MILTON HYDRO DISTRIBUTION INC.
200 Chisholm Drive, Milton, Ontario, L9T 3G9
Telephone (905) 876-4611 • Fax (905) 876-2044

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Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON
M4P 1E4

Re: Milton Hydro Distribution Inc. ED-2003-0014
Request for Deferral
2021 Cost of Service Rate Application

Milton Hydro Distribution Inc. ("Milton Hydro") last filed a Cost of Service ("CoS") Application in August 2015 for rates effective May 1, 2016 (EB-2015-0089). Milton Hydro is scheduled to file a CoS Application in 2020 for rates effective May 1, 2021 and file a Distribution System Plan ("DSP").

Milton Hydro is requesting to defer the setting of rates on a CoS basis and the filing of a DSP in favour of using the Price Cap IR for setting its May 1, 2021 distribution rates. In making this request Milton Hydro has considered several key factors as set out below.

1. Milton Hydro has set rates for the last three years based on the Price Cap IR methodology of inflation less its productivity factor and has continued to maintain a Return on Equity within the +/- 300 basis point of its Board-Approved ROE of 9.19% as set out below:

Regulated Return		
	OEB-Approved	**Milton Hydro**
2015	9.58%	7.68%
2016 Re-Based	9.19%	9.84%
2017	9.19%	9.45%
2018	9.19%	10.45%

2. Milton Hydro's has consistently maintained a strong scorecard reflecting its high standard of customer service by meeting all service quality indicators ("SQIs"), reliability standards (SAIDI & SAIFI), public and employee safety and financial performance. Milton Hydro has attached a copy of its 2017 Scorecard setting out its performance matrix for the five years 2013 to 2017;

3. Milton Hydro has reviewed the time and expense of preparing and defending a CoS Application and does not believe that there is value to its customers or Milton Hydro when the Price Cap IR adjusted inflation factor has provided Milton Hydro the ability to maintain operational efficiencies and excellence in providing customer service and value;

4. In addition to growth in residential, there could also be significant commercial growth in the form of the new Derry Green Park Development which was recently approved by the Town of Milton. Milton Hydro has determined it does not have enough capacity to supply these developments. As a result, Milton Hydro is actively in discussions with Hydro One to twin the Halton Transformer Station to provide the much needed capacity by 2022.

For the reasons stated above Milton Hydro respectfully requests Ontario Energy Board approval to defer its Cost of Service application and Distribution System Plan for 2021 rates and to continue to set rates under the Price Cap IR framework.

Respectfully submitted,

Original Signed

Cameron McKenzie CPA, CGA
Director, Regulatory Affairs
Milton Hydro Distribution Inc.

Scorecard - Milton Hydro Distribution Inc.

9/19/2018

Performance Outcomes	Performance Categories	Measures		2013	2014	2015	2016	2017	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	**Service Quality**	New Residential/Small Business Services Connected on Time		98.00%	99.50%	96.50%	99.60%	96.76%	down	90.00%	
		Scheduled Appointments Met On Time		99.70%	99.80%	100.00%	100.00%	100.00%	up	90.00%	
		Telephone Calls Answered On Time		74.50%	77.80%	96.30%	96.70%	96.52%	up	65.00%	
	Customer Satisfaction	First Contact Resolution			84%	97.4%	89.5	94.2			
		Billing Accuracy			99.96%	99.98%	99.99%	99.96%	flat	98.00%	
		Customer Satisfaction Survey Results			91%	A	A	A			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	**Safety**	Level of Public Awareness				82.00%	82.00%	84.00%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C	flat		C
		Serious Electrical Incident Index	Number of General Public Incidents	1	0	0	0	0	flat		0
			Rate per 10, 100, 1000 km of line	0.102	0.000	0.000	0.000	0.000	flat		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		1.48	1.22	0.31	0.74	0.61	down		0.98
		Average Number of Times that Power to a Customer is Interrupted [2]		0.63	1.06	0.23	0.59	0.49	down		0.82
	Asset Management	Distribution System Plan Implementation Progress			on track	on track	on track	on track			
	Cost Control	Efficiency Assessment		2	2	3	3	3			
		Total Cost per Customer [3]		$654	$679	$739	$723	$667			
		Total Cost per Km of Line [3]		$22,402	$23,629	$25,946	$25,334	$9,673			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	**Conservation & Demand Management**	Net Cumulative Energy Savings [4]				21.80%	37.18%	77.52%			45.36 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			100.00%	100.00%	100.00%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%	100.00%	flat	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	**Financial Ratios**	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.68	1.59	2.21	2.01	1.72			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.92	1.17	1.34	1.33	1.25			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.19%	9.19%			
			Achieved	10.60%	10.29%	7.68%	9.87%	9.45%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
4. The CDM measure is based on the new 2015-2020 Conservation First Framework.

Legend:
5-year trend: up, down, flat
Current year: target met, target not met

Appendix A – 2017 Scorecard Management Discussion and Analysis ("2017 Scorecard MD&A")

The link below provides a document titled "Scorecard - Performance Measure Descriptions" that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard's measures in the 2017 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

In 2017, Milton Hydro exceeded all its industry performance targets. Milton Hydro's System Reliability continues to be better than its five-year average. Most causes are not within the control of Milton Hydro such as lightning, animal contact, adverse weather, loss of supply and vehicle accidents. There are some causes of power interruptions under the control of Milton Hydro such as planned outages for construction or maintenance purposes other than weather related causes. Milton Hydro recognizes that reliability is important to its customers and continuously plans maintenance such as tree trimming and asset management to reduce the vulnerability of the distribution system to outages.

Milton Hydro's vision, Reliably Powering Our Community, supports the Scorecard requirements for service quality, customer satisfaction, public policy and financial stability. Reliably Powering Our Community focuses not only on the reliable supply of power or electricity but also to empower our community to participate in conservation and renewable generation. Milton Hydro is committed to be available to answer questions and to provide information to assist our customers as needed. Milton Hydro values include Safety, Innovation and Integrity.

Customer Satisfaction

In early 2017 Milton Hydro engaged UtilityPULSE to perform Milton Hydro's second Customer Satisfaction Survey to obtain actionable and measurable feedback from Milton Hydro customers. Once again Milton Hydro achieved an "A" rating from its customers. The 2017 survey results are shown in the table below.

Milton Hydro's UtilityPULSE Report Card®			
	Category	Milton Hydro	Ontario
1	**Customer Care**	**B+**	**C+**
	Price and Value	B	C
	Customer Service	A	B
2	**Company Image**	**A**	**B**
	Company Leadership	A	B
	Corporate Stewardship	A	B
3	**Management Operations**	**A**	**A**
	Operational Effectiveness	A	B+
	Power Quality and Reliability	A	A
	OVERALL	**A**	**B**

While customers stated that they were well served by Milton Hydro one concern that arose throughout the survey was the amount of the residential customer's bill. Milton Hydro has discussed this concern below under the heading Customer Billings.

Public Safety Awareness

In early 2018, Milton Hydro engaged UtilityPULSE to conduct its second public safety awareness survey targeting the residents in the Town of Milton. This customer survey supports Milton Hydro's Safety value and was undertaken to assess the public's level of knowledge and awareness of key electrical safety precautions.

While the residents in the Town of Milton have a public awareness score of 84% which is an improvement over the 82% from 2016, it does indicate that more electrical awareness knowledge is needed for public safety.

The survey included six core measurement questions:

- Likelihood to "call before you dig" – Score 71.4 % said "definitely or very likely". (2016 – 71.4%). Reminder that it is the Law to call;
- Impact of touching a power line – Score 95.8% said "very dangerous" (2016 – 94.7%). This should have been an easy 100%;
- Proximity to overhead power lines – Score 84.9% said "3 meters to more than 6 meters" (2016 – 78.7%). The minimum is 3 meters;
- Danger of tampering with electrical equipment – Score 89.6% said "very dangerous" (2016 – 86.2%). This should have been an easy 100%;
- Proximity to downed power lines – Score 81.5% said "10 meters or more" (2016 – 75.4%). 10 meters or the length of a school bus;
- Actions taken in a vehicle in contact with wires – Score 87.3% said "stay in vehicle until told safe" (2016 – 85.0%). This should have been an easy 100%.

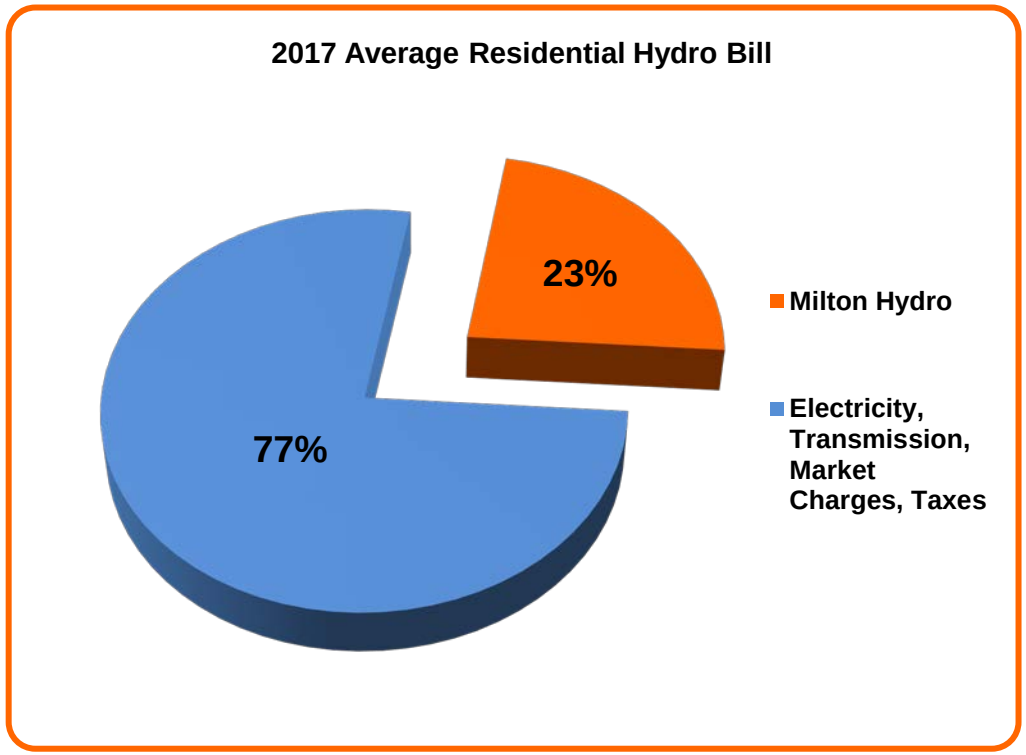
Milton Hydro is participating with several other LDCs to improve public safety and has updated its "Safety and Outages" section posted on Milton Hydro's website to include a number of public safety videos. Milton Hydro intends to be more focused on public electrical awareness and will conduct its next public safety awareness survey in 2020.

Customer Billings

Milton Hydro's Distribution Charges, which are required to provide the delivery of safe, reliable electricity to homes and businesses within the Town of Milton make up approximately 23% of a Residential customer's bill and even less on a General Service customer's bill. The remaining 77% or more are passed through charges from Provincial agencies at rates set by the Ontario Energy Board.

The following graph shows Milton Hydro's share of an average monthly Residential Hydro Bill. The 23% of a customer's bill is used to build new power lines with smart technology, purchase equipment such as vehicles and computers and provide for the operations, maintenance and administration of the distribution system to maintain peak efficiencies in operations.

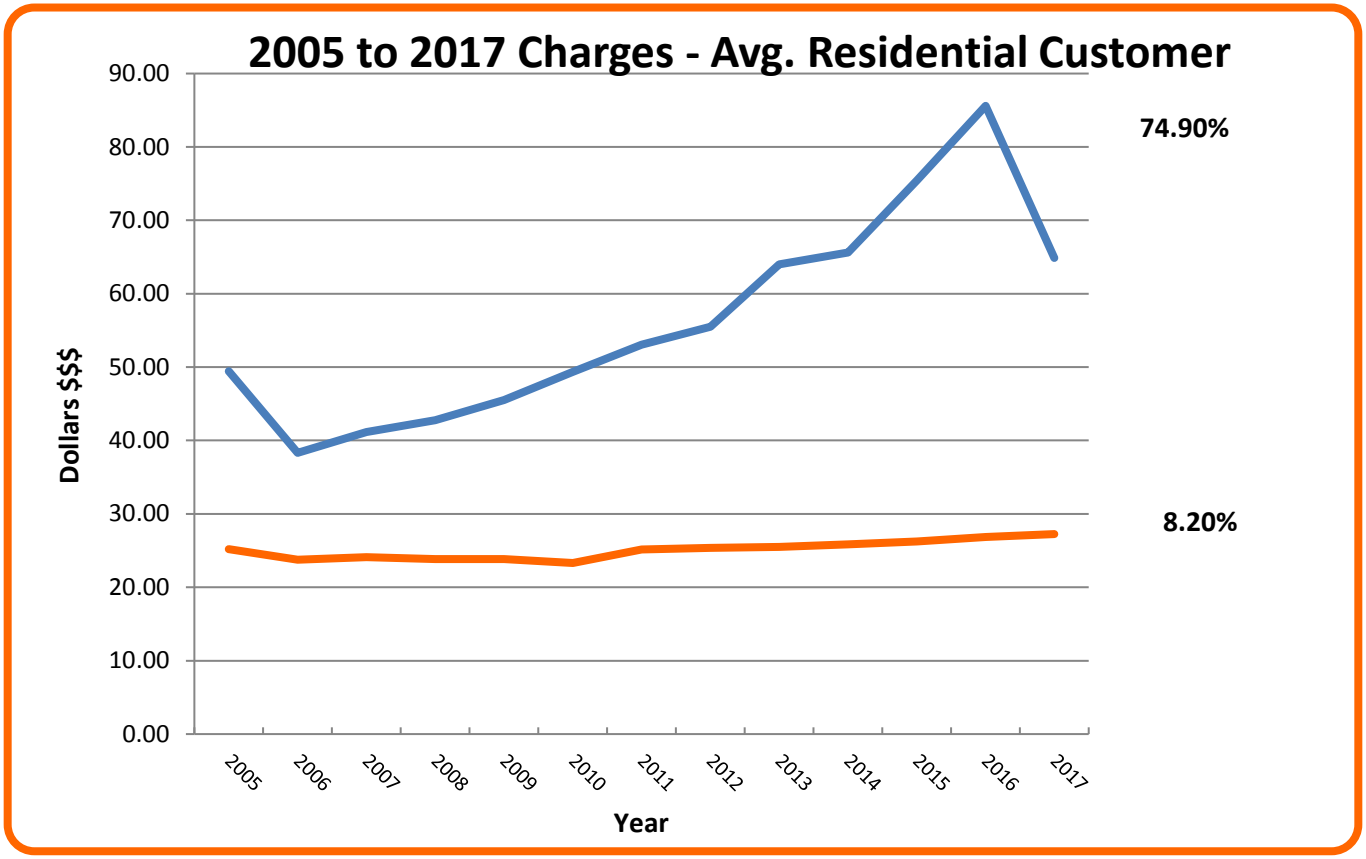
Milton Hydro Charges on Total Bill



As mentioned above in Customer Satisfaction, a common concern with residential customers was the amount of the bill. Over the years Milton Hydro has been diligent in its spending, keeping its share of the total bill to less than 20%. In 2017 the government enacted the 25% reduction in hydro bills which resulted in Milton Hydro's share of the "total" hydro bill increasing to 23%. Milton Hydro will continue to be mindful of its costs and share of the total hydro bill keeping it as low as possible subject to further government intervention in the electricity industry. Since 2005 Milton Hydro's residential rates have increased 8.2% over the 12 years, which is significantly below the rate of inflation.

On the other hand, as shown in the table below the cost of electricity has increased 74.9% over the same period, representing 57% of the total residential bill. The table does show a decrease in electricity cost during 2017 resulting from the 25% reduction announced by the previous government to lower residential bills. Even with this decrease electricity still represents 55% of the residential bill.

Change in Milton Hydro Distribution Charges & Cost of Electricity



Service Quality

- **New Residential/Small Business Services Connected on Time**
  In 2017, Milton Hydro connected 96.76% of 1,051 residential and small business customers (those utilizing connections under 750 volts) to its system within the five day timeline prescribed by the Ontario Energy Board ("OEB") which is connection within five days 90% of the time.

- **Scheduled Appointments Met On Time**
  Milton Hydro received requests for 379 appointments in 2017 with its customers to complete work requested, meter reads, reconnects and various other requests. Milton Hydro continues to meet 100% of these appointments on time exceeding the industry target of 90%

- **Telephone Calls Answered On Time**
  In 2017, Milton Hydro received 26,498 incoming calls from its customers which is over 110 calls per working day. Our Customer Service Representatives ("CSR's") answered 96.52% of the calls within 30 seconds or less. This result is met through the hiring of co-op and summer students and this result exceeds the 65% target set by the OEB and is consistent with Milton Hydro's 2016 results.

Customer Satisfaction

- **First Contact Resolution**
  This measure can be defined in a variety of ways and further regulatory guidance is necessary to achieve meaningful comparable information across electricity distributors.

  Milton Hydro tracks customer calls through its Customer Information System and if the call needs to be escalated or a second call is made then a separate tracking code is used. Milton Hydro received 121 customer calls with complaints of which 7 were escalated to a supervisor. Milton Hydro responded to 94.2% of customer issues on the first call. This result is an improvement over 2016 and is primarily due to the Ontario Energy Board's and the Provincial Government's directive not to disconnect residential customers for non-payment between November 15 and April 30 of the following year. The staff normally used to collect payments from residential customers during, what is commonly referred to as the "Disconnection Ban Period", were able to assist with customer calls.

- **Billing Accuracy**
  In 2017 Milton Hydro issued 451,626 bills to customers of which 182 required corrections thereby achieving an accuracy rate of 99.96% exceeding the industry target of 98%. Milton Hydro runs consumption and dollar exception reports to catch accounts that may require reviewing before sending them out which ensures the accuracy of the billing. These checks for billing accuracy continue to ensure that Milton Hydro's bills are near 100% accurate.

- **Customer Satisfaction Survey Results**
  The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. The OEB is allowing electricity distributor's discretion as to how they implement this measure.

  Milton Hydro engaged UtilityPULSE to perform Milton Hydro's second Customer Satisfaction Survey to obtain actionable and measurable feedback from Milton Hydro customers. This Customer Satisfaction Survey was undertaken in the first quarter of 2017 due to the delay in the pending OEB Decision on a 2016 generic customer satisfaction survey to be used by all distributors.

  The customer satisfaction survey is part of Milton Hydro's commitment for proactive communication and customer satisfaction. The UtilityPULSE survey reviewed responses from households and small businesses that pay or look after the electricity bills from Milton Hydro. Milton Hydro achieved an "A" rating in customer satisfaction.

  This information is incorporated into Milton Hydro's planning process and forms the basis of plans to improve customer communication and satisfaction to meet the needs of customers.

Safety

- **Public Safety**

  - **Component A – Public Awareness of Electrical Safety**
    Milton Hydro engaged UtilityPULSE in the spring of 2018 to perform a Public Awareness of Electrical Safety Survey to obtain actionable and measurable feedback from residents in the Town of Milton. This was the second survey (the first was in 2015) for Milton Hydro and indicated and improvement in the public's awareness of electrical safety from 82% to 84%.

    The Public Awareness Safety Survey results may be found on Milton Hydro's web page. Milton Hydro has also updated its Safety and Outage section on its website page that customers may access safety information.

- **Component B – Compliance with Ontario Regulation 22/04**
  For 2017 Milton Hydro continued to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by Milton Hydro's strong commitment to safety and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* establishes objective based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

- **Component C – Serious Electrical Incident Index**
  In 2017 no serious electrical incidents were reported. This resulted in a Serious Incident Index of 0.000 and reflects the efforts of multiple organizations across various sectors to educate both workers and the public on the dangers associated with electricity. Milton Hydro supports the ongoing efforts to educate, inform and raise the general public's and workers' electrical safety awareness.

System Reliability

System Reliability is measured over a five-year rolling average and overall Milton Hydro's System Reliability continues to improve compared to the average. As discussed above, there are many causes of power outages and Milton Hydro plans its construction and maintenance to reduce the impact outages may have on the reliability of its distribution system.

- **Average Number of Hours that Power to a Customer is Interrupted**
  Milton Hydro experienced an average of 0.61 hours (37 minutes) that power to a customer was interrupted during 2017. Milton Hydro's 2017 average is better than its five-year average (2012 – 2016) of 0.98 hours of interruption.

- **Average Number of Times that Power to a Customer is Interrupted**
  Milton Hydro's average number of times that power to a Customer is interrupted (i.e. Frequency) is 0.49 times which is better than its five-year average (2012 – 2016) of 0.82 times that power was interrupted.

Asset Management

- **Distribution System Plan Implementation Progress**
  Milton Hydro filed an Application with the OEB for a full review of its rates for 2016. As part of this Application, Milton Hydro filed its Distribution System Plan ("DSP") which provided a five year plan for new distribution plant and renewal of aging distribution system to ensure the safe and reliable delivery of electricity and balance ratepayer and utility affordability.

  Milton Hydro measures its progress of its DSP implementation over the five year period and updates the plan as required to ensure a safe, reliable supply of power.

Cost Control

- **Efficiency Assessment**
  The total costs for Ontario local electricity distribution companies are evaluated using a Model prepared by the Pacific Economics Group LLC (the "PEG Model") on behalf of the OEB to produce a single efficiency ranking. The efficiency ranking is based on a three year rolling average of performance using the current year's performance and the previous two years performance. This three year average performance will determine the efficiency ranking and placement of the distributor into one of five groups based on pre-defined parameters.

  In 2017 Milton Hydro corrected the Km of line for the years 2013 to 2016 and filed the corrections with the Ontario Energy Board. The OEB has advised Milton Hydro that while corrections may be submitted "previously published benchmarking results for prior years would not be modified as a result of the new data. This includes any year that comprised the three-year average used to determine the current year's stretch factor." Accordingly, only 2017 in the published PEG Model reflects the correct Km of line length."

  As the OEB will not have PEG update their model for the correction of the Km of line length for years 2013 through 2016 thereby impacting the 3 year performance average, Milton Hydro has undertaken to conduct its own recalculation of the PEG Model had the Km of line length been corrected for 2013 to 2016. Once corrected, Milton Hydro's resulting three year performance average (2015 to 2017) would place Milton Hydro into Group 2 "better than average performance and efficiency".

  As the PEG Model is not being updated as addressed above Milton Hydro's efficiency assessment remains in the Group 3 defined as "average".

  Milton Hydro has provided this information for the benefit of its customer's understanding of the performance and efficiency improvements that Milton Hydro has achieved.

Based on Milton Hydro's forecast for 2018 and 2019, using the unadjusted PEG Model, Milton Hydro's efficiency ranking will continue to place Milton Hydro in Group 3 until at least 2019 before the OEB will recognize Milton Hydro's efficiency gains and move Milton Hydro into the efficiency Group 2.

- **Total Cost per Customer**
  Total cost per customer is calculated as the sum of Milton Hydro's capital and operating costs and dividing this cost figure by the total number of customers that Milton Hydro serves. The cost performance result for 2017 is $667 per customer which is an 7.7% reduction in costs per customer from 2016.

  Milton Hydro's forward looking goal is to continue to control cost thereby reducing the cost per customer.

- **Total Cost per Km of Line**
  This measure is also impacted by the correction of the 2013 to 2016 Km of line length. As noted in the Scorecard it appears that Milton Hydro's costs per Km of line has improved from $25,334 in 2016 to $9,673 in 2017. This is not the case as the years 2013 to 2016 does not reflect the Km of line as corrected. This section of the Scorecard is not an "apples to apples" comparison.

  Milton Hydro has provided the following table comparing the total costs per Km of line reflecting the corrected Km of line for 2013 to 2016.

Measure	2013	2014	2015	2016	2017
Total Cost per Km of Line	$9,467	$9,906	$10,791	$10,405	$9,673

This measure uses the same total cost that is used in the Cost per Customer calculation above, The total cost is divided by the kilometers of line that Milton Hydro operates to serve its customers. Milton Hydro's 2017 costs per updated Km of line is $9,673, which is 7.0% lower than 2016 using the above table.

Conservation & Demand Management

- **2015-2020 CDM Target (GWh)**
  Milton Hydro's 2015 to 2020 Conservation and Demand Management six year target is 45,360 MWhs (45.36 GWhs) as provided in the Scorecard Target. Milton Hydro has achieved 77.52%% of its six year target in the first three years of the Conservation First Framework.

- **Net Cumulative Energy Savings**
  Milton Hydro's 2017 verified conservation savings of 14,395 MWhs is 160% of Milton Hydro's 2017 CDM Plan Forecast of 9,021 MWhs. Milton Hydro fully expects to exceed its six year CDM Allocated Target of 45.36 MWhs.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**
  Renewable generation includes generation from solar, wind, water and biomass of less than 10 MWs. Milton Hydro had 3 requests for a renewable generation connection impact assessment ("CIA") in 2017 and completed all three CIAs on time.

- **New Micro-embedded Generation Facilities Connected On Time**
  Micro-embedded generation is typically roof top solar systems not exceeding 10 kW in size. Milton Hydro connected 16 new Micro-embedded Generation Facilities in 2017, on time 100% of the time.

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**
  As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations.

  Milton Hydro's current ratio declined slightly from 2.01 in 2016 to 1.72 in 2017. This is a result of annual fluctuations in current assets and liabilities. The decline is not considered significant to Milton Hydro.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**
  The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. The deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

Milton Hydro's 2017 debt to equity ratio of 1.25 is slightly lower than the 2016 debt to equity ratio of 1.33. Milton Hydro does not anticipate exceeding the 60/40 debt/equity ratio but it is expected that the total debt will remain near the 60% level. The ratio is a factor in the budget approval process.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**
  Milton Hydro's current distribution rates are approved by the OEB and include an expected (deemed) regulatory return on equity of 9.19%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**
  Milton Hydro's regulatory return on equity for 2017 was 9.45%, which is 0.26% above its allowed return but well within the +/-3% range (12.19% to 6.19%) allowed by the OEB.

Note to Readers of 2017 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to several risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include government legislative or regulatory developments, Ontario Energy Board approval or not approval of various applications, financial market conditions, general economic conditions, customer growth and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.