



Ontario | Commission
Energy | de l'énergie
Board | de l'Ontario

BY EMAIL

July 4, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Interrogatories
Milton Hydro Distribution Inc.
2023 Cost of Service
OEB File Number: EB-2022-0049**

Please find attached OEB staff's interrogatories in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Original Signed By

Shuo Zhang
Electricity Distribution: Major Rate Applications & Consolidations Encl.

cc: All parties in EB-2022-0049

Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Exhibit 1- Administration

1-Staff-1

Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2023 Electricity Distributor Rate Applications webpage.

1-Staff-2

Letters of Comment

Following publication of the Notice of Application, the OEB received 38 letters of comment. Section 23.03 of the OEB's *Rules of Practice and Procedure* states that "Before the record of a proceeding is closed, the applicant in the proceeding must address the issues raised in letters of comment by way of a document filed in the proceeding." If the applicant has not received a copy of the letters or comments, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-3

Productivity

Ref: Exhibit 1, page 108 of 118

Question(s):

- a) Milton Hydro described its Lean Six Sigma approach to productivity improvements. Milton Hydro noted that productivity and efficiency improvements are a priority so that it can minimize the employee head count growth expected with the forecasted population growth. Please explain how productivity savings help with minimizing the employee head count growth.

- b) Please explain whether Milton Hydro has reflected any productivity improvements in its proposed 2023 capital and OM&A budgets. If so, is that possible to quantify the productivity savings?

1-Staff-4

Disallowed Costs Relating to Building Cost

Ref: Exhibit 1, page 32 of 118

Preamble:

In the current proceeding, Milton Hydro has brought the respective disallowed capital costs back into rate base and the disallowed OM&A costs back into the determination of revenue requirement for 2023.

Question(s):

- a) Please specify the amount of disallowed OM&A costs that Milton Hydro is proposing to bring back into the determination of 2023 revenue requirement.

- b) Please provide a breakdown of the OM&A costs associated with the disallowed space (e.g., property tax, gas, and electricity costs, etc.) that is included in the proposed 2023 revenue requirement.

1-Staff-5

Impacts from COVID

Ref: Exhibit 1, page 47 of 118

Question(s):

- a) Please clarify if Milton Hydro has included any costs resulting from COVID in its planned 2022 and 2023 capital and OM&A budgets.

1-Staff-6

Achieved ROE

Ref: Exhibit 1, page 86 of 118

Preamble:

The average achieved ROE over 2016-2018 was approximately 9.9%, the average achieved ROE over 2019-2020 was approximately 6.8%.

Question(s):

- a) Please explain drivers for the lower achieved ROE in recent years.

1-Staff-7

Efficiency Assessment

Ref: Exhibit 1, page 94 of 118

Question(s):

- a) Please update the Benchmarking Forecast Model (in Excel) with forecast efficiency assessment for 2024 and 2025.

1-Staff-8

APB

Ref: Exhibit 1, pages 99-101 of 118

Preamble:

The OEB issued an updated APB report dated April 29, 2022 with 2020 results included.

Question(s):

- a) Please discuss Milton Hydro's year-over-year performance for each of these APB indices with 2020 results.

1-Staff-9

Benchmarking

Ref: Exhibit 1, page 105 of 118

Question(s):

- a) Please compare Milton Hydro's Net PPE per customer with same comparators included in Table 1-29 for the period of 2016-2020 using OEB yearbooks.
- b) Please compare Milton Hydro's 2022 monthly service charge for residential customers with same comparators included in Table 1-29.

1-Staff-10

Implementing the Green Button Initiative

Ref: OEB Letter dated November 1, 2021

Preamble:

Distributors are required to implement Green Button by November 1, 2023. The OEB has approved the establishment of a generic deferral account for rate regulated distributors to record the incremental costs directly attributable to the implementation of the Green Button initiative.

Question(s):

- a) Please provide Milton Hydro's current progress of implementing the Green Button Initiative.
- b) Please clarify if Milton Hydro has recorded any incremental costs directly attributable to the implementation of the Green Button initiative in the generic deferral account.
- c) Please confirm Milton Hydro has not proposed any capital or OM&A costs associated with the implementation of the Green Button initiative for the 2022 bridge year and the 2023 test year.

Exhibit 2 – Rate Base and Distribution System Plan

2-Staff-11

Asset Management & Asset Condition Assessment

Ref: Exhibit 2, Appendix E, Page 34

Preamble:

Milton Hydro provided the following information regarding the MS Transformer Age Limiter, and the Health Index results for MS Transformers (Main Tank) and MS Transformers (LTC):

- Age Limiting Factor Criteria – MS Transformers: Figure 1-1, pp. 34
- Health Index Distribution – MS Transformers (Main Tank): Figure 1-3, pp. 36
- Health Index Distribution – MS Transformers (LTC): Figure 1-4, pp. 36

Question(s):

- a) Please explain why Milton Hydro uses age limiting factor on assets that are in Good and Very Good condition.
 - i. Specifically, please discuss the use of age limiting factors on assets that may remain in Good and Very Good conditions well past their actuarially expected service lives.
- b) What is the calculated Health Index for all the “MS Transformers (Main Tank)” assets with the “Age Limiter” removed?
- c) What is the calculated Health Index for all the “MS Transformers (LTC)” assets with the “Age Limiter” removed?

2-Staff-12

Asset Management & Asset Condition Assessment

Ref: Exhibit 2, Appendix E, Page 54-55

Preamble:

Milton Hydro provided the following information regarding its health index distributions and flagged-for-action plans for different asset classes:

- Concrete Poles: Figs 4-3 and 4-4, pp. 54-55
- Pole Mounted Transformers: Figs 5-3 and 5-4, pp. 60-61
- Pad Mounted Transformers: Figs 6-3 and 6-4, pp. 66-67
- Pad Mounted Switchgear: Figs 7-3 and 7-4, pp. 72-73
- RTUs: Figs 8-3 and 8-4, pp. 77-78
- Submersible Transformers: Figs 10-3 and 10-4, pp. 85-86
- Vault Transformers: Figs 11-3 and 11-4, pp. 90-91

Question(s):

- a) Please confirm that at the planned rate of replacement over the upcoming DSP period as shown in the flagged for action figures referenced in the preamble, all Poor and Very Poor condition assets in each of these asset classes will have been replaced prior to the end of the DSP period (in some cases as early as in the second or third year of the DSP period).
 - i. If confirmed, please explain why it is prudent for Milton Hydro to begin replacing assets that are in Fair, Good or Very Good conditions during the

- upcoming DSP period after all the Poor and Very Poor condition assets have been replaced in each of these asset classes. Provide separate explanations for individual asset classes as appropriate.
- ii. If not confirmed, please identify which of these asset classes will not have had all Poor and Very Poor condition assets replaced prior to the end of the upcoming test period and explain why all the Poor and Very Poor condition assets were not replaced. In other words, which classes will not have seen the replacement of Fair, Good or Very Good condition assets prior to the end of the test period and why.
 - iii. If not confirmed, please provide revised flagged for action plans that do not feature a rate of asset replacements that implies that Fair, Good or Very Good condition assets will be replaced during the DSP period.

2-Staff-13

Asset Management & Asset Condition Assessment

Ref: Exhibit 2, Attachment 2-2, Page 75 of 132

Preamble:

Regarding information by asset type, Milton Hydro provided the following:

- MHDIA Asset Summary: Table 31, pp. 75 of 132

Question(s):

- a) How did Milton Hydro determine the appropriate TULs to use for the listed assets?
 - i. If different approaches are used for different asset classes, please identify the different approaches and why they are used for the respective assets.
- b) Please explain the role TULs play in Milton Hydro's asset management (e.g., in determining when an asset reaches "end-of-life").

2-Staff-14

Capital Spending Envelope

Ref: Exhibit 2, Attachment 2-2, Page 96 of 132

Preamble:

Regarding its customer engagement activities to ascertain plan alignment, Milton Hydro provided the following:

- Capital Budget Moved from System Renewal to System Service: Table 41, page 96 of 132.

Question(s):

- a) Please explain the basis for Milton Hydro's decision to move funds from Milton Hydro wood pole replacement and switchgear replacement programs to System Service.
- b) What will the Wood Pole Replacement Capital Budget funds moved to System Service be used for? How did Milton Hydro evaluate the trade off?
- c) What will the Switchgear Replacement Capital Budget funds moved to System Service be used for? How did Milton Hydro evaluate the trade off?

2-Staff-15

Capital Spending Envelope

Ref: Exhibit 2, Attachment 2-2, Page 128 of 132

Preamble:

Regarding its Planned Capital Expenditures, Milton Hydro provided the following:

- DSP Planned Capital Expenditures 2023-2027: Table 49, page 128 of 132.

Question(s):

- a) Please provide the average annual historical period spending in each of the same System Renewal sub-categories as shown in Table 49.
- b) Please provide the average annual historical period spending in each of the same System Service sub-categories as shown in Table 49.
- c) Please provide the average annual historical period spending in each of the same General Plant sub-categories as shown in Table 49.

2-Staff-16

System Renewal Spending

Ref: Exhibit 2, Attachment 2-2, Page 76 of 132

Preamble:

Regarding information by asset type, Milton Hydro states:

“Proactive replacement strategies have been adopted for poles, porcelain hardware, defective polymeric switches, legacy pad mounted transformers and underground primary switchgear. Reactive replacement strategies have been adopted for the remainder.”

Question(s):

- a) Please provide documentation of the proactive replacement strategies for each of the listed asset types, if available.
- b) Kinectrics’ ACA study report, pages 6-7, characterizes poles as having “low consequences of failure that are run to failure and are replaced reactively”. Please explain the apparent contradiction with Milton Hydro’s proactive replacement strategy for poles.

2-Staff-17

System Renewal Spending

Ref: Exhibit 2, Attachment 2-2, Page 126 of 132

Preamble:

Regarding its system renewal investment drivers, Milton Hydro states:

“In summary, system renewal spending will focus more proactively on planned proactive pole replacement programs at higher levels than seen prior to 2023 and on meter replacements for units that have been determined to be functionally obsolete.”

Question(s):

- a) Regarding the forecast step increase in pole replacement spending:
 - i. What factors are driving this spending increase?
 - ii. Please compare Milton Hydro’s actual pole replacement (number of replacement and costs) with planned replacement for the period of 2016-2020. Please discuss drivers for the variance, if any.
 - iii. Please compare asset condition assessment results for poles from last DSP with the current one. Please discuss drivers for changes in poles’ condition assessment results, if any.

2-Staff-18

System Renewal Spending

Ref: Exhibit 2, Appendix A, pdf pages 260, 263, and 266

Preamble:

Regarding asset replacement projects, Milton Hydro provided the following information:

- Reactive replacement of OH damaged/defective Equipment projects on pdf page 260 of 667
- Reactive replacement of UG damaged/defective equipment project on pdf page 263 of 667
- Meter Replacement Program project on pdf page 266 of 667

Question(s):

- a) Please explain the step changes in planned spending trends relative to the historical period for the following programs.
 - i. Reactive replacement of OH damaged/defective Equipment
 - ii. Reactive replacement of UG damaged/defective equipment
 - iii. Meter Replacement Program

2-Staff-19

General Plant – Buildings

Ref: Exhibit 2, Attachment 2-1, Page 9,11, and 12

Preamble:

Regarding capital cost consequence using inside storage to replace outside storage, Milton Hydro provided the following on page 9:

- Utilization of Warehouse & Operations Space: Table 1-5, pp. 9

Regarding its shipping and receiving functionality needs, Milton Hydro states on page 12:

“This area is used to manage incoming deliveries of inventory and other purchases. The space consists of a loading dock for goods inbound via transport trailer and drive-up docks for overhead crane loading and unloading. The area also provides space for issuing and loading job-site material to Milton Hydro crews and 3rd party contractors.”

“As described above, the previously disallowed 36,000 sq. ft. “premium” indoor

storage space was not entirely required to accommodate the lack of outside storage. The Warehouse & Operations space has been re-purposed (from that “deemed” to be storage) to more accurately align with Milton Hydro’s operations and space requirements for various tasks and is currently fully utilized. As such, Milton Hydro is requesting that the depreciated value of this space (e.g. net book value) in the amount of \$640,458 be brought into rate base effective January 1, 2023.”

Question(s):

- a) Please identify all materials and equipment Milton Hydro formerly stored outside that it now stores inside.
 - i. For each type of material, vehicles and equipment identified, please explain why the change adds value for ratepayers, with due consideration of all associated costs (including the cost of owning and maintaining the associated storage space, either inside or outside)

2-Staff-20

General Plant – Buildings

Ref: Exhibit 2, Appendix I, Page 16

Preamble:

Cresa reviewed Milton Hydro’s space requirement and provided forecast space programming for the period of 2023-2026.

Question(s):

- a) What is the basis for the assumed increase in office staff count from 18 in 2021 to 22 in 2023?
- b) What is the basis for the assumed increase in workstation staff count from 29 in 2021 to 34 in 2023?
- c) What the basis for the assumed increase in lines staff count from 10 in 2021 to 13 in 2023?

2-Staff-21

General Plant – Buildings

Ref: Exhibit 2, Appendix I, Page 25

Preamble:

Regarding Building Modification Budgets & Phasing, Cresa provided project cost estimate for Phase I to Phase III.

Question(s):

- a) Please confirm that Cresa's recommended incremental space requirements to develop additional workspaces, offices and meeting areas are largely or entirely based upon projected staffing growth numbers provided by Milton Hydro.
 - i. If not confirmed, please explain the basis for Cresa's recommendations.
- b) Please confirm that Cresa has not reduced its recommended space requirements to account for shared workspaces or offices for employees who might be regularly working from home for part of each week.
- c) Please provide a table that shows the existing space allocation (in square footage) to each of the business functions described in this report, as well as the space allocations after implementing the Phase 1 and Phase 2 modifications recommended by Cresa.

2-Staff-22

OM&A Spending

Ref: Exhibit 2, Attachment 2-2, Page 42 of 132

Preamble:

Regarding unit cost metrics, Milton Hydro states:

“O&M increased in 2021 due to primarily due to an increase in maintenance activity in 2021 compared to previous years.”

Question(s):

- a) Please explain what drove the increased need for maintenance activity in 2021.
- b) If the 2021 maintenance activity level represents a new baseline of activity, please explain why the increased ongoing effort is needed.

2-Staff-23
2022 Bridge Year Actual
Ref: Appendix 2-AA

Question(s):

- a) Please update actual capital expenditures for 2022 bridge year in Appendix 2-AA format. Please specify how many months are actual vs. forecast.

2-Staff-24
Distribution System Plan
Ref: Exhibit 2, Attachment 2-2

Question(s):

- a) Please identify main changes/improvements in Milton Hydro's asset management practices and capital expenditure planning process since its last DSP filed in the 2016 rate application.

2-Staff-25
Coordinated Planning with Third Parties
Ref: Exhibit 2, Attachment 2-2

Preamble:

In accordance with the OEB's [letter dated April 28, 2022 in response to the Regional Planning Process Advisory Group's Report to the OEB](#), a distributor is required to identify if there are any inconsistencies between its DSP and any current Regional Plan. If there are any inconsistencies, the distributor shall explain the reasons why, particularly where a proposed investment in their DSP is different from the recommended optimal investment identified in the Regional Plan.

Question(s):

- a) Please clarify if there are any inconsistencies between Milton Hydro's DSP and the current Regional Plan.

2-Staff-26
Summary of Capital Expenditures
Ref: Exhibit 2, page 59 of 86

Preamble:

Milton Hydro adjusted its planning and reduced its allocated capital funding for System Access (on average \$1.1 million) after recognizing the shift of more modest growth in System Access and increased its investments in the other three investment categories.

Question(s):

- a) Milton Hydro illustrated its Asset Management Planning Cycle in Figure 9 of the DSP. Please explain at what stage of the Planning Cycle Milton Hydro decided to reallocate funding for System Access to the other three investment categories.
- b) Please explain the derivation of the average \$1.1 million in System Access (e.g., is this \$1.1 million the difference between the final proposed capital expenditures in System Access and the original budget or is this the difference between the final proposed capital expenditures in System Access and the average historical spending?)
- c) Please confirm Milton Hydro increased its investments in the other three investment categories by an average of \$1.1 million per year over the DSP period after its adjustment to System Access.
- d) Please explain how Milton Hydro justified the re-allocation rather than reducing System Access after recognizing the more modest growth, while maintaining the other three investment categories at the originally planned levels.

2-Staff-27

Actual Capital Expenditure on General Plant

Ref: Exhibit 2, page 60 of 86

Question(s):

- a) Please explain why the actual capital expenditures in 2021 on General Plant was a negative amount of \$91k.

2-Staff-28

Bringing Disallowed Office Space into Rate Base

Ref: Exhibit 2, Attachment 2-1, pages 8-9

Preamble:

Prior to purchasing the property at 200 Chisholm Drive, Milton Hydro had identified that 65,000 sq. ft. of outside storage would be required.

Question(s):

- a) Given that the 29,000 sq. ft. outside storage space at the 200 Chisholm Drive did not meet Milton Hydro's requirement for outside storage (65,000 sq. ft.), please explain why Milton Hydro decided to purchase the land and premises at 200 Chisholm Drive as its new office and service centre.
- b) When discussing its utilization of warehouse and operation space, Milton Hydro stated that there are other areas that it requires for operations that were not specifically identified in the 2016 rate proceeding. Please explain why these operation requirements were not identified in the 2016 rate proceeding.

2-Staff-29

New ERP System

Ref: Exhibit 2, Attachment 2-2, Business Case: ERP

Question(s):

- a) Please provide a breakdown of the forecast project cost for the new ERP system for each year over the 2022-2024 period.
- b) Please provide the useful life of the new ERP system.

2-Staff-30

Cresa Strategic Facilities Plan

Ref: Exhibit 2, Attachment 2-2, Appendix I, page 3

Preamble:

In the Executive Summary of Cresa's Facility Plan, it stated that its "preliminary" space programming suggests that Milton Hydro will require approximately 80 seats to accommodate its forecasted FTEs growth over the next five years.

The total cost of renovation is estimated to be \$1.5 million based upon Class D estimates prepared by Cresa.

Question(s):

- a) Please explain why the space programming is "preliminary".
- b) Does this mean there will be some form of further study/analysis conducted by Cresa to finalize Milton Hydro's Facility Plan?

- c) Has the Class D cost estimate been updated to Class C, Class B or even Class A?
- d) Did Milton Hydro go through an RFP process to seek a vendor for the renovation? If so, who was the selected vendor and what's the proposed renovation cost from the vendor?
- e) What's the current status of the renovation? What renovation costs have been spent so far and what's the budget included in the 2023 test year? When will the renovation be completed?

2-Staff-31

Cresa Strategic Facilities Plan

Ref: Exhibit 2, Attachment 2-2, Appendix I, page 9

Question(s):

- a) Please explain the difference between this \$7.7 million building cost presented in Cresa's Strategic Facility Plan and the \$14.5 million capital cost referenced in OEB's decision in the 2016 rate proceeding (EB-2015-0089, Decision and Order dated July 28, 2016, page 48).

2-Staff-32

Cresa Strategic Facilities Plan

Ref: Exhibit 2, Attachment 2-2, Appendix I, pages 10-11

Preamble:

There are currently three meeting rooms throughout the 200 Chisholm Drive office building including the executive boardroom.

Question(s):

- a) Please explain how many meeting rooms were planned at the time of the 2016 rate proceeding.
- b) Please explain how many meeting rooms have been converted to offices since 2016.
- c) Please explain how many meeting rooms are planned for the 2023 test year.

- d) Cresa stated that the current layout of the Office & Administration is inefficient due to the previous design and the unique, triangular space of some areas. Please elaborate why the current layout is not efficient.

2-Staff-33

Cresa Strategic Facilities Plan

Ref: Exhibit 2, Attachment 2-2, Appendix I, pages 16-17

Preamble:

Cresa provided a table that summarizes Milton Hydro's space requirement for 2021, and each year over the 2023-2026 period.

Question(s):

- a) Please provide the current (2022) space requirement breakdown.
- b) For 2021, there were 63 staff in total and 57 seats, please explain what workstation arrangement Milton Hydro provided to the remaining six staff.
- c) Cresa stated that 52% of employees, who did the "Future of Work" survey would prefer to work three or more days from the office and 30% of respondents would prefer to work from the office 100% of the time. What's Milton Hydro's current workplace arrangement (e.g., Hybrid) and what's the workplace strategy for the next five years.

2-Staff-34

Cresa Strategic Facilities Plan

Ref: Exhibit 2, Attachment 2-2, Appendix I, pages 22-24

Exhibit 2, Attachment 2-2, Appendix A (Exhibit 2, pdf page 308)

Preamble:

Cresa recommended \$1.1 million total project cost for the control room, \$369k for relocating customer service desk, and \$750k for exterior window replacement.

Milton Hydro stated that the building renovation budget was developed and finalized prior to the receipt of Cresa's Strategic Facilities Plan.

Milton Hydro's updated capital plan provides for approximately \$1,100,000 in 2022 as compared to the original capital plan which underpins the 2023 rate base of \$900,000 (i.e., \$500,000 building renovations in 2022 and \$400,000 building renovations in 2023). Milton Hydro is not proposing to adjust the timing or amounts included in its 2023 rate

base as the original capital plan provides a better levelized, smoothed expenditure over the DSP period, with lesser impact to its customers.

Question(s):

- a) Please explain when Cresa was retained to develop the Strategic Facilities Plan.
- b) For the control room, please explain the difference on the budget between what developed by Cresa (\$1,111,882) and AESI (\$512,000). Please clarify capital expenditures budgeted for the control room for 2022 and 2023.
- c) Please provide details of Milton Hydro's original capital plan of \$900,000 over 2022-2023. Please detail the scope of work and provide a breakdown by cost component for each year of 2022 (\$500,000) and 2023 (\$400,000).
- d) Please provide details of the updated capital plan of \$1,100,000 for 2022. Please detail the scope of work and provide a breakdown by cost component.
- e) Regarding the \$500,000 building renovation cost budgeted for 2022, please explain what has been done in 2022 and what's the actual spending so far.
- f) Given that Milton Hydro's updated capital plan provides approximately \$1,100,000 in 2022 and it is not proposing to adjust the timing or amounts included in 2023 rate base, please clarify if Milton Hydro proposes to bring the actual capital expenditures associated with office building renovations in 2022 in its next rebasing application.
- g) For relocating customer service desk, please confirm Milton Hydro decided to adopt Cresa's recommendations and included a budget of \$369k for 2024 in the DSP.
- h) For exterior window replacement, please confirm Milton Hydro decided to adopt Cresa's recommendations and included a budget of \$750k for 2025 in the DSP.
- i) In Appendix 2-AA, Milton Hydro budgeted \$93,000 for 2022 and \$119,000 for 2023 for the "Building – 200 Chisholm" project under General Plant. Please detail the scope of work and provide a breakdown by cost component for each year of 2022 (\$93,000) and 2023 (\$119,000).

2-Staff-35

Customer Oriented Performance

Ref: Exhibit 2, Attachment 2-2, page 37 of 132

Preamble:

Milton Hydro tracks and compares their OM&A cost per customer and Customers per employee to its peer group. Milton Hydro intends to maintain the top-half standing target for peer group comparison in the forecast period.

Question(s):

- a) Please discuss Milton Hydro's benchmarking performance results among its peer group for 2023 with the forecast OM&A, customers, and employees.

2-Staff-36

Distribution System Planning Quality

Ref: Exhibit 2, Attachment 2-2, page 38 of 132

Preamble:

Milton Hydro considers several factors when assessing distribution system planning quality, including plan input, plan management and budgetary performance.

Question(s):

- a) Please discuss if Milton Hydro has developed any quantitative approach to measure its distribution system planning quality. If so, please explain the derivation of the measure and provide the target of this measure for the DSP period.

2-Staff-37

DSP Performance Target

Ref: Exhibit 2, Attachment 2-2, page 40 of 132

Preamble:

Milton Hydro provided its DSP performance targets for each year over the DSP period.

Question(s):

- a) In light of the OEB's Activity and Program Based Benchmarking Initiative,¹ has Milton Hydro considered including cost efficiency and effectiveness measures to track unit cost information for its main OM&A and capital programs/projects?
- b) The DSP Progress Variance metric will measure DSP implementation of planned total capital expenditures vs. actuals, has Milton Hydro considered a metric to measure the completeness of planned units vs. actuals for its major asset classes?

2-Staff-38

Reliability Statistics

Ref: Exhibit 2, Attachment 2-2, pages 46-48 of 132

Question(s):

- a) Please explain why outage caused by Lighting (0) and Human Element (2) were low for 2020 in Table 14, while Lighting and Human Element were the largest two contributor to SAIDI and SAIFI for 2022 in Table 16 and Table 18.

2-Staff-39

Interruptions Caused by Defective Equipment

Ref: Exhibit 2, Attachment 2-2, pages 49 of 132

Question(s):

- a) Does Milton Hydro track interruptions due to Defective Equipment by equipment type? If so, please provide a further breakdown of historical interruptions due to Defective Equipment by year and by equipment type.

2-Staff-40

DSP Spending Variance 2016-2020

Ref: Exhibit 2, Attachment 2-2, pages 52 of 132

Question(s):

- a) OEB staff notes that the actual net capital expenditure over the 2016-2020 period is \$3.3 million (8%) higher than the OEB-approved amount. Please explain main drivers for the overall net overspending.

¹ EB-2018-0278

2-Staff-41

Asset Management Planning Cycle

Ref: Exhibit 2, Attachment 2-2, pages 62 of 132

Preamble:

Milton Hydro illustrated its Asset Management Planning Cycle in Figure 9, which includes the following steps:

- i. Determine Budget Envelope
- ii. Capital Requirements by Investment Category (System Access, System Renewal, System Service and General Plant) and Annual System Maintenance Plan
- iii. Preliminary Investment Portfolio
- iv. Portfolio Prioritization
- v. Establish Investment Plans
- vi. Capital Investment and OM&A Approval
- vii. Budget Approval

Question(s):

- a) Please provide main change(s) in capital investment and OM&A budget during the planning process from the original budget envelope to the proposed capital and OM&A for the 2023 test year. Please also explain drivers for the change(s) and identify at which step of the planning process each change was made.

2-Staff-42

Mandatory vs. Non-Mandatory

Ref: Exhibit 2, Attachment 2-2, pages 63 of 132

Preamble:

Mandatory capital projects are automatically included as per scheduled need. In general, mandatory projects are defined as:

- New/modified customer service connections (System Access)
- Road authority required plant relocation projects (System Access)
- Mandated service obligations (System Access)
- Renewable energy projects (System Access)
- Emergency replacement of failed equipment (System Renewal)
- Safety related projects (System Service)

Question(s):

- a) For all projects proposed for 2023 and presented in Appendix 2-AA, please identify which ones are mandatory and which ones are non-mandatory.
- b) Please provide the actual splits of mandatory vs non-mandatory spending for each year over 2016-2021.

2-Staff-43

Lifecycle Risk Management

Ref: Exhibit 2, Attachment 2-2, pages 87 of 132

Question(s):

- a) Does Milton Hydro have a quantitative approach to derive risk-based project prioritization? If so, please explain the quantitative approach and provide risk score for each project. Please also provide the list of projects for 2023 test year before and after prioritization in Appendix 2-AA format. If not, please explain how Milton Hydro prioritizes non-mandatory projects.

2-Staff-44

Flagged for Action Plan

Ref: Exhibit 2, Attachment 2-2, Appendix E, page 17

Preamble:

Kinectrics developed a ten-year flagged-for-action plan in Table 3 of the Asset Condition Assessment (ACA) report.

Question(s):

- a) Please provide Milton Hydro's actual (2016-2021) and forecast (2022-2027) asset replacements (number of replacements and capital expenditures) for each of these asset categories in Table 3 of the ACA report in Excel.

2-Staff-45

PwC Report

Ref: Exhibit 2, Attachment 2-2, Appendix F

Question(s):

- a) Please explain if Milton Hydro has adopted PwC's recommended external costs on capital and operations for each year over the 2022-2024 period. If not, please

detail the differences between Milton Hydro's proposal vs. PwC's recommendations and explain why.

- b) Please explain if Milton Hydro has adopted PwC's recommended internal resource requirement. If not, please detail the differences between Milton Hydro's proposal vs. PwC's recommendations and explain why.

2-Staff-46

GSAI Report

Ref: Exhibit 2, Attachment 2-2, Appendix G

Preamble:

GSAI prepared an analysis of projected residential and employment growth as well as infrastructure expansions in the Town of Milton between 2016 and 2027.

Question(s):

- a) Please confirm Milton Hydro used GSAI's projection of residential customer growth of 950, plus 50 nonresidential customers to base its residential subdivisions and general services connection costs in System Access investments during the DSP period. Please also explain the basis of the forecasted 50 nonresidential customers.
- b) If confirmed in part a, please explain why Milton Hydro did not rely on data from developers, builders and the Town of Milton to develop budget for System Access investments in residential subdivisions and customer connections.
- c) Please explain how Milton Hydro derived its residential customer connections costs in its last DSP in the absence of a third party's growth study.
- d) Please clarify whether GSAI's employment growth and infrastructure expansions forecast have an impact on Milton Hydro's capital and OM&A budgets proposed for the 2023 test year. If so, please explain the impact.

2-Staff-47

Distribution System Plan

Ref: Exhibit 2, Attachment 2-2, Section 5.4.1
2021 CDM Guidelines, Chapter 3.1

Preamble:

Milton Hydro's Distribution System Plan notes that there are no rate-funded activities to defer distribution infrastructure.

Question(s):

- a) Please describe how Milton Hydro has addressed or plans to address the requirement in the OEB's CDM Guidelines for distributors to "make reasonable efforts to incorporate consideration of CDM activities into their distribution system planning process, by considering whether distribution rate-funded CDM activities may be a preferred approach to meeting a system need, thus avoiding or deferring spending on traditional infrastructure."

2-Staff-48

Distribution System Plan

Ref: Exhibit 2, Attachment 2-2, page 13

Exhibit 2, Attachment 2-2, Appendix A, Capital Project Sheets SS-1 to SS-3

Preamble:

Milton Hydro notes that "smart grid development enhances MHDI's ability to provide a variety of energy services, including conservation and demand management." Milton Hydro's Capital Project Sheets (SS-1 to SS-3) provide more details on specific smart grid projects, with sheets SS-1 and SS-2 noting that these projects "enable{s} the connection and operation of Distributed Energy Resources (DER) and is adaptable for use in a variety of grid modernization software packages such as Fault Location, Isolation, and Service Restoration (FLISR), Distributed Energy Resources Management (DERMS) or Advanced Distribution Management Systems (ADMS) that MDHI may or may not adopt as it moves towards grid modernization."

Question(s):

- a) Please provide more details as to how projects SS-1 to SS-2 (and SS-3, if applicable) enhance Milton Hydro's ability to provide CDM.
- b) In particular, how will these projects facilitate integration of DERs for the purpose of load management, and have they been assessed to be as future-proof as possible in regard to potential future efforts by Milton Hydro regarding DER integration?

2-Staff-49

Distribution System Plan

Ref: Exhibit 2, Attachment 2-2, pages 21, 26, and 28

Preamble:

The DSP notes that a new transformer station (Halton TS2) was originally identified in the regional planning process as needed to service Milton Hydro load growth, but recent discussions with Hydro One have indicated that this can be deferred until beyond 2027 (currently planned for 2033).

Question(s):

- a) Is Milton Hydro (either on its own or as part of the regional planning process) considering CDM/non-wires solutions that may further defer or avoid the need for the Halton TS2 project?

Exhibit 3 – Operating Revenue

3-Staff-50

Load forecast

Ref: Load forecast excel file

Preamble:

Milton Hydro has supplied an excel model in which all entries and cell selection has been locked. This makes it difficult to validate model function and formulas used.

Question(s):

- a) Please supply an unlocked model.

3-Staff-51

Residential Load forecast

Ref: Exhibit 3.3.3, page 11 of 46, Load forecast excel file, sheet Residential

Preamble:

A set of COVID/weather interaction variables were considered to capture the incremental consumption caused by people working from home and generally staying at home due to lockdowns. These variables, “HDD COVID” and “CDD COVID” are equal to the relevant HDD and CDD variables since March 2020. The coefficients reflect incremental heating and cooling load consumed in 2020 and 2021. These variables continue to December 2022 but are reduced to 75% of HDD and CDD in all months in 2023.

Question(s):

- a) How is the issue of multicollinearity between HDD, CDD and the COVID/HDD/CDD interaction variables being dealt with in the Residential class load forecast?
- b) Please provide a scenario without the interaction terms, using all other variables in the original model filed.
- c) The COVID flag variable is reduced to 50% instead of 75% of the HDD and CDD in 2023 as per the load forecast excel file. Please confirm this.
- d) Please include a scenario where the COVID flag variable is 0 for 2022 and 2023.

3-Staff-52

Load Forecast

Ref: Exhibit 3.7.2, 3.7.3, Load forecast excel file: sheet GS< 50 kW and GS>50 kW

Preamble:

A COVID flag variable equal to 1 from March 2020 to December 2021 was tested found to be statistically significant for the General Service < 50 kW and General Service > 50 kW classes.

Question(s):

- a) Please explain why the COVID flag variable takes a value of 0.38 in 2022 and 0.25 in 2023?
- b) Please provide a scenario in which the COVID flag is 0 for 2022 and 2023.

3-Staff-53

Residential Customer forecast

Ref: Exhibit 3.4. Customer/Connection Forecast, page 12 of 46

Preamble:

Based on its analysis, GSAI forecasts 750 new housing units in 2022 and 950 new housing units in 2023 within the Town of Milton.

Question(s):

- a) Please provide a scenario using 2012-2020 geometric mean and 2011-2019 for the customer forecast.

- b) Please also provide historical change in housing units (2012-2021). Is the historical change in housing units consistent with year over year customer growth? do

3-Staff-54

Customer Forecast

Ref: Exhibit 3.4. Customer/Connection Forecast, page 13 of 46

Preamble:

Due to the COVID-19 pandemic, many General Service customers reduced demands resulting in reclassifications in August and September 2021. Since growth rates in 2021 reflect these reclassifications rather than ongoing trends, a 2012-2020 geometric mean growth rate is applied to December 2021 customer counts (rather than 2021 monthly average counts) for the GS<50 kW and GS 50 to 999 kW rate classes.

Question(s):

- a) Please include a scenario based on 2011-2019 geometric mean growth rate applied to the December 2021 customer counts.

- b) Please include a scenario where the 2011-2020 geometric mean is applied to the December 2021 customer counts.

3-Staff-55

Approach to Kilowatt Demand Forecast

Ref: Exhibit 3.3.4, page 11 of 46

Preamble:

The ratios applicable by class have changed materially over time so averages of different time frames were used for different classes. The General Service 50 to 999 kW forecast, Streetlight forecast, and Sentinel forecast are based on the 10-year average ratio from 2012 to 2021. The ratios applied for General Service 1,000 to 4,999 kW and Large User classes is a 5-year average.

Question(s):

- a) Is Milton Hydro aware of the reasons for material changes in the ratios which warranted the class specific time frames (5 or 10-year) to be used?
- b) Please comment on the suitability of a 5-year average for the GS 50-999 kW rate class. From 2017 till 2021 (except 2019), the ratio is above the 10-year average that is used.
- c) As a scenario, please provide the forecasted kW that would result from using a five-year average kW to kWh ratio for the GS 50-999 rate class.

3-Staff-56
Load Growth
Ref: Load Forecast

Question(s):

- a) Has EV penetration been factored into load growth expectation over the forecast period?
- b) Has Milton Hydro developed a load forecast specifically for EV growth?

3-Staff-57
Load Forecast Model
Ref: Exhibit 3, pages 9 and 14-17
Load Forecast Model, Historic CDM Tab
Load Forecast Model, CDM Forecast Tab
IESO 2021-2024 CDM Framework Program Plan
IESO 2021 Annual Planning Outlook Demand Forecast Module Data
IESO 2019-2020 Interim Framework Results (appendix)

Preamble:

Milton Hydro describes how it has accounted for CDM in its load forecast, by accounting for the impacts of historic CDM in its regression forecast (section 3.3.1), and by proposing a CDM adjustment based on the forecast impact of CDM activities between 2023 and 2027 in its service territory (section 3.5). Milton Hydro's CDM adjustment estimates CDM savings based on the IESO's 2021-2024 CDM Framework Program Plan and a growth rate in CDM activity for the 2025-2027 period taken from the Achievable Potential Study.

Question(s):

- a) Do the CDM savings shown in the “Historic CDM” tab include CDM savings for programs completed by the IESO under the Interim CDM Framework between March 31, 2019 and December 31, 2020 (the savings shown in the appendix to the IESO’s 2019-2020 Interim Framework results) in its “Historic CDM” variable?
- b) If not, please clarify Milton Hydro’s rationale for excluding these savings from the “Historic CDM” variable, but including savings from IESO programs in the proposed CDM adjustment for the 2023-2027 period.
- c) Please provide Milton Hydro’s rationale for accounting for the persisting impact of historic CDM in the 2023 test year using the persistence of historic CDM savings in the 2023 year alone (as shown in the “Historic CDM” tab), i.e., not accounting for persistence impacts from 2023 to 2027 of historic programs, yet using the average annual impact between 2023-2027 (as shown in the “CDM Forecast” tab) to calculate the proposed manual CDM adjustment for new CDM activity.
- d) The IESO’s 2021 Annual Planning Outlook Demand Forecast Module Data (released January 2022) provides updated estimates of the expected persisting CDM savings in each of 2023 to 2027 from the 2021-2024 CDM Framework (Figure 17) and a potential future longer-term CDM Framework (Figure 18). Has Milton Hydro considered using these values to calculate its proposed CDM adjustment? If Milton Hydro has considered and rejected using these values, please indicate why Milton Hydro’s proposed sources for CDM savings estimates are preferred.

Exhibit 4 – Operating Expenses

4-Staff-58

2022 Bridge Year Actual

Ref: Appendix 2-JC

Question(s):

- a) Please update actual OM&A costs for 2022 bridge year in Appendix 2-JC format. Please specify how many months are actual vs. forecast.

4-Staff-59

Inflation

Ref: Exhibit 4, page 9 of 166

Question(s):

- a) Please explain Milton Hydro's current assessment of inflation and clarify if the recent volatility in inflation has any impact on Milton Hydro's proposed capital expenditures and OM&A for the 2023 test year.

4-Staff-60

Wages, Salaries, Progressions and Benefits

Ref: Exhibit 4, page 16 of 166

Preamble:

Wages, salaries, progressions and benefit is the largest contributor of the cost drivers in OM&A increase from 2016 OEB-approved level to the 2023 proposed budget (\$3,447,418).

Question(s):

- a) Please explain whether the proposed budget for the six system operators and one supervisor for the new control room was included in the wages, salaries, progressions and benefits increase.
- b) Please provide a breakdown to show how much of the increase is driven by increase in FTEs and how much is driven by increase in compensation.

4-Staff-61

Regulatory Cost

Ref: Exhibit 4, page 78 of 166

Preamble:

Milton Hydro budgeted an on-time cost of \$766,415 for the preparation of the 2023 cost of service application, and \$158,000 for the OEB annual assessment.

Question(s):

- a) Please explain the assumptions used for the \$766,416 one-time regulatory cost for the 2023 cost of service proceeding (e.g., how many intervenors, written or oral hearing).
- b) Please explain the basis for the OEB annual assessment proposed for the 2023 test year.

4-Staff-62

Summary of FTE Changes

Ref: Exhibit 4, page 109 of 166

Question(s):

- a) Please provide a breakdown of FTEs from 2016 approved to 2023 test year by department (e.g., Engineering, Billing, Customer Service, Finance, IT, etc.) and job title.

4-Staff-63

New and Eliminated Roles

Ref: Exhibit 4, page 110 of 166

Question(s):

- a) How many of these 10 added roles budgeted for 2022 bridge year have been filled so far? Please provide the date that each position was filled.
- b) Please explain Milton Hydro's internal process of approving new positions.

4-Staff-64

Process Improvement Officer

Ref: Exhibit 4, page 115 of 166

Question(s):

- a) Is Milton Hydro aware of any peer distributors who have a dedicated position for Process Improvement?
- b) Is this a permanent position?

4-Staff-65

Compensation Benchmarking

Ref: Exhibit 4, page 123 of 166

Question(s):

- a) Has Milton Hydro done any compensation benchmarking study for its management positions? If so, please provide a copy.

4-Staff-66

Management & Non-Union Professional Salary Band Increase

Ref: Exhibit 4, page 127 of 166

Question(s):

- a) Please expand Table 4-59 to provide the forecast increase for 2022 and 2023.

4-Staff-67

Affiliated Companies

Ref: Exhibit 4, page 131 of 166

Question(s):

- a) Does any of the two affiliated companies have its delegated staff? If so, please specify the number of employees for each affiliate company.
- b) Please clarify if employees of these affiliated companies work at 200 Chisholm Drive.
- c) Please clarify if the affiliated companies provide any services to Milton Hydro. If so, please explain the service(s) provided and provide associated historical (2016-2021) and forecast (2022-2023) costs.

4-Staff-68

PILs

Ref: Exhibit 4, page 153 of 166

Question(s):

- a) Please explain the difference on PILs shown in Table 4-75 (\$502,825) and in RRWF (\$684,115).

4-Staff-69

Control Room

Ref: Exhibit 4, Attachment 4-1, Business Case: 24/7 System Control Room, page 2 of 18

Preamble:

Milton Hydro plans to construct a control room within its facilities in 2022, along with the hiring and training of two control room operators. Late in 2022, four additional operators will be recruited to start in January 2023.

Question(s):

- a) Has Milton Hydro gone through an RFP process and selected a vendor for the construction? If so, who is the selected vendor?
- b) What's the estimated cost provided by the selected vendor for the construction?
- c) Has Milton Hydro started the construction of the control room? If so, how much has been spent so far? When will the construction be completed?
- d) How many of the six operators were hired so far?
- e) Why does Milton Hydro plan to hire two control room operators first and four additional operators later?
- f) Is the supervisor a new position planned for the control room? Is this position reflected in Table 4-49?

4-Staff-70

Control Room

Ref: Exhibit 4, Attachment 4-1, Business Case: 24/7 System Control Room, page 3 of 18

Preamble:

Since 2017, Milton Hydro entered into agreement with Burlington Hydro to provide control room functions. Burlington Hydro has provided control room services during regular business hours and ad hoc support after hours depending on operator availability.

Question(s):

- a) Please explain if Milton Hydro has experienced any problems with its practice of outsourcing control room functions from Burlington Hydro since 2017. If so, please describe the issue(s) and explain Milton Hydro's actions of addressing these issues and associated costs, if any.
- b) Has Milton Hydro ceased its agreement with Burlington Hydro to outsourcing its control room service? If so, please specify when.
- c) What's Milton Hydro's current approach of dealing with control room functions before new facilities are constructed? Where is the temporary location to house control room equipment?

4-Staff-71

Control Room

Ref: Exhibit 4, Attachment 4-1, Business Case: 24/7 System Control Room, page 4 of 18

Preamble:

Milton Hydro reviewed its peers, distributors with more than 30,000 customers, and whether they have an in-house system control room.

Question(s):

- a) Please explain which ones are 24/7 control room, and which ones are not.
- b) Is Milton Hydro aware of how many operators are required for each utility?
- c) Please add information for Burlington Hydro and Oakville Hydro to the table.

4-Staff-72

Control Room

Ref: Exhibit 4, Attachment 4-1, Business Case: 24/7 System Control Room, page 13 of 18

Question(s):

- a) Please explain the difference between the annual operating costs shown in Table 3 (\$1,586,275) and the budget proposed for the control room service program (\$1,155,897) for the 2023 test year.

4-Staff-73

Control Room

Ref: Exhibit 4, Attachment 4-1, Business Case: 24/7 System Control Room, page 14 of 18

Preamble:

To properly assess the outsourcing alternative, Milton Hydro issued an RFP for an updated SLA based upon the drivers identified in the Investment Needs and the requirement for 24/7 coverage. The RFP was issued to three utilities: Burlington Hydro, Oakville Hydro and Oshawa Hydro.

Question(s):

- a) Please describe responses to the RFP from the three utilities - Burlington, Oakville, and Oshawa and explain Milton Hydro's evaluation of these responses (e.g., scores for each response).
- b) Please explain why these responses did not satisfy Milton Hydro's investment needs and requirements identified in the updated SLA.

4-Staff-74

Control Room

Ref: Exhibit 4, Attachment 4-2, AESI Report, pages 6-7 of 41

Preamble:

AESI described utility's utilization of the SCADA system and a control room for small, medium and large utilities.

Question(s):

- a) In accordance with AESI's classification, a 24/7 control room is required for a large utility, but not a medium one. Please discuss how Milton Hydro justifies its needs for a 24/7 in-house control room given its current customers of approximately 42,000.

4-Staff-75

Resource Plan

Ref: Exhibit 4, Attachment 4-3, Resource Optimization Review Report, pages 2 and 53

Question(s):

- a) Please explain why the report did not include a validation through an internal audit process.
- b) Please explain why this review did not include executive level.
- c) Please explain the difference between the 51 FTEs reported in the 2020 yearbook and the 55.3 FTEs presented in Appendix 2-K.

4-Staff-76

Lost Revenue Adjustment Mechanism

Ref: LRAMVA Workform, Tab 5

Preamble:

OEB staff has identified what are believed to be several minor errors in the 2023 LRAMVA Workform related to Milton Hydro's modification of the form to cover the 2021 and 2022 years. The errors identified are as follows:

- Cell AM1335: Does not include the amount of \$682.99 in cell AM1334
- Cell AM1361: Does not include the amount of \$702.02 in cell AM1360
- Cell D1346 and Cell O1346: Table 5-h should only include columns for the years 2022 onwards, and all savings values in the "Actual CDM Savings in 2022" should be zero.

Question(s):

- a) Please update and file a revised version of the LRAMVA Workform as necessary, or provide a response if Milton Hydro believes any of the errors identified by OEB staff are incorrect.

4-Staff-77

Taxes/PILS

Ref: Exhibit 4, page 153

Preamble:

Milton Hydro indicated the impact of a Tax/PILS audit for the tax years 2015 & 2016 was due to timing differences resulting from improper asset classification.

Question(s):

- a) Please explain how these issues impact the UCC and CCA in the test year.
- b) Please quantify the impact to the test year PILs, if any.

4-Staff-78

CCA Calculation

Ref: Exhibit 4, page 156

Preamble:

Milton Hydro provided table 4-78 for the accelerated CCA smoothing adjustment of \$773,420.

Question(s):

- a) Please provide the schedule 8 CCA calculation for the "Accelerated CCA – no phase out" of \$3,149,998.
- b) Please provide the schedule 8 CCA calculations for "Accelerated CCA – phased out 2024 to 2027".

Exhibit 5 – Cost of Capital and Capital Structure

5-Staff-79

Long-term Debt

Ref: Exhibit 5, page 7 of 17

Preamble:

In 2022, Milton Hydro retired the promissory note with the Town of Milton and will engage TD Bank to finance the promissory note with a long-term debt facility in 2022. At the time of Application, the lending rates from TD Bank were not available. Milton Hydro has used the OEB's current long-term debt rate of 3.49% as an estimate of the interest rate.

Question(s):

- a) Please provide an update of this – have Milton Hydro secured lending rates from the TD Bank for the two long-term debt instruments. If so, please specify the lending rates.
- b) If agreements with TD Bank won't be finalized before the Decision stage of this proceeding, does Milton Hydro plan to update the rates per OEB's deemed long-term debt rate for 2023 rates?

Exhibit 7 – Cost Allocation

7-Staff-80

Services Weighting Factor

Ref: Exhibit 7, page 4

Preamble:

Milton Hydro states that all customer classes > 50 kW install and pay for their own services. It also states that all customer classes other than Residential and General Service < 50 kW have a weighting factor of zero.

Question(s):

- a) Please confirm that all unmetered rate classes (Street Light, Sentinel, and Unmetered and Scattered Load) also provide their own connections, or explain why these shouldn't have a weighting factor above zero.

7-Staff-81

Meter Cost

Ref: Exhibit 7, page 5

Cost Allocation Model, Sheet I7.1 Meter Capital

Preamble:

Demand meters, with and without IT are used for a total of 2,284 connections.

Three different types of smart meters are used, general smart meters, as well as specific types for central metered and network.

Question(s):

- a) Do the demand meters used have the capability of Metering Inside the Settlement Timeframe (MIST), or some similar interval capability?
 - i. If not, how is Milton Hydro positioned to know hourly usage of its customers?
- b) Are the various types of smart meters deployed meet connected customer needs (i.e., the characteristic of the metered customer necessitates the specific meter used) or are the types of smart meters deployed to meet system needs.
- c) What factors dictate which type of smart meter is used for a given customer?

7-Staff-82

Load Profiles

Ref: Exhibit 7, page 7

Load Forecast Model, Sheet Demand Data

Cost Allocation Model, Sheet I8 Demand Data

Preamble:

The Demand allocators used in the cost allocation model were scaled by the change in energy forecast from 2016 to 2023 for each rate class.

Milton Hydro confirms that it plans to update its load profiles the next time a cost allocation model is filed.

Question(s):

- a) Does Milton Hydro have the 2004 load profiles prepared by Hydro One for the 2006 Cost Allocation Informational Filing, or any more recent load profiles underpinning the demand allocators used in the 2016 cost allocation model?
- b) If load profiles are available, please explain why the demand allocators were scaled rather than the load profiles.
- c) If load profiles are available, please provide a scenario where the load profiles are scaled based on the forecasted energy use by class, and demand allocators are derived from those load profiles.
- d) Has Milton Hydro verified that it has or will have the required data available to perform the load profiles at that time?
- e) If part a) cannot be confirmed, will Milton Hydro commit that at the conclusion of this proceeding it will:
 - i. Verify that the required data is available or
 - ii. Take measures to ensure that it is available.

7-Staff-83

Load Profiles

Ref: Exhibit 7, page 10

Exhibit 8, page 16

Preamble:

Milton Hydro states that it proposes to implement the Sentinel Light rate class change over two years. The Sentinel Light rate class has a 76.93% status quo revenue to cost

ratio, the proposal reflects a reduction to 73.48% in 2023 followed by an increase to 80% in 2024. This results in a 9.7% total bill increase in 2023.

Question(s):

- a) As scenarios, please provide the total bill increases that would result from
 - i. leaving the revenue to cost ratio at the status quo level in 2023
 - ii. increasing the revenue to cost ratio to 80% in 2023

- b) Has Milton Hydro considered other options for mitigating the bill impact other than reducing the revenue-to-cost ratio further below bottom of the policy range in 2023? Please describe any approaches considered and why they were rejected.

Exhibit 8 – Rate Design

8-Staff-84

Fixed/Variable Charges

Ref: Exhibit 8, Pages 4-6

Cost Allocation Model Sheet O2 Fixed Charge | Floor | Ceiling

Preamble:

The proposed fixed and variable charges reflect maintaining the existing fixed to variable proportions. This results in fixed charges increasing for all rate classes, including the GS 50 – 999 kW, GS 1,000 – 4,999 kW, Large Use, and Street Lighting rate classes. The fixed charges for these rate classes are already above the Minimum System with Peak Load Carrying Capability Adjustment from the cost allocation model, commonly referred to as the ceiling.

Question(s):

- a) Please explain why Milton Hydro is proposing to increase fixed charges for all rate classes, including those where the existing charges are above the ceiling.

- b) As a scenario, please provide the variable charge that would result from maintaining the fixed charges at their current levels for these rate classes.

8-Staff-85
Minimum Distribution Charge
Ref: Exhibit 8, page 8

Preamble:

Milton Hydro has a Minimum Distribution charge.

Question(s):

- a) Please indicate how much revenue has been collected from each rate class through this charge for each year from 2017 to 2021, and how much is forecasted for 2022 and 2023.
- b) Please indicate which USoA account the revenue is tracked in.
- c) What measures, if any, has Milton Hydro taken in the cost allocation model to ensure that the revenue collected from this charge is allocated to the rate classes paying this charge?

8-Staff-86
Minimum Distribution Charge
Ref: RTSR Workform, sheet 4. UTRs and Sub-Transmission
EB-2021-0048, Decision and Order, Tariff of Rates and Charges

Preamble:

The Host RTSR Network Service Rate for Oakville Hydro is entered as \$3.3469 / kW for 2022 and 2023. Oakville Hydro's 2022 tariff indicates \$3.4869 / kW for this charge in the GS > 1,000 kW rate class.

Question(s):

- a) Please provide the appropriate reference or derivation for the Oakville Hydro RTSR Network Service Rate applicable to Milton Hydro.

8-Staff-87

Low Voltage

Ref: Exhibit 8, pages 10-12

Preamble:

Milton Hydro notes that LV payments to Hydro One are forecast to decline as payments to Oakville Hydro are forecast to increase. A reason for the increased usage is given in Milton's regional growth plan.

The usage at Oakville Hydro is forecasted to increase to 250,303 kW in 2023, at a cost of \$903,444 (\$3.6094 / kW). At the same time, usage of Hydro One is decreasing to 195,690 kW at a cost of \$536,661 (\$2.7424 / kW).

Question(s):

- a) Please provide the monthly usage for both Oakville Hydro and Hydro One from January 2021 until the most current available information in 2022.
- b) Please explain why the usage is forecasted to decrease at Hydro One as it increases at Oakville Hydro.

8-Staff-88

Loss Factor

Ref: Exhibit 8, page 13

EB-2021-0042, Decision and Rate Order

Preamble:

The proposed loss factor of 1.0385 reflects an increase from the current approved loss factor of 1.0375. As Milton Hydro notes, this is below the 5% threshold.

Question(s):

- a) Does Milton Hydro have any insights into the cause of the increase in losses?

Exhibit 9 – Deferral and Variance Accounts

9-Staff-89

Account 1525 Miscellaneous Deferred Debits

Ref: Exhibit 9, page 4

DVA Continuity Schedule, Tab 2b. Continuity Schedule

Preamble:

Milton Hydro stated that:

As per Group 2 DVA continuity schedule of the DVA Continuity Schedule model, Milton Hydro is not requesting to dispose of the balance in Account 1525 - Miscellaneous Deferred Debits in this Application. This account is being used to record the one-time rate application preparation costs incurred in 2021, 2022, and 2023. The balance of this account will be amortized over 5 years commencing in 2023 consistent with how Milton Hydro is recovering the one-time costs to prepare this rate application.

Milton Hydro also recorded \$218,142 transaction debit during 2021.

Question(s):

- a) Please clarify whether the cost of \$218,142 is incurred over one year or three years.
- b) Please confirm that this account is used to track the regulatory costs.

9-Staff-90

RRR Balances

Ref: Exhibit 9, page 5, 7, 10

Preamble:

On page 5 of Exhibit 9, Milton Hydro stated that:

Milton Hydro Distribution has not filed its RRR balances with the OEB at the time of filing this rate application, so it has used the Audited Account Balances under Modified IFRS as the OEB RRR 2.1.7 Trial Balance amounts.

On page 7 of Exhibit 9, Milton Hydro provided a reconciliation between DVA Balances and Audited Account Balances in Table 9-2.

On page 10 of Exhibit 9, Milton Hydro stated that:

Milton Hydro has adopted the standard OEB model and has not made any edits or changes to the model, except that it has used its Trial Balance amounts that underpin its audited Financial Statements in place of the RRR 2.1.7 Trial Balance amounts as Milton Hydro is filing its Application before the RRR filing deadline.

Question(s):

- a) Given that RRR 2.1.7 trial balance has been filed, please provide an updated Table 9-2 for a reconciliation between DVA Balances and RRR 2.1.7.
- b) Please also provide an updated DVA continuity schedule by updating the Column BV on Tab 2a and Tab 2b using the 2021 RRR 2.1.7 balances.

9-Staff-91

Account 1508 Sub-account Pole Attachment Revenue Variance

Ref: Exhibit 9, page 14

Preamble:

Regarding Account 1508 - Other Regulatory Assets, Sub-account Pole Attachment Revenue Variance, Milton Hydro stated that:

Milton Hydro is forecasting activity in this account in 2022 of \$153,615 for the variance between forecast pole attachment other revenue billed of \$353,399 vs pole attachment other revenue at the approved pole rental rate of \$199,784.

Question(s):

- a) Please provide a detailed calculation showing the pole attachment rates multiplied by number of forecasted poles in 2022 to support the \$353,399 and \$199,784.
- b) Please provide the assumption of the forecasted numbers of poles in 2022.

9-Staff-92

Account 1592 Sub-account CCA Changes

Ref: Exhibit 9, page 20

Question(s):

- a) Please provide the calculation for the Account 1592 annual entries on both of the following bases:

- i. The difference in CCA between the calculations embedded in Milton Hydro's rates and what that calculation would have been had the Accelerated Investment Incentive Program (AIIP) rules been applied in its last rebasing application (i.e. based on approved capital additions)
 - ii. The difference in CCA between the annual amounts claimed and what the claims would have been had the AIIP program not been introduced (i.e. based on actual capital additions in the year).
- b) Please confirm that the balance requested for disposition is 100% of the impact from accelerated CCA. If not confirmed, please explain why Milton Hydro is proposing to share the impact from accelerated CCA with ratepayers.

9-Staff-93

Account 1592 Sub-account CCA Changes

Ref: Exhibit 9, page 20

Preamble:

Milton Hydro indicated:

Milton Hydro is proposing to dispose of the forecasted balance to the end of 2022 with the understanding that once actual costs are known, it will come forward with an application in its 2024 IRM rate proceeding to dispose of any differences between the forecasted amount and the actual cost.

Question(s):

- a) Please explain how the 2022 forecast amount were determined and how the actuals to date compare to the forecast.
- b) Please confirm Milton Hydro will only bring forward for disposition differences between the forecasted amounts and the actual cost based if they exceed the materiality threshold.