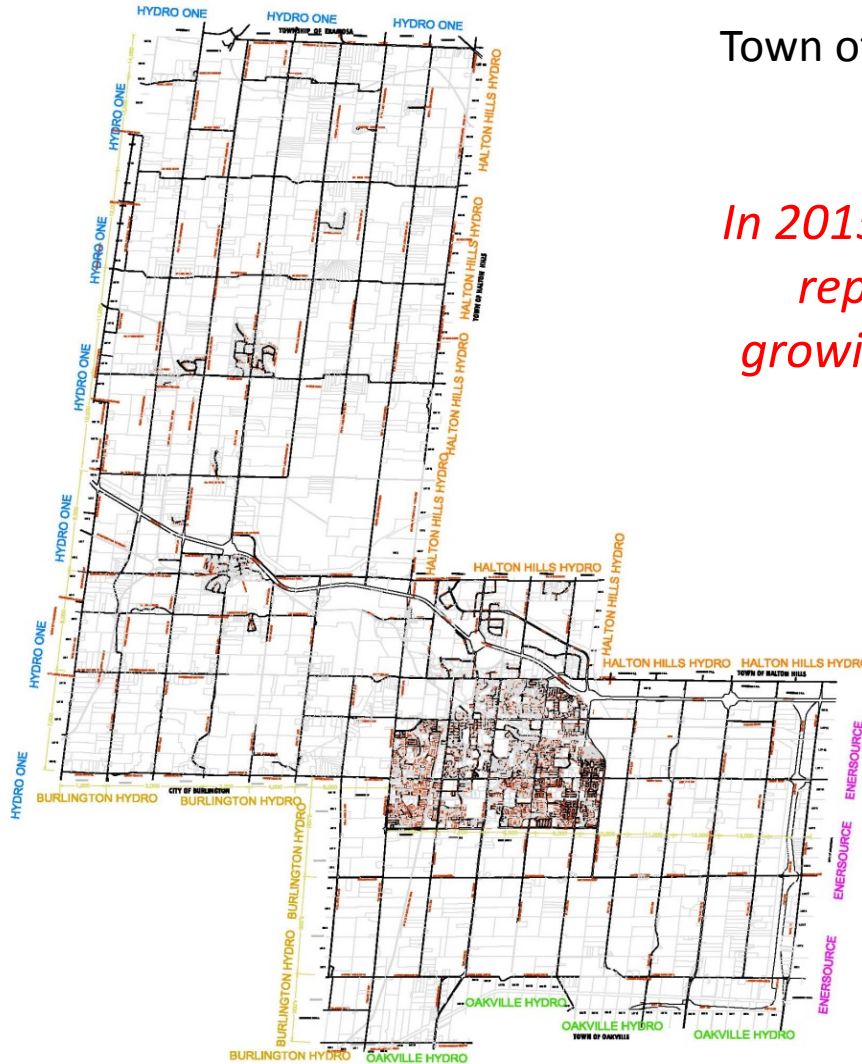
Oral Hearing

April 4, 2016

Milton Hydro's Key Messages

- Milton Hydro is in **“Super Growth Mode”** – no LDC comparators
- Milton Hydro services a **Large Service Territory – 85% Rural**
- Milton Hydro **consistently below average OM&A per Customer**
- Milton Hydro **consistently above average in Customers per Employee**
- **Continued investment required** in Capital Infrastructure and Human Resources
- Experiencing similar issues that other LDCs are facing:
 - **Succession**
 - **Shortage of skilled labour**
 - **Proximity to the GTA**
 - **Keeping up with Technological Advancements**

Milton Hydro Service Territory



Town of Milton Population:

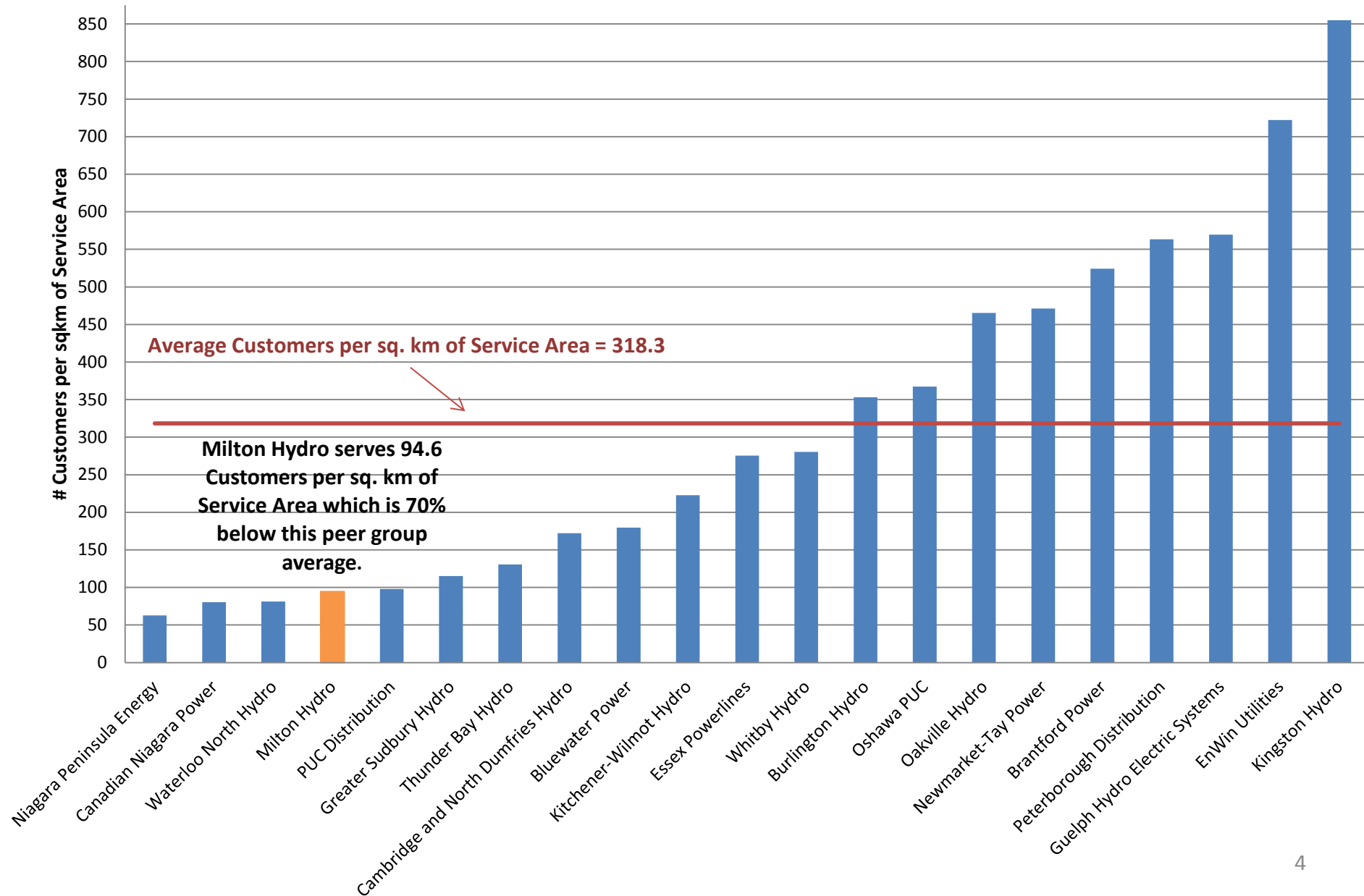
2000 35,000

2014 102,000

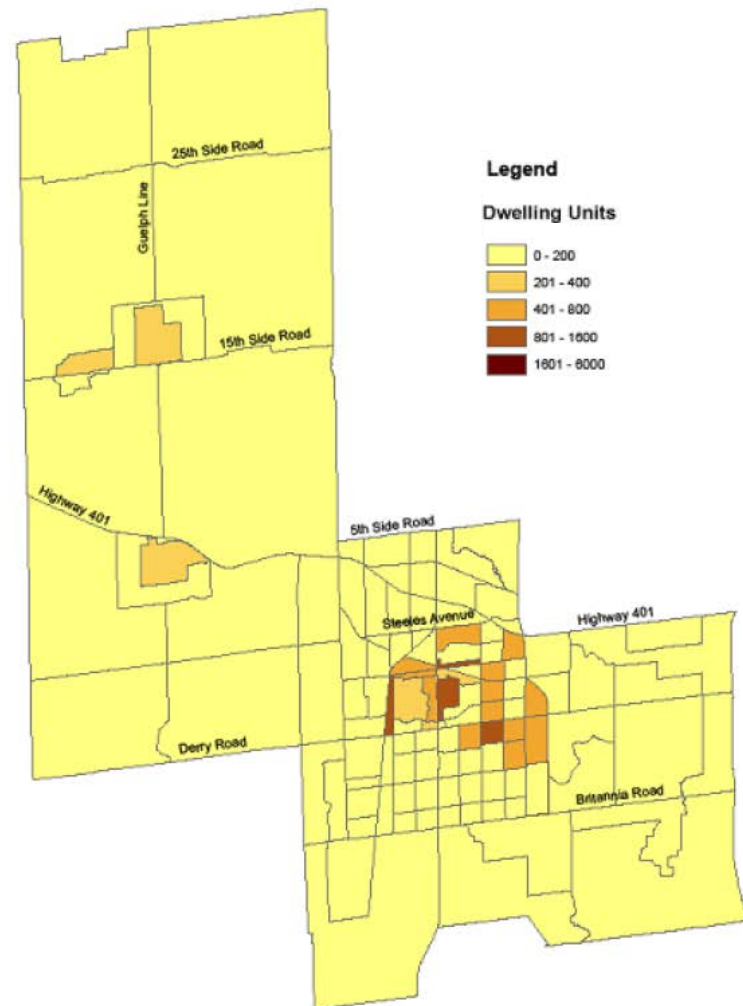
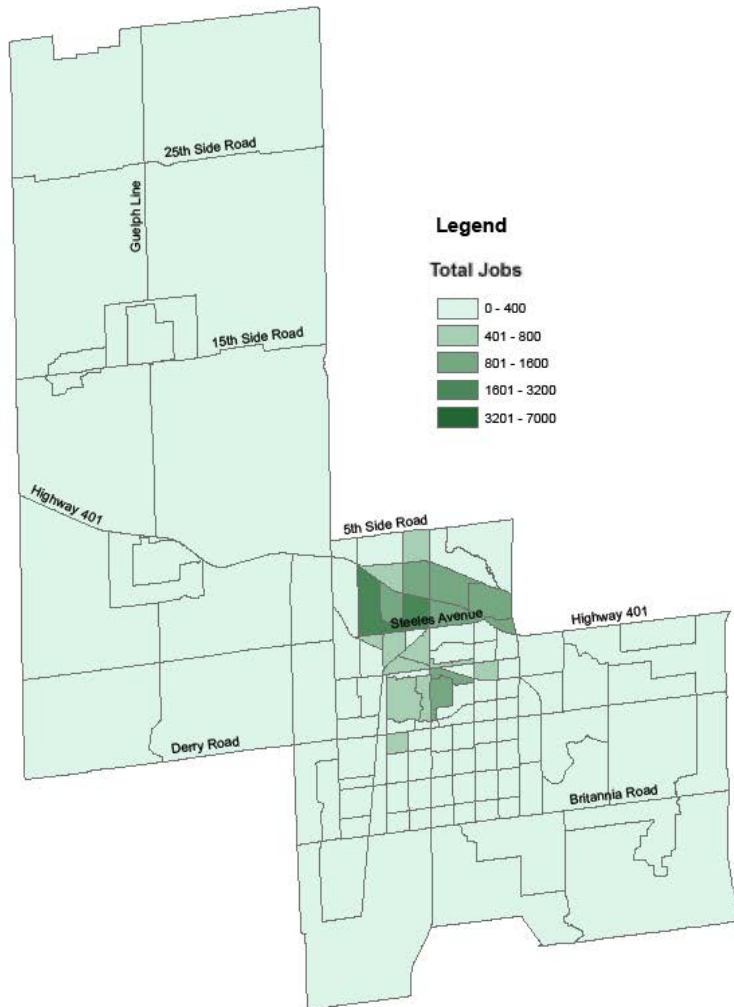
*In 2015, The Town of Milton was
reported to be the fastest
growing community in Canada
.....AGAIN*

- 371 square kilometers
 - Rural 315 sq. km (85%)
 - Urban 56 sq. km (15%)

Customers per sq. km of Service Area - Ontario (LDCs 25,000 - 100,000 customers)

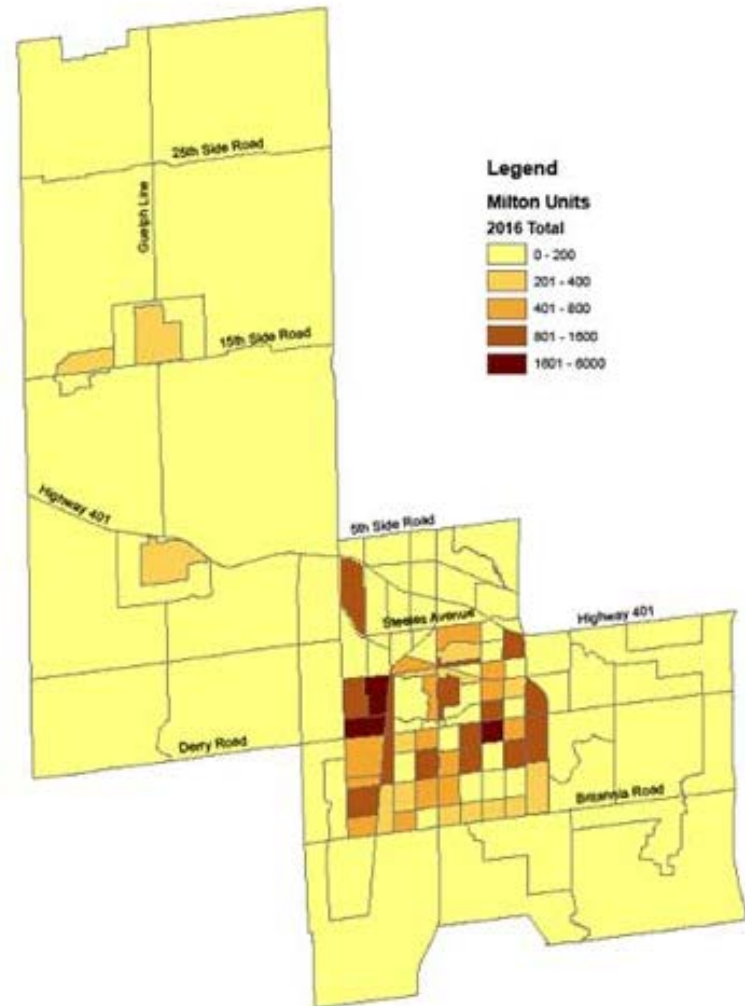
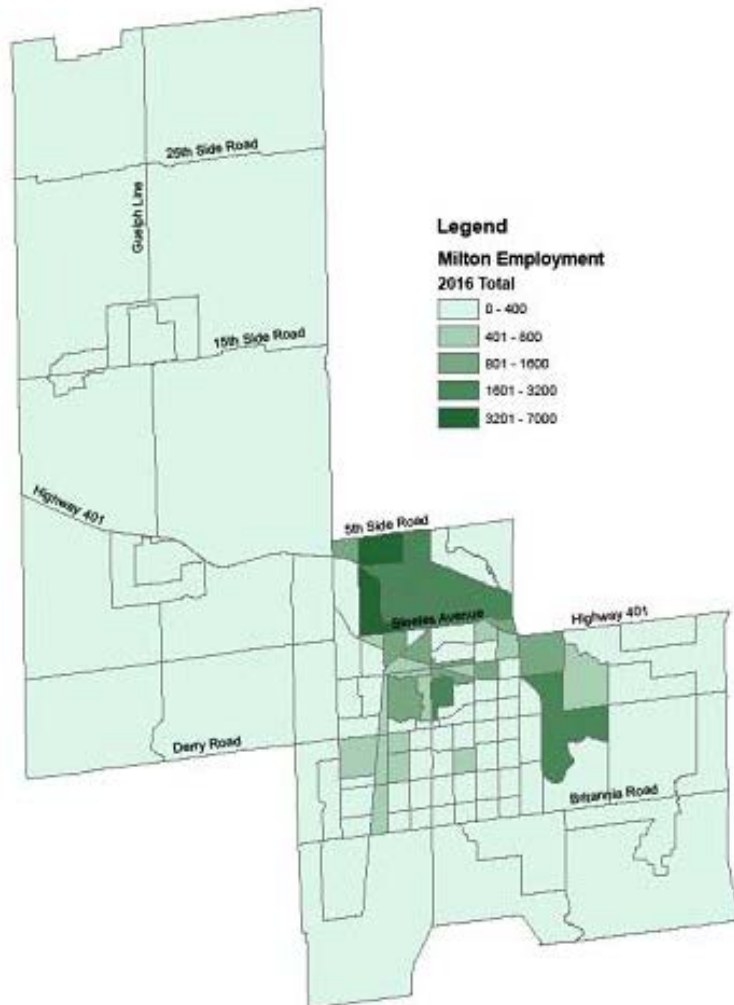


Milton - 2006



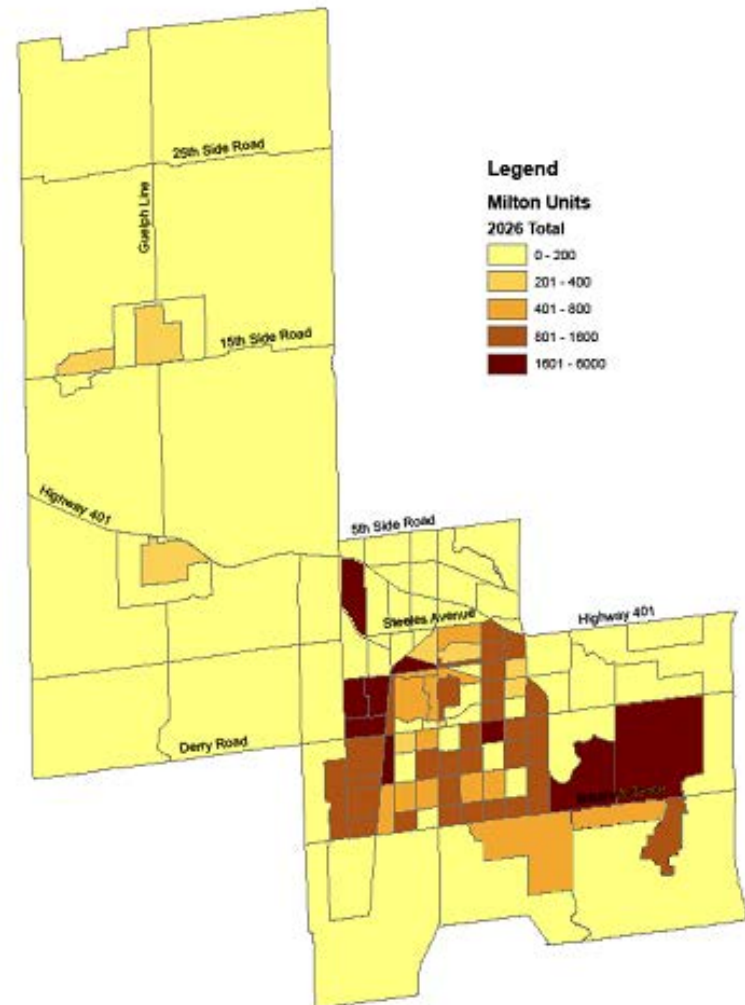
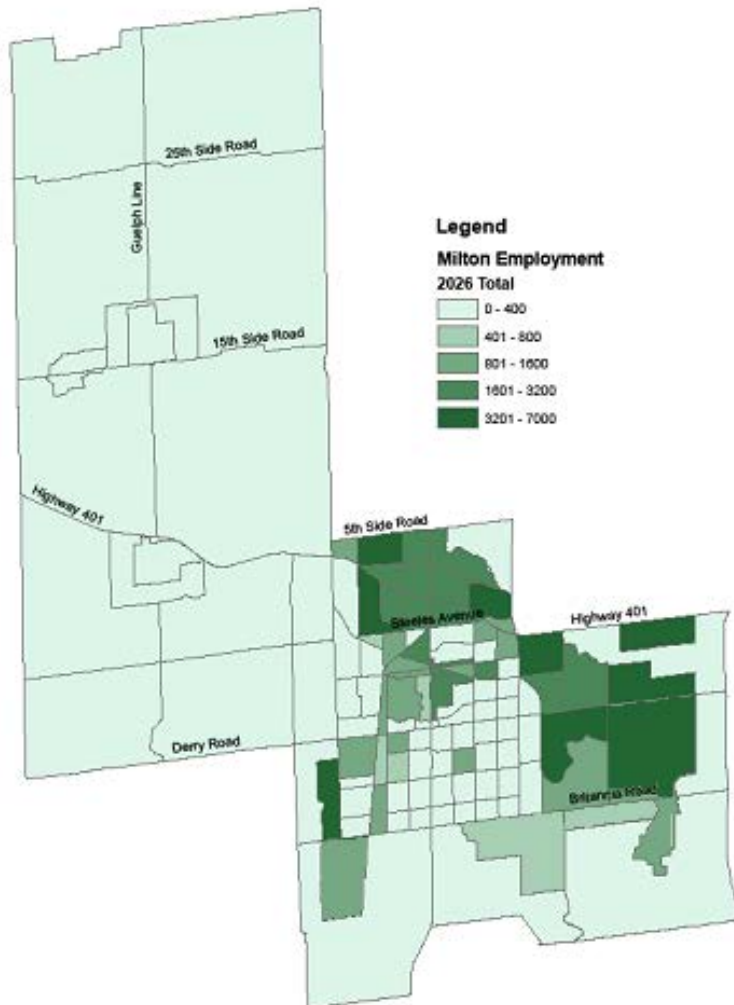
2006 Milton Hydro Customers – 20,418 incl approximately 2,000 rural customers

Milton - 2016



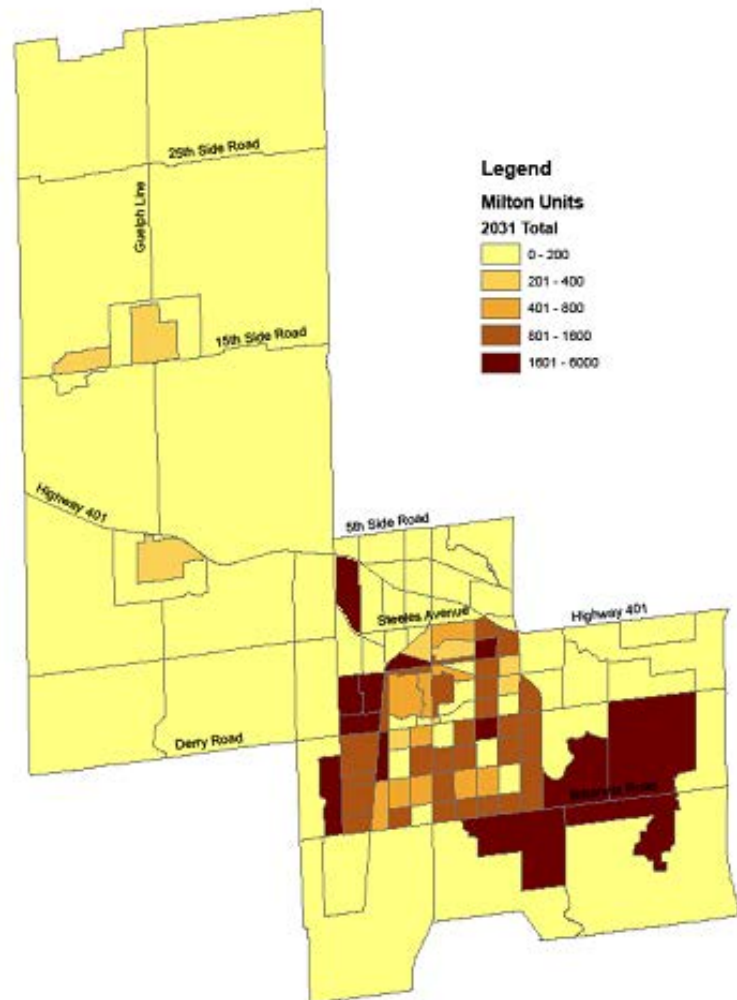
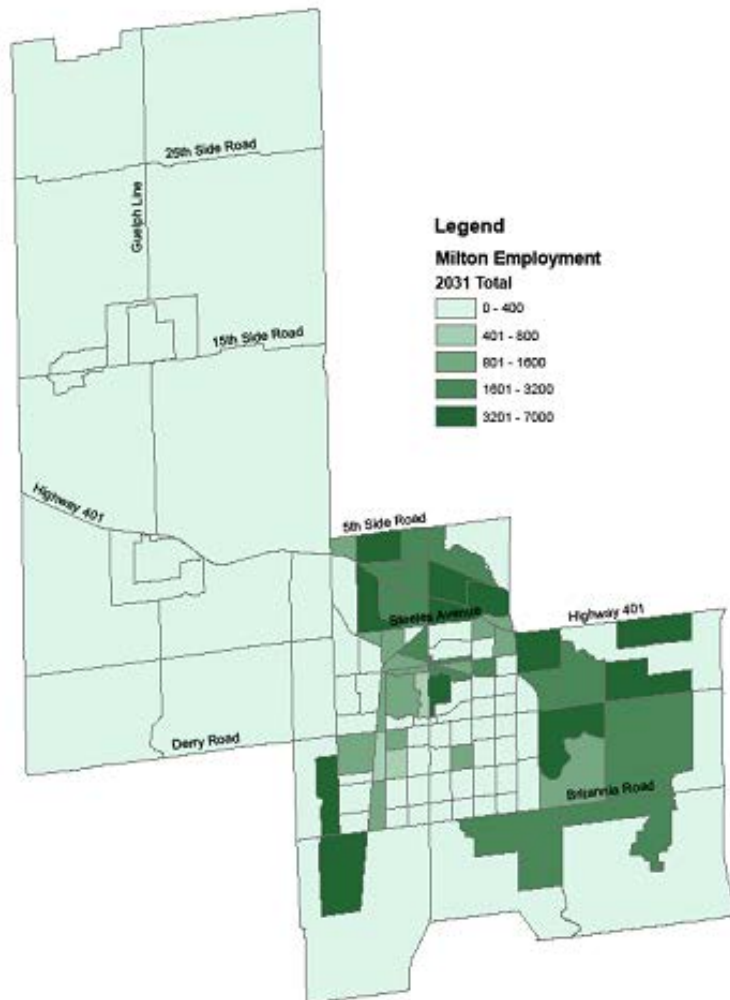
2016 Milton Hydro Customers – 36,676 (81% increase from 2006)

Milton - 2026



**2026 Town of Milton Population Projected – 195,000
which equates to approx. 65,000 MH Customers**

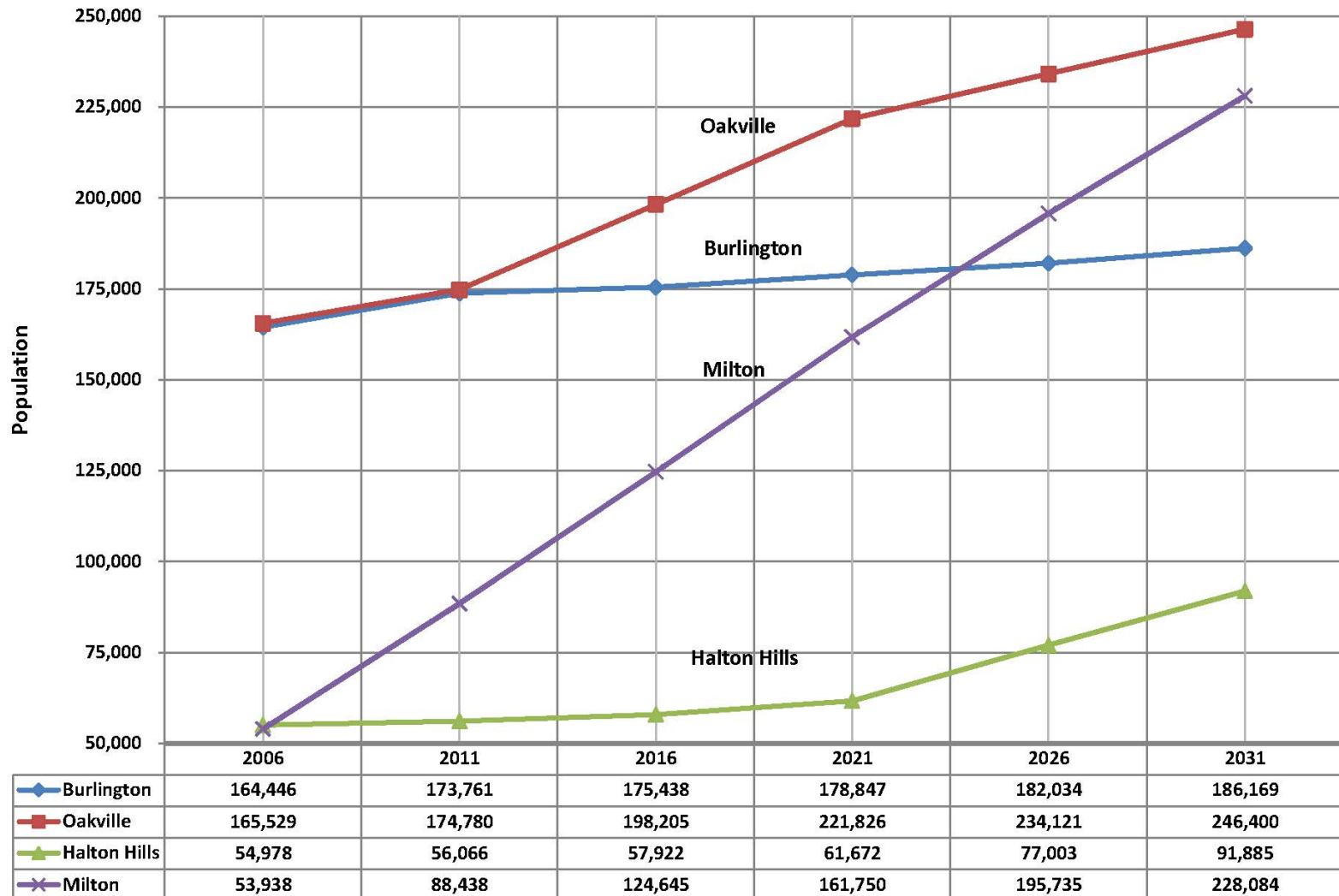
Milton - 2031



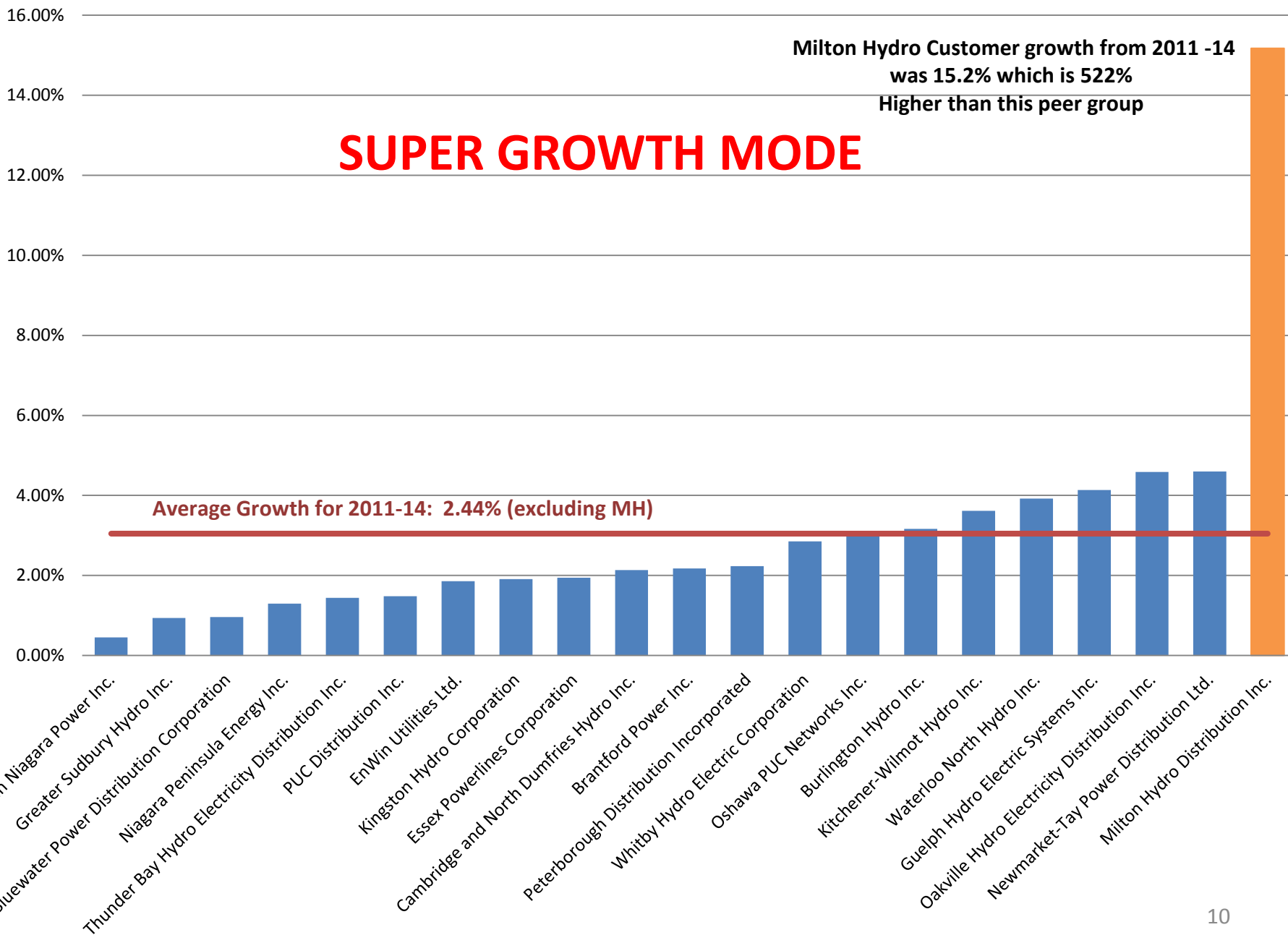
**Town of Milton – population projected to be 228,084
which equates to approx. 76,000 MH customers**

Halton Region Population

Population
from Halton BPE June 2011



% Customer Growth from 2011 to 2014 (LDCs 25,000 - 100,000 customers)



Comparison of Ontario Electricity Distributors

Mid-Size GTA Medium High & High Undergrounding (Peer Group)

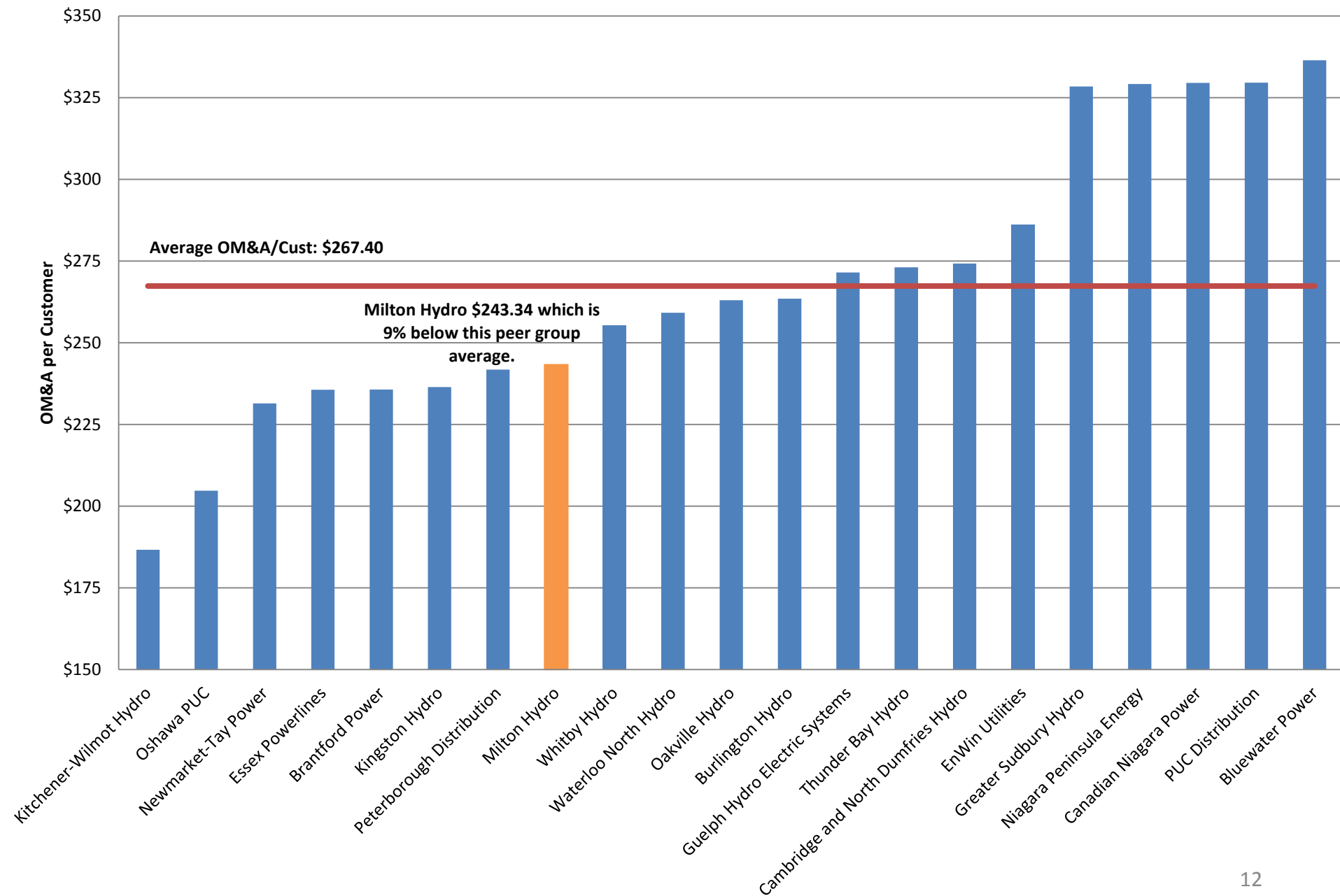
OM&A per Customer

Built from Data submitted by LDCs to OEB via Yearbooks of Electricity Distributors

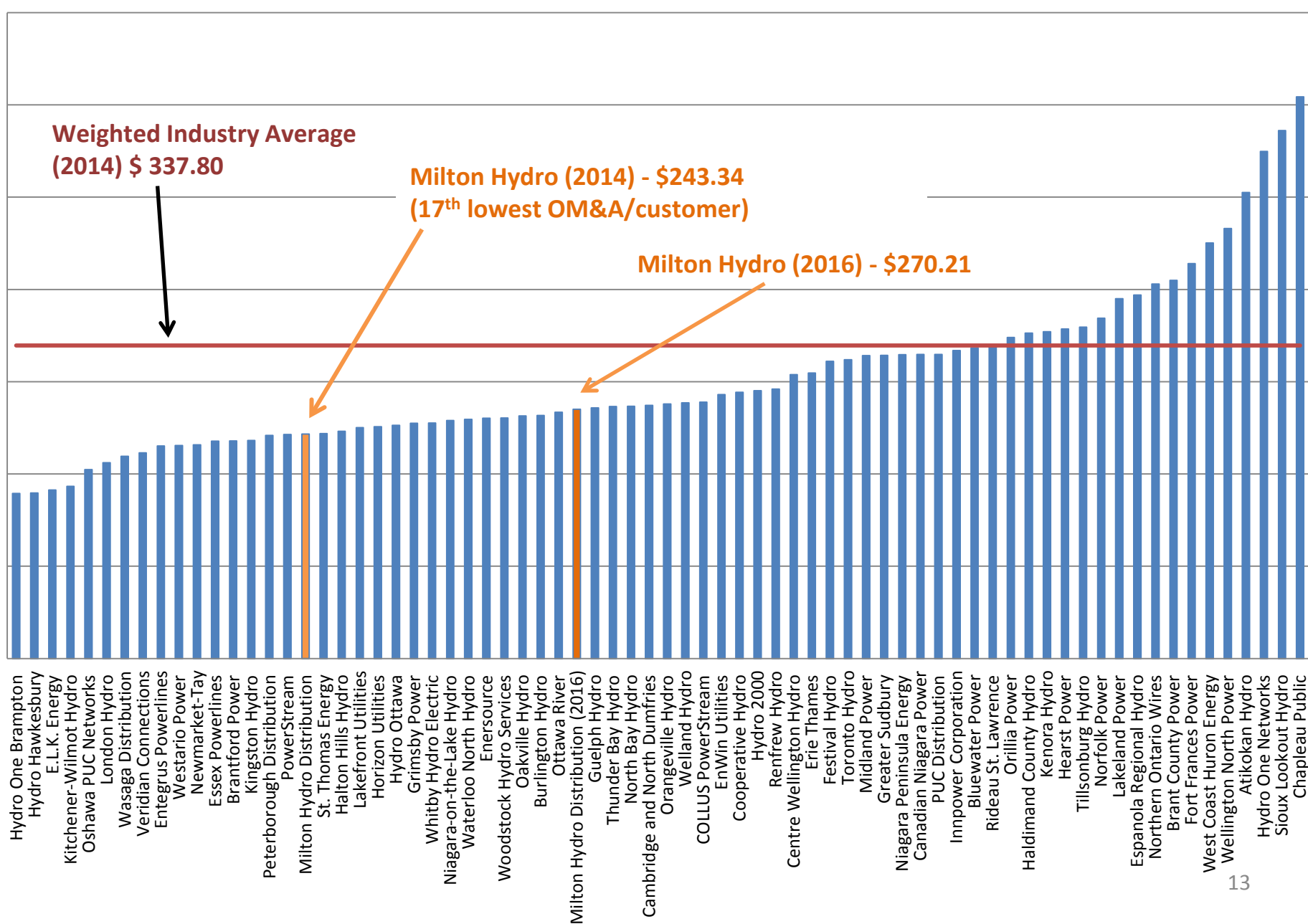
Mid-Size GTA Medium-High & High Undergrounding (as per the OEB Year Book Statistics)	OM&A per Customer 2009	OM&A per Customer 2010	OM&A per Customer 2011	OM&A per Customer 2012	OM&A per Customer 2013	OM&A per Customer 2014
Milton Hydro Distribution Inc.	195.08	191.91	209.83	209.19	247.59	243.34
Burlington Hydro Inc.	207.76	217.65	225.24	252.49	260.13	263.52
Oakville Hydro Electricity Distribution Inc.	162.65	175.79	206.45	223.21	270.31	263.02
Cambridge and North Dumfries Hydro Inc.	197.44	188.26	208.64	266.21	274.72	274.29
Whitby Hydro Electric Corporation	214.00	223.49	213.50	219.49	266.29	255.33
Kitchener-Wilmot Hydro Inc.	141.90	141.68	154.69	189.02	186.18	186.70
Guelph Hydro Electric Systems Inc.	194.07	194.82	250.75	266.86	298.11	271.51
Halton Hills Hydro Inc.	209.03	210.67	226.82	283.20	240.83	246.30
Brantford Power Inc.	205.16	201.44	176.40	198.95	229.54	235.71
Waterloo North Hydro Inc.	172.31	190.70	181.61	219.96	244.24	259.20
Oshawa PUC Networks Inc.	167.62	167.61	191.13	210.65	207.71	204.78
Newmarket - Tay Power Distribution Ltd.	199.37	202.84	198.21	240.26	214.87	231.48
Peer Group Average of Distributors that Reported	189.94	192.24	203.61	231.62	245.04	244.60
Peer Group Average Excluding Milton Hydro	189.37	192.27	203.04	233.66	244.81	244.71

Source: OEB Yearbooks of Electricity Distributors

2014 - OM&A per Customer - Ontario (LDCs 25,000 - 100,000)



2014 - OM&A per Customer - Ontario



2006 - 2016 Test Year OM&A per Customer- CGAAP

From 2006 to 2016:

- Customer Growth **80 %**
- Administration increase **19.0 %**
- O&M increase **19.5 %**
- Inflation (OEB) **17.7 %**

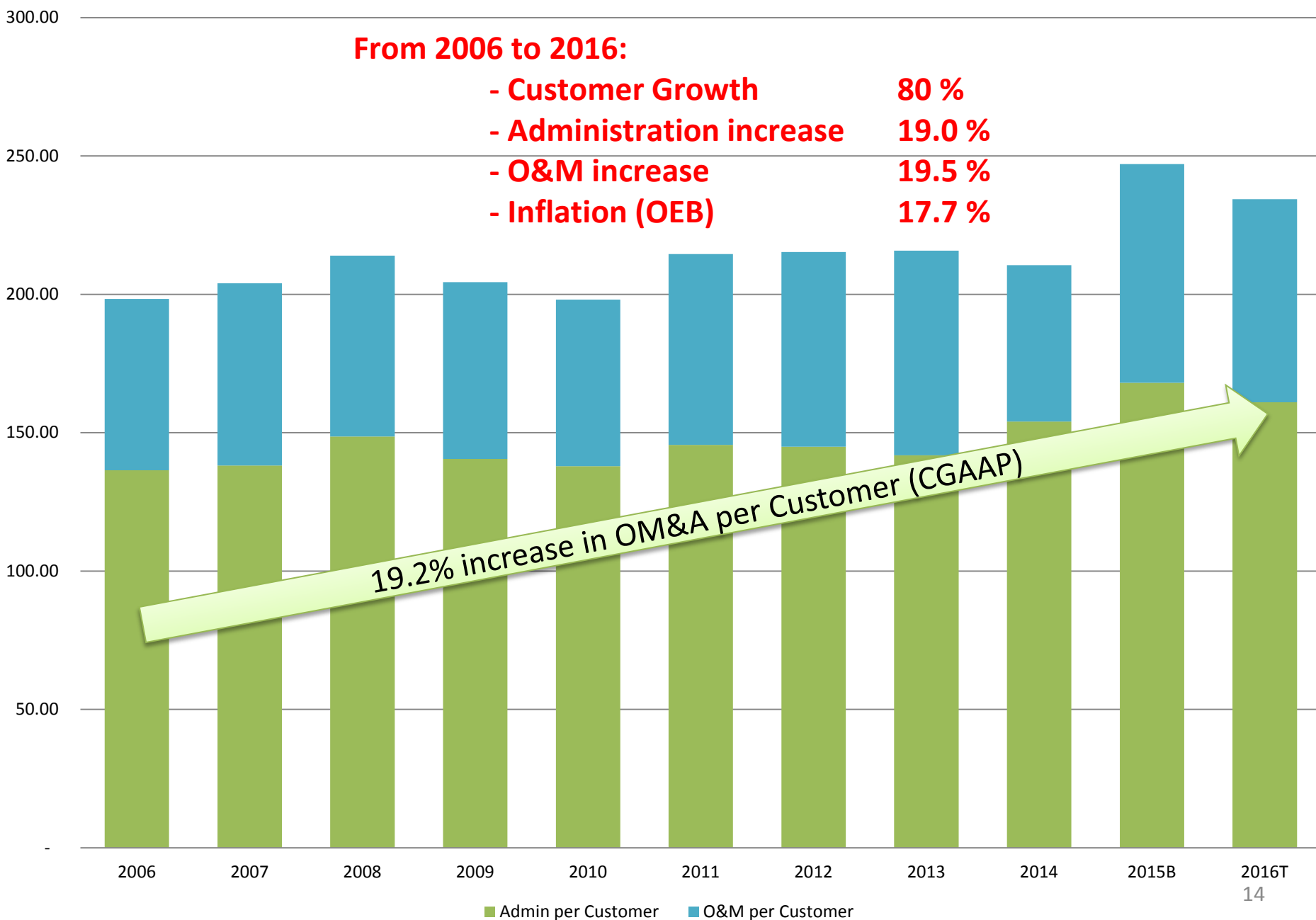


Table 4-2 Overall Cost Trends - 2011 Board Approved to 2016 Test Year

Item	Original - 2011 Approved - 2016 Test Summary Drivers	Revised - 2011 Approved -2016 Test Summary Drivers	Variance	Strategic Areas of Focus
2011 Board Approved OM&A	\$ 6,300,000	\$ 6,300,000	\$ -	
Impact of Overhead Capitalization Policy Change on OM&A	\$ 1,455,845	\$ 1,455,845	\$ -	All
Wages, Salaries, Progression and Benefits	\$ 1,006,771	\$ 1,006,771	\$ -	All
Customer Premise & Service Locates	\$ 71,515	\$ 106,515	\$ 35,000	1,2,3,5
Billing & Collections	\$ 76,047	\$ 211,047	\$ 135,000	3,4,5
Load Dispatching/Control Room	\$ 150,000	\$ 168,600	\$ 18,600	1,2,4,5
Tree Trimming	\$ 358,783	\$ 358,783	\$ -	1,2,4,5
Maintenance - Overhead/Underground/Transformers	\$ 169,832	\$ 193,831	\$ 23,999	1,2,3,5
Safety & Training	\$ 71,790	\$ 71,790	\$ -	All
Meter Reading - Trillant/Olometer	-\$ 192,695	-\$ 192,695	\$ -	2,3,4,5
Finance/Board/Audit/Security	\$ 402,703	\$ 402,703	\$ -	All
Regulatory Compliance	\$ 99,354	\$ 99,354	\$ -	All
Admin/Service Centre	-\$ 66,558	-\$ 60,096	\$ 6,462	All
2016 Test Year OM&A	\$ 9,903,387	\$ 10,122,448	\$ 219,061	15

Incremental Cost Drivers

- MIFRS Impact

- Milton Hydro adopted the accounting changes for depreciation and capitalization policies in January 1, 2013 in accordance with the OEB's letter dated July 17, 2012
- **Impact from 2013 to 2016 = \$1,455,845**

Incremental Cost Drivers

- Wages, Salaries, Progression & Benefits
- **Impact from 2011 to 2016 = \$1,006,771**
- During this time:
 - Added **12** new staff positions (hired 7 positions, looking to hire 5 positions in 2016)
 - Inflationary Increases
 - Non-management staff – a 4 year agreement expiring December 31, 2016 reflecting market increases (Table 4-25)
 - Management staff – determined by the Board's Compensation Committee reflecting market increases (Table 4-25)

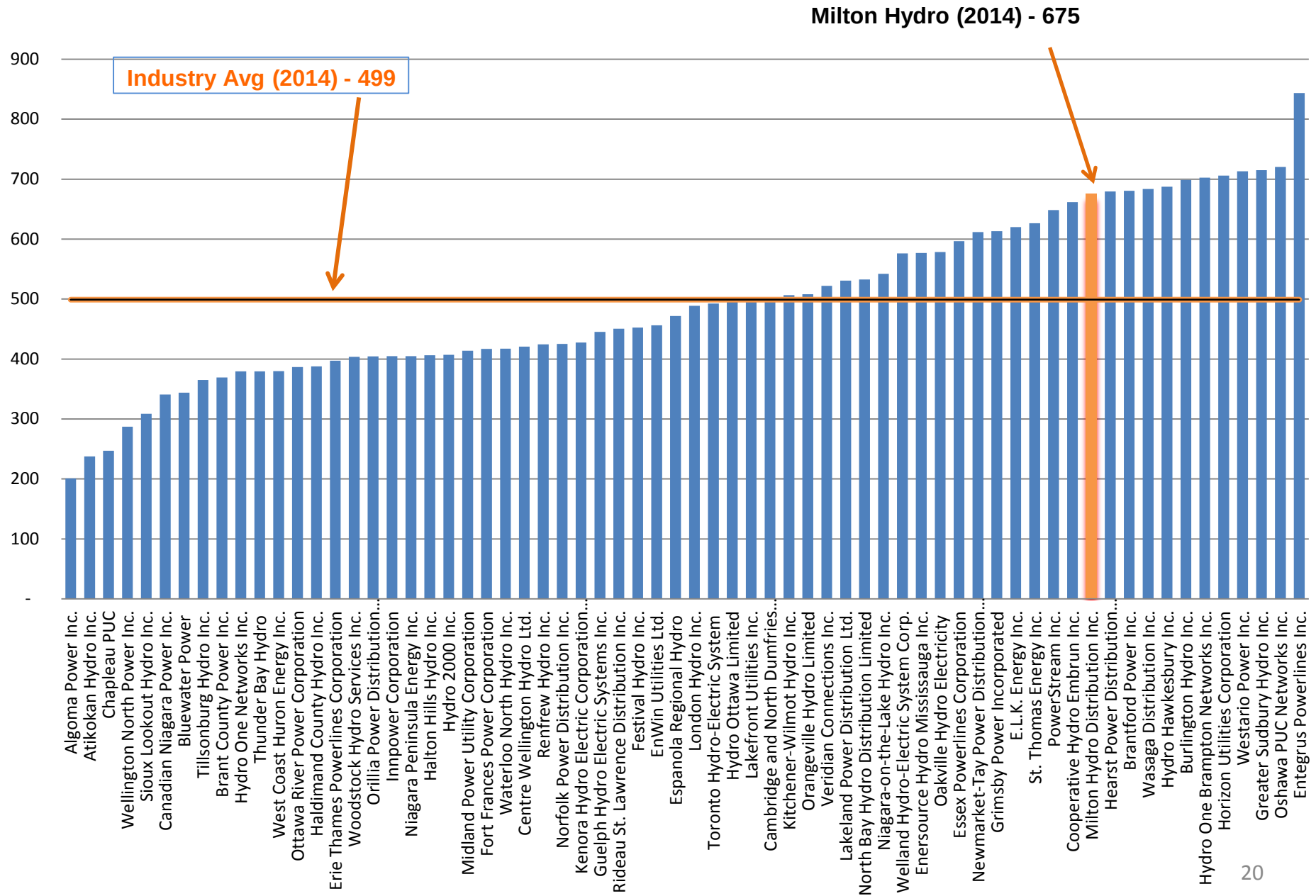
Table 4-15**Full Time Employees by Department at Year End**

Department	2011 OEB Approved	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Bridge Year	2016 Test Year	2016 Test Change over 2011 OEB
Executive	3	3	3	4	5	5	5	2
Financial Services	7	5	6	6	6	7	8	1
Customer Service Representatives	10	11	11	11	11	12	12	2
Engineering/Operations	13	11	11	11	11	11	12	-1
Information Technology	2	2	2	3	3	4	4	2
Metering	3	4	4	4	4	5	5	2
Outside Lines People	11	10	12	12	14	14	15	4
Total Employees	49	46	49	51	54	58	61	12

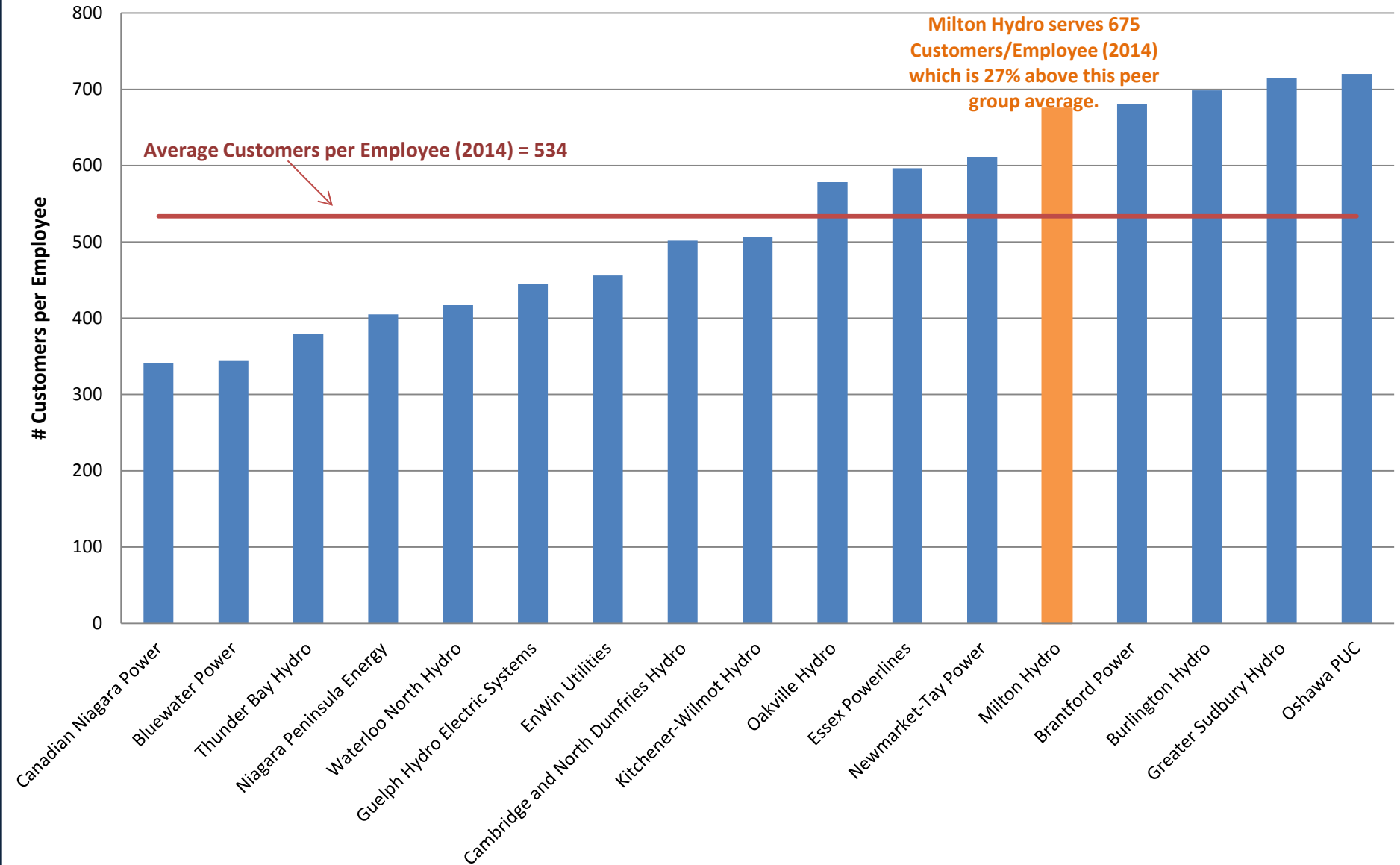
Additional positions

Position	Type	Objective
2015		
AMI Operator	New Positon – hired	Decision to take the AMI function in-house as contract with Trilliant expires December 31, 2015; position will takeover MV90 function being performed by Meter Technicians who are better utilized in field
Network Administrator	New position – hired	Continued growth in the Milton community required adequate IT resources with specialized skill set
2016		
Communication Specialist	New position – delayed from 2015	During 2013 ice storm and as supported by the Customer Engagement Survey, Milton Hydro fell short in its communication with customers. The new position is responsible to deliver corporate communication strategies designed to enhance the image and reputation of the company. Multiple communication strategies and channels will be employed to enlighten all stakeholders; to proactively address and mitigate issues. The position may be used in CDM related activities
Customer Service/Billing Clerk	Additional resource – delayed from 2015	Continued growth in the Milton community; ensure SQI at least maintained or improved
SCADA Technician (Engineering)	New position	Requirement for additional skill set as smart grid initiatives are enhanced
Powerline Technician	Additional resource	Continued growth in the Milton community; reduce the level of overtime; succession planning
Human Resource Specialist	New position	Continued growth in the Milton community required adequate human resources; specialized skill set required as staff level increases

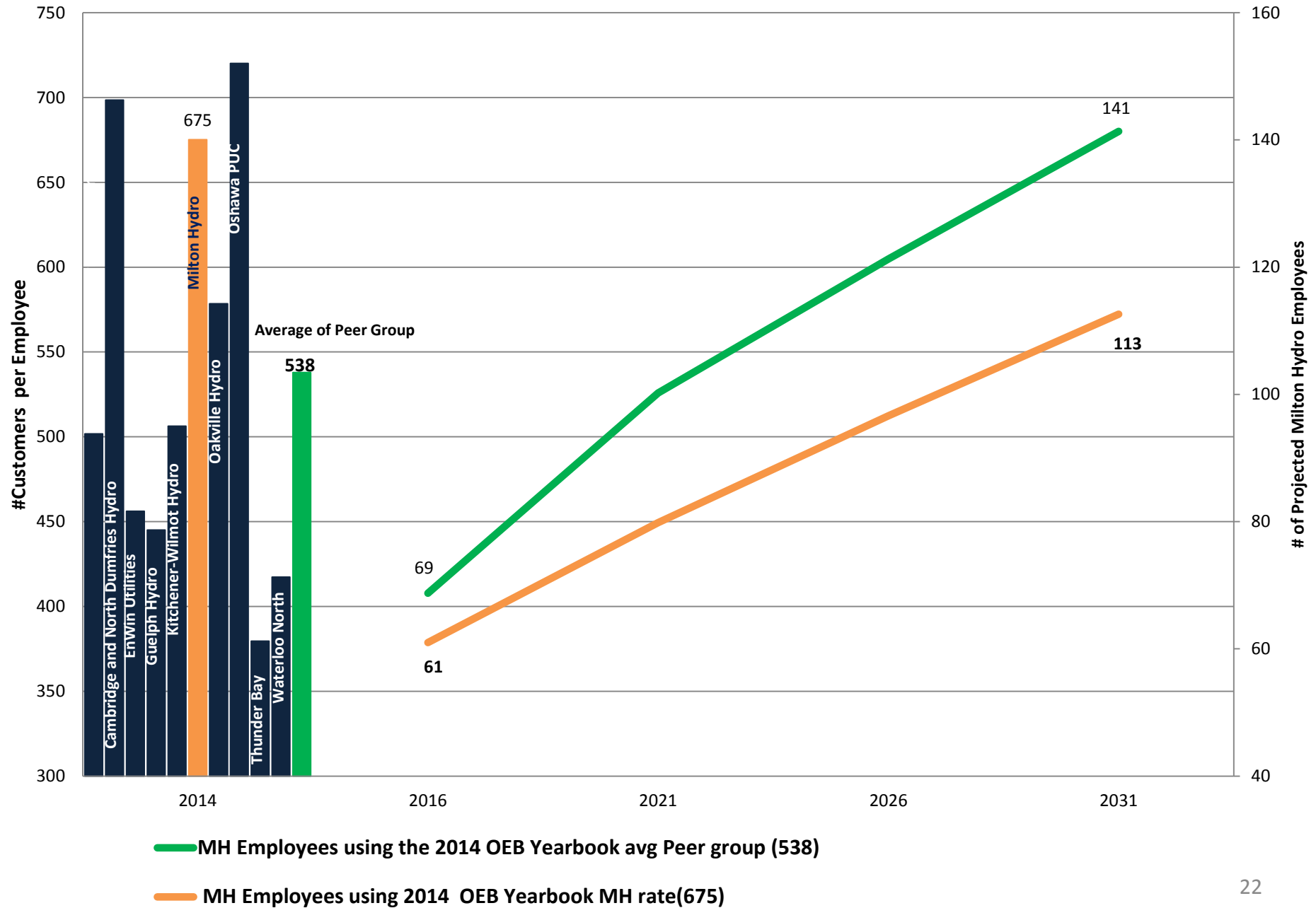
Customers per Employee (2014) - Ontario



2014 Customers per Employee (LDCs 25,000 - 100,000 customers)



Customers per Employee (LDCs 50,000 - 100,000)



Other Incremental Cost Drivers from 2011 to 2016

Impact from 2011 to 2016 = \$1,360,000

- Tree Trimming **\$360,000**
- Load Dispatching/Control Room **\$170,000**
- Springboard Health & Safety Management System **\$ 70,000**
- Consulting Services – New and upgraded services **\$105,000**
 - Disaster Recovery Service; Website (Accessibility) Redesign, Labour Consultant; Sync Operator Services (Util-Assist), Northstar Application Support (ERTH), Savage Data Smart Meter Mixed Mode; AESI Distribution System Plan
- Software Support for new and upgraded applications **\$275,000**
 - Serviewcom (Trilliant), GIS (ESRI), OMS (Survalent), Work Management System(Cayenta), ODS (Savage)
- Regulatory Compliance **\$100,000**

Concluding comments

- Considering that Milton Hydro is :
 - consistently below average OM&A per Customer
 - consistently above average in Customers per Employee
 - in “Super Growth Mode” – no LDC comparators
 - servicing a Large Service Territory – 85% Rural

Milton Hydro is requesting OM&A of \$10.1M for 2016

**Our Application has demonstrated that this OM&A requirement is
NECESSARY, PRUDENT, and JUSTIFIABLE
in order to meet the needs of all Stakeholders but most
importantly our Customers!**